

## **Form ADV, Part 2A: Firm Brochure**

March 21, 2014

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This brochure provides information about the qualifications and business practices of Green Tree Investment Management, LLC (“GTIM”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“CCO”), Erin Brandt at (651) 293-3573 or email [erin.brandt@gtinvestmentmanagement.com](mailto:erin.brandt@gtinvestmentmanagement.com). 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 GTIM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Unless otherwise indicated, the term “GTIM” is broadly used within this brochure to refer to the entire enterprise and not to a specific legal entity.

## Item 2: Material Changes

GTIM is required to identify and discuss any material changes made to its brochure since the last annual brochure update. No material changes have been made to the brochure since the last annual brochure update, which was dated March 18, 2013.

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## Item 4: Advisory Business

GTIM is organized as a limited liability company under the laws of the State of Delaware and was founded in 2008. GTIM is a subsidiary of Green Tree Credit Solutions, LLC and GTCS Holdings, LLC (“GTCS Holdings”). Walter Investment Management Corp. (“Walter Investment”) acquired GTCS Holdings in July 2011. Walter Investment is a publicly traded company with the ticker symbol WAC.

GTIM provides advisory services to pooled investment vehicles, (collectively the “Funds”). The Funds are organized in a single master-feeder structure, with onshore and offshore feeder funds that invest substantially all of their assets in the master fund.

GTIM serves as the sub-adviser to an unaffiliated investment manager (“Investment Manager”) which serves as the primary investment adviser to the Funds. Within each Fund structure (except for the offshore feeder) is a designated general partner (the “General Partners”). The General Partner of the onshore feeder is jointly owned and controlled by GTIM and the Investment Manager. The master fund has two General Partners, one controlled by GTIM and one controlled by the Investment Manager. GTIM and the Investment Manager each control 50% of the

Management Shares of the offshore feeder. Unless and only to the extent that the context otherwise requires, references to GTIM include the General Partner(s).

GTIM is responsible for assisting Investment Manager with respect to the management of the Funds and decisions regarding the Funds' acquisition and disposition of its investments. Together, GTIM and Investment Manager have established an investment committee (the "Investment Committee") for the Funds. The Investment Committee is made up of both voting and non-voting members that are appointed in equal numbers by Investment Manager and GTIM. The Investment Committee establishes and monitors its designated Fund's strategy and approves investment purchase and sale decisions regarding that Fund's assets. Certain investment transactions may be executed by investment staff at Investment Manager and GTIM, without the specific consent of the Investment Committee, subject to the restrictions identified in each respective Fund's confidential private offering memorandum or confidential explanatory memorandum.

Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds (the "Investors" or "Limited Partners"). GTIM manages the assets of the Funds in accordance with the terms of each Fund's confidential private offering memorandum or confidential explanatory memorandum, individual limited partnership or shareholder agreements and other governing documents applicable to each Fund (the "Governing Documents").

The Governing Documents of each Fund identifies the type of securities or other investment instruments in which the vehicle will invest and any investment restrictions or limitations with respect to these securities. The Funds generally invest in equity and debt securities including securities, loans, loan strips, servicing rights and/or interests of a securitization or in a special purpose vehicle backed by (1) residential and/or commercial mortgage whole loans, (2) commercial loans, the underlying obligors of which are residential mortgage or consumer finance companies, (3) consumer loans, (4) residential and/or commercial asset backed securities, (5) collateralized debt obligations, and/or (5) derivatives, including credit default swaps and total return swaps.

GTIM provides diligence services ("Diligence Services") on an as requested basis, to affiliates or other third parties, including valuation services with respect to consumer loan portfolios and businesses and financial assets. GTIM also provides consulting services ("Consulting Services") to entities associated with an unaffiliated investment adviser on behalf of an affiliate of GTIM. In providing Consulting Services and Diligence Services, GTIM does not have the authority to, or otherwise play a role in, the implementation of any recommendations or conclusions found in reports provided by GTIM.

As of December 31, 2013, GTIM managed \$444,884,249 on a discretionary basis on behalf of 3 clients.

## Item 5: Fees and Compensation

### Advisory Fees

The Funds pay annual investment management fees ranging from 1.5 to 2% per annum. The Investment Manager or its affiliates deduct management fees from the Funds and pays GTIM 50% of such fees. The management fees are payable quarterly in arrears and typically based upon total capital contributions (less any distributions of capital previously made) in accordance with the Governing Documents. The General Partners and their affiliates reserve the right to waive or reduce management fees for certain Investors, including their employees, a limited number of strategic partners, advisors and consultants, and others as determined in their sole discretion.

### Performance Fees

The Funds pay performance fees based on investment profits and such fees are generally allocated to the capital account of the applicable General Partners. The Governing Documents describe the calculation of such performance fees in greater detail and the precise terms may vary by Fund. Generally, however, 20% of the investment profits of the respective Fund is allocated as performance fees to the respective General Partner with a preferred return of 8% per annum before performance fees are charged to the Investors. Once the preferred return has been realized by the Investor, the General Partner's performance fees catch up until such time as the performance fees are equal to 20% of the Fund profits (e.g., Limited Partners receive the first 8%, the General Partner receives the next 2% and thereafter the returns are split 80/20 between the Limited Partners and the General Partner). Performance fees are subject to a clawback, in which the General Partner would repay the Funds in the event that performance fees were charged in excess of the performance fee for which the General Partner was entitled. This could result through administrative error or in the event that performance fees are paid and then subsequent portfolio returns require an adjustment to the historical performance fee. As is the case with management fees, the General Partners and their affiliates reserve the right to waive or reduce performance fees for certain Investors, including their employees, a limited number of strategic partners, advisors and consultants, and others as determined in their sole discretion.

### Administrative Expenses

The Funds bear administrative expenses incurred including (1) fees and expenses of the Funds' custodian and administrator; (2) expenses relating to the purchase (including due diligence costs in respect of consummated and unconsummated transactions), maintenance and administration of investments, including but not limited to expenses incurred by or on behalf of Investment Manager and GTIM relating to (i) any reviews, amendments or waivers of documents related to investments by outside counsel, (ii) employing outside lawyers or consultants in connection with making, restructuring, holding or selling any investments, (iii) travel and out-of-pocket expenses of GTIM, Investment Manager and their respective agents, including reasonable expenses associated with exercising observation rights (including through a representative), (iv) research and analysis expenses, including but not limited to pricing services retained by GTIM, the Investment Manager and their affiliates and (v) all other extraordinary expenses of the Investment Manager and GTIM specified in the investment advisory agreements (or equivalent), respectively; (3) expenses incurred in connection with general business operations of the Funds, including legal fees and expenses, fees of the Funds' accountants and any indemnities arising out of agreements entered into by the Funds; (4) the feeder funds' pro rata share of the master fund's expenses; and

(5) fees charged by the Investment Manager, for middle office and analytic support, which fees have a cap of 0.10% per annum of the net assets of the master fund (measured as of the last day of the fiscal year) prorated for any period less than a full year. Administrative expenses are separate and distinct from the investment management fee described above.

#### Issuance Expenses

The Funds are responsible for issuance expenses including legal, tax, accounting, and other organizational expenses incurred in connection with the formation of the Funds and related entities.

#### *Consulting Services*

GTIM receives a payment equal to GTIM's internal costs to provide the Consulting Services (does not include third-party out-of-pocket costs incurred in providing the services) plus an additional 15% per hour for each supervised person that works on Consulting Services matters.

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

As described above, GTIM receives performance-based compensation, which is calculated based on the profits generated on the sale or disposition of Fund assets. The fact that GTIM's compensation is directly computed on the basis of profits generated by the sale or disposition of Fund assets may create an incentive to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

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

GTIM provides management and advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the underlying Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for an Investor is outlined in the Governing Documents. The Funds historically required a \$5 million minimum investment, but are no longer open for investment; the General Partner of each respective Fund historically maintained the discretion to accept less than the minimum investment threshold.

Investors are required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, and "qualified purchasers" within the meaning of Section 2(a)(51) of the Investment Company Act of 1940.

The Funds have entered into, and may in the future enter into, agreements ("Side Letters") with certain prospective or existing Investors whereby such Investors are subject to terms and conditions that are more advantageous than those set forth in the Governing Documents. The Funds may enter into Side Letters based on, among other things, the size of an Investor's investment in the Funds, an agreement by an Investor to maintain such investment in the Funds

for a significant period of time, or other similar commitments by an Investor to the Funds. Terms and conditions may provide for special rights to make future investments in the Funds; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions); special consent rights regarding amendments to the Governing Documents and such other rights as Investors may negotiate.

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

The Funds' principal investment objective is to make direct or indirect investments primarily in a diversified portfolio of eligible investments. As described in Item 4, the Funds generally invest in equity and debt securities including securities, loans, loan strips, servicing rights and/or interests of a securitization or in a special purpose vehicle backed by (1) residential and/or commercial mortgage whole loans, (2) commercial loans, the underlying obligors of which are residential mortgage or consumer finance companies, (3) consumer loans, (4) residential and/or commercial asset backed securities, (5) collateralized debt obligations, and/or (5) derivatives, including credit default swaps and total return swaps.

### Associated Risks

All investing involves a risk of loss and the Funds and their underlying Investors could lose money over short or even long periods. An investment in the Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated Investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that Investors will receive a return of their capital.

The descriptions contained below are a brief overview of different market risks related to GTIM's investment strategy, but are not intended to serve as an exhaustive list or comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. Investors should review the risks listed in the Funds' Governing Documents prior to investing.

### Early Withdrawal

A withdrawal by an Investor may require the liquidation of all or some of the investments more rapidly than would otherwise be desirable, and could adversely affect future distributions to the Investors. Withdrawal proceeds will be based upon a determination by the applicable General Partners of the net asset value of the Fund. This determination will be based upon unaudited data and may not accurately reflect the true value of the Fund's portfolio. A significant withdrawal of capital from the Fund may cause a temporary imbalance in the Fund's portfolio, resulting in lower net assets for the remaining Investors and a lower withdrawal price for the withdrawing Investors.

### Lack of Liquidity of Fund Assets

The Funds' assets will, at any given time, include securities and other financial instruments or obligations which are not publicly traded, very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. Real estate-backed

loans and asset-backed securities are generally less liquid than other types of securities (i.e., stocks or bonds). The sale of any such investments may be possible only at substantial discounts and, in certain circumstances, the Funds may suspend withdrawals due to market conditions affecting the ability to sell assets. In light of the foregoing, investment in the Funds should be considered only by an Investor financially able to maintain its investment for a substantial period of time and who can afford a loss of a substantial part of its investment.

#### Limited Diversification

In the normal course of making investments, the Funds will generally be concentrated within the mortgage credit sector. In addition, it is possible that the applicable Investment Committee may select investments that are concentrated in a limited number or type of financial instruments or assets. Such concentration of risk may increase losses suffered by the Funds or reduce the ability to hedge exposure and to dispose of depreciating assets. Limited diversification could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments or assets.

#### Risks Related to Asset-Backed Securities

A portion of the Funds' investments may be asset-backed securities. The Funds will be exposed to the risk of asset-backed securities both indirectly through investment in collateralized debt obligation ("CDO") securities that are backed by asset-backed securities ("ABS CDOs") and directly through investment in asset-backed securities. The investment characteristics of asset-backed securities differ from those of traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. Credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support asset-backed securities. However, there can be no assurance that innovation in the relevant markets will not transform asset-backed securities by adding new classes of assets, new structures or other features not now familiar in the asset-backed markets.

Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, asset-backed securities are often backed by unsecured receivables. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in asset-backed securities is ultimately dependent upon payment of consumer loans by the debtor.

Additional risks regarding investments in asset-backed securities are further described in the Funds' Governing Documents.

#### Risks Related to Residential Mortgage-Backed Securities ("RMBS")

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. Additional risks regarding investments in RMBS are further described in the Funds' Governing Documents.

#### Concentration Risk

CDOs may invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related ABS CDO securities (the related CDO equity tranches in particular) to a greater degree of risk with respect to defaults by such obligor, and the concentration of a portfolio in any one industry would subject the related ABS CDO securities (and the related CDO equity tranches in particular) to a greater degree of risk with respect to economic downturns relating to such industry.

#### Risks Related to Commercial Mortgage-Backed Securities ("CMBS")

Collateral underlying CMBS (together with RMBS, "MBS") generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage properties. While the Funds expect to be exposed to the risk of CMBS primarily through ABS CDO securities backed in whole or in part by CMBS, the Funds may also invest directly in CMBS and in credit derivatives that reference CMBS. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS. Additional risks regarding investments in CMBS are further described in the Funds' Governing Documents.

#### Risks Related to Stripped Mortgage-Backed Securities

The Funds also may invest in securities backed by stripped mortgage-backed securities which are created by segregating the cash flows from underlying mortgage loans or mortgage securities to create two or more new securities, each with a specified percentage of the underlying security's principal or interest payments. Mortgage securities may be partially stripped so that each



investor class receives some interest and some principal. When securities are completely stripped, however, all of the interest is distributed to holders of one type of security, known as an interest-only security ("IO"), and all of the principal is distributed to holders of another type of security known as a principal-only security ("PO"). Strips can be created in a pass-through structure or as tranches of a collateralized mortgage obligation. The yields to maturity on IOs and POs are very sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Funds may not fully recoup their initial investments in IOs. Conversely, if the underlying mortgage assets experience less than anticipated prepayments of principal, the yield on POs could be materially and adversely affected.

#### Risks Related to ABS CDO Securities

ABS CDO securities are subject to credit, liquidity and interest rate risks. CDO equity tranches, CDO mezzanine tranches and distressed CDO senior tranches are highly leveraged investments in the related CDO collateral.

ABS CDO securities generally are limited recourse obligations of the related CDO payable solely from the related CDO collateral or proceeds thereof. Consequently, holders of ABS CDO securities must rely solely on distributions on the related underlying CDO collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO collateral are insufficient to make payments on the ABS CDO securities, no other assets will be available for payment of the deficiency, and following realization of the underlying assets the obligations of the CDO to pay such deficiency shall be extinguished.

CDO collateral may consist of loans, asset-backed securities, high yield debt securities and other instruments, which often are rated below investment grade (or of equivalent credit quality). High yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative.

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

Purchasers of loans are predominantly commercial banks, investment funds, mutual funds and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to

the borrower, the unique and customized nature of the loan agreement and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high yield debt market.

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

ABS CDO securities are subject to interest rate risk. The CDO collateral may bear interest at a fixed or floating rate while the CDO securities issued by such CDO may bear interest at a fixed or floating rate. As a result, there could be a floating/fixed rate or basis mismatch between such ABS CDO securities and CDO collateral which bears interest at a fixed rate ("Fixed Rate Assets"), and there may be a timing mismatch between the CDO securities and assets that are not Fixed Rate Assets ("Floating Rate Assets"). In addition, the interest rate on Floating Rate Assets may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the ABS CDO securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the ABS CDO securities. Although many CDOs attempt to hedge this interest rate risk, the hedges do not eliminate this risk and the hedges may significantly reduce the distributions on the CDO equity tranches, CDO mezzanine tranches and distressed CDO senior tranches.

#### Subordination of CDO Equity and Mezzanine Tranches and Distressed CDO Senior Tranches

ABS CDO securities will consist primarily of CDO equity tranches, CDO mezzanine tranches and distressed CDO senior tranches although the Funds may purchase CDO senior tranches on a temporary basis, as provided in the Funds' Governing Documents. CDO mezzanine tranches generally are fully subordinated to the related CDO senior tranches. CDO equity tranches generally are fully subordinated to the related CDO senior tranches and any related CDO mezzanine tranches. To the extent that any losses are incurred by a CDO in respect of its related CDO collateral, such losses will be borne first by the holders of the related CDO equity tranches, next by the holders of any related CDO mezzanine tranches and finally by the holders of the related CDO senior tranches. In such circumstances, a CDO will terminate all distributions on the CDO equity tranche before any reduction in the distributions on the related CDO mezzanine tranche and will terminate all distributions on the CDO mezzanine tranche before any reduction in the distributions on the related CDO senior tranches. In addition, if an event of default occurs under the applicable indenture, trust deed or other governing document, as long as any CDO senior tranches or CDO mezzanine tranches are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised thereunder. Remedies pursued by such holders

could be adverse to the interests of the holders of any related CDO mezzanine tranches and/or the holders of the related CDO equity tranches, as applicable.

The underlying documents governing a CDO equity tranche may cap the distributions on such CDO equity tranche; any such cap may limit amounts payable to the Funds if it holds such a CDO equity tranche.

#### Risks Related to Swaps

To the extent that the Funds invest in swaps, derivative instruments, repurchase agreements or other bilateral over-the-counter transactions the Funds may take a credit risk with regard to the counterparties to such transactions. These risks may differ materially from those entailed in exchange traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and regulations requiring segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default even in the absence of regulatory non-compliance. In cases where the over-the-counter transaction creates bilateral exposure, the Funds will be required to post initial margin to the counterparty, regardless of whether the counterparty has credit exposure to it. In other cases, where the Funds purchase an option, only the counterparty will have any obligation to perform in the future (and thus the Funds will always have exposure to the counterparty. Thus the Funds will likely always have credit exposure to the counterparty.

It is expected that all securities and other assets deposited with custodians or counterparties will be clearly identified as being assets (directly or indirectly) of the Funds, and hence the Funds should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be limitations associated with enforcing rights to the Funds' assets in the case of an insolvency of any such party. Additionally, in the case of certain regulated counterparties, such as US broker-dealers or futures commodity merchants, the segregation of deposited assets may be disregarded and the Funds could be exposed to the same risks as other customers whose assets were not so segregated. In valuing derivative instruments, it is anticipated that the Funds will typically rely on quotes or other information provided by counterparties.

In addition to credit risk, it is possible that to the extent that any derivative is entered into for hedging purposes, that the derivative may expose the Funds to losses. This could occur if the relationship between the hedge and the underlying position differs to that which was expected at inception. This could be true even if the mismatch was temporary in nature (since the mark to market loss on the combined position might force an unwind).

#### Risks Related to Credit Default Swaps

A portion of the Funds' investments may be in credit default swaps. The Funds will primarily enter into credit default swaps as a "buyer" but may also be a "seller". The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event in an asset-backed security credit default swap ("ABS CDS") means a failure to pay principal, a write-down and/or a distressed

ratings downgrade has occurred and in a CDO CDS a credit event may include a failure to pay interest in addition to the foregoing. If a credit event occurs, the seller typically is obligated to pay the contingent payment to the buyer, which is typically the full notional value of the reference obligation. The contingent payment may be payment of the face amount of the obligation in return for physical delivery of the reference obligation or cash settlement of the difference between the face amount of the obligation and its market value. Thus, if a credit event occurs and the Funds are a buyer of CDS, the Funds would expect to receive the full notional value of the underlying reference obligation. In the event that the Funds are a buyer of a CDS, and if no credit event occurs, the Funds will have made fixed payments and received nothing, and thus may incur losses. In the event the Funds are a seller of a CDS and a credit event occurs, the Funds may incur significant losses.

#### Risks Related to Synthetic Securities

A portion of the Funds' investments may consist of synthetic securities, the reference obligations of which are one or more collateral securities or other pools of financial assets (including credit default swaps). Investments in such types of assets through the purchase of synthetic securities present risks in addition to those resulting from direct purchases of such reference obligations. Under a synthetic security, the Funds will usually have a contractual relationship only with the counterparty of such synthetic security, and not the reference obligor on the reference obligation. The Funds generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation or any rights of set off against the reference obligor, nor will the Funds generally have any voting or other consensual rights of ownership with respect to the reference obligation. The Funds will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of a reference obligation. In addition, in the event of the insolvency of the counterparty of such synthetic security, the Funds will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the reference obligation. Consequently, the Funds will be subject to the credit risk of such counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities entered into with any one counterparty will subject the Funds to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

Through their investments in synthetic securities, the Funds will be exposed to the risks related to the reference obligations of such synthetic securities. The market value of a reference obligation will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry, the financial condition of the reference obligor (and the obligors of the securitized assets underlying a reference obligation that is collateral security) and the terms of the reference obligation. Adverse changes in the financial condition of reference obligors (and the obligors of the securitized assets underlying an asset-backed security), in general economic conditions or in both may result in a decline in the market value of a reference obligation. In addition, future periods of uncertainty in the United States economy and the economies of other countries in which reference obligors (and the obligors of the securitized assets underlying an asset-backed security) are domiciled and the possibility of increased volatility and default rates may also adversely affect the price and liquidity of reference obligations.

Many reference obligations will have no, or only a limited, trading market. Trading in fixed income securities in general, including asset-backed securities and derivatives thereon, takes place primarily in over-the-counter markets consisting of groups of dealer firms that are typically major securities firms. Because the market for certain asset-backed securities and derivatives thereon is a dealer market, rather than an auction market, no single obtainable price for a given instrument prevails at any given time. Not all dealers maintain markets in all asset-backed securities at all times. The illiquidity of reference obligations will restrict GTIM's and Investment Manager's ability to take advantage of market opportunities. Illiquid reference obligations may trade at a discount from comparable, more liquid investments. In addition, reference obligations may include privately placed securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed securities are transferable, the value of such reference obligations could be less than what may be considered the fair value of such securities.

Certain synthetic securities may consist of credit default swaps, giving the Funds credit exposure to a portfolio of reference obligations, some of which may be rated below-investment grade at the time they are included in a synthetic security. Ratings on such reference obligations may be downgraded or withdrawn after they are included in synthetic security.

#### Risks Related to Residential and Commercial Mortgage Whole Loans

Each commercial and residential mortgage pool will consist of individual mortgage loans. The mortgage loans may consist of single family loans, multifamily loans, commercial loans, and mixed-use loans, each as described below.

The single family loans will be evidenced by mortgage notes and secured by mortgages that, in each case, create a first or junior lien on the related mortgagor's fee or leasehold interest in the related mortgaged property. The related mortgaged property for a single family loan may be owner-occupied or may be a vacation, second or non-owner-occupied home. The single family loans may include cooperative apartment loans evidenced by a mortgage note secured by security interests in the related mortgaged property including shares issued by cooperatives and in the related proprietary leases or occupancy agreements granting exclusive rights to occupy specific dwelling units in the related buildings.

The multifamily loans will be evidenced by mortgage notes and secured by mortgages that create a first or junior lien on residential properties consisting of five or more dwelling units in high-rise, mid-rise or garden apartment structures or projects. The commercial loans will be evidenced by mortgage notes and secured mortgages that create a first or junior lien on commercial properties including office building, retail building and a variety of other commercial properties. The mixed-use loans will be evidenced by mortgage loans and secured by mortgages that create a first or junior lien on properties consisting of mixed residential and commercial structures.

The mortgage pool may contain mortgage loans secured by junior liens. The related senior lien, which may have been made at the same time as the first lien, may or may not be included in the mortgage pool as well. The primary risk to holders of mortgage loans secured by junior liens is

the possibility that adequate funds will not be received in connection with a foreclosure of the related senior liens to satisfy fully both the senior liens and the mortgage loan secured by a junior lien. In the event that a holder of a senior lien forecloses on a mortgaged property, the proceeds of the foreclosure or similar sale will be applied first to the payment of court costs and fees in connection with the foreclosure, second to real estate taxes, third in satisfaction of all principal, interest, prepayment or acceleration penalties, if any, and any other sums due and owing to the holder of the senior liens. The claims of the holders of the senior liens will be satisfied in full out of proceeds of the liquidation of the related mortgaged property, if the proceeds are sufficient, before the holder of the junior lien receives any payments in respect of the mortgage loan. If the master servicer or a servicer were to foreclose on a mortgage loan secured by a junior lien, it would do so subject to any related senior liens. In order for the debt related to the mortgage loan to be paid in full at the sale, a bidder at the foreclosure sale of the mortgage loan would have to bid an amount sufficient to pay off all sums due under the mortgage loan and the senior liens or purchase the mortgaged property subject to the senior liens. In the event that the proceeds from a foreclosure or similar sale of the related mortgaged property are insufficient to satisfy all senior liens and the mortgage loan in the aggregate, the holder of the junior lien, and, accordingly, holders of one or more classes of the securities of the related series bear (1) the risk of delay in distributions while a deficiency judgment against the borrower is sought, and (2) the risk of loss if the deficiency judgment is not realized. Moreover, deficiency judgments may not be available in some jurisdictions or the mortgage loan may be nonrecourse. In addition, a junior mortgagee may not foreclose on the property securing a junior mortgage unless it forecloses subject to the senior mortgages.

The commercial mortgage whole loans in which the Funds invest are secured by various types of income-producing properties, and there are certain risks that are generally applicable to loans secured by all of those property types. Commercial lending is generally thought to expose a lender to greater risk than residential lending because, among other things, it typically involves larger loans.

The repayment of commercial mortgage whole loans is typically dependent upon the ability of the applicable property to produce cash flow. Even the liquidation value of a commercial property is determined, in substantial part, by the amount of the property's cash flow (or its potential to generate cash flow). However, net operating income and cash flow can be volatile and may be insufficient to cover debt service on the loan at any given time.

A decline in the real estate market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short-term revenue sources (such as short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under mortgage loans secured by such properties.

Furthermore, if the debt service is scheduled to increase during the term of a loan pursuant to an increase in the mortgage interest rate, the expiration of an interest-only period or otherwise, there can be no assurance that the net cash flow at the property will be sufficient to pay the additional debt service and, even if it is sufficient, the requirement to pay the additional debt service may reduce the cash flow available to the borrower to operate and maintain the mortgaged property.

Non-residential mortgage loans also tend to have shorter maturities than residential mortgage loans and are generally not fully amortizing, which means that they may have a significant principal balance or “balloon” payment due on maturity. Mortgage loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon payment. The ability of a borrower to effect a refinancing or sale will be affected by a number of factors, including the value of the property, the level of available mortgage rates at the time of sale or refinancing, the borrower’s equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property.

Commercial mortgage loans are generally non-recourse to borrowers. In the event of foreclosure on a commercial mortgage loan, the value at that time of the collateral securing the mortgage loan may be less than the principal amount outstanding on the mortgage loan and the accrued but unpaid interest thereon.

Additional risks regarding investments in residential and commercial mortgage whole loans are further described in the Funds’ Governing Documents.

#### Risks Related to Commercial Loans

A portion of the Funds’ investments may consist of securities backed by commercial loans, the underlying obligors of which are residential mortgage and/or commercial mortgage whole loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions.

Commercial loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. The corporate loans included (or referenced) in a CDO security may be of a type generally incurred by the borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower’s creditworthiness is often judged by rating agencies to be below investment grade. Certain of the loans included (or referenced in) a CDO security may be subordinated to other obligations of the borrower. In order to induce the banks and institutional investors to invest in a borrower’s loan facility, and to offer a favorable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business, which is not generally available to the public. Because of the provision of confidential information, the unique and customized nature of a loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security and historically the trading volume in the loan market has been small relative to the high yield bond market.

Commercial loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on, and repayment of principal of, the loans. Such covenants may include restrictions on dividend

payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. A breach of covenant (after giving effect to any cure period) in a loan that is not waived by the lending syndicate normally is an event of acceleration that allows the syndicate to demand immediate repayment in full of the outstanding loan. Loans usually have shorter terms than more junior obligations and may require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities.

The majority of commercial loans bear interest based on a floating rate index, the certificate of deposit rate, a prime or base rate (each as defined in the applicable loan agreement) or other index, which may reset daily (as most prime or base rate indices do) or offer the borrower a choice of one, two, three, six, nine or twelve month interest and rate reset periods. The purchaser of a loan may receive certain syndication or participation fees in connection with its acquisition. Other fees payable in respect of a loan, which are separate from interest payments on such loan, may include facility, commitment, amendment and prepayment fees.

#### Valuation of Investments

The Funds' portfolios of investments will at any given time include securities or other financial instruments or obligations that are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. These investments may be extremely difficult to value accurately. In light of the foregoing, there is a risk that an Investor who withdraws all or part of its investment while one of the Funds holds such investments will be paid an amount less than it would otherwise be paid if the actual value of such investments is higher than the value designated by the applicable Fund. Similarly, there is a risk that such Investor might, in effect, be overpaid if the actual value of the investment is lower than the value designated by the applicable Fund.

Furthermore, because of the overall size of or concentration in particular markets of investments held by the Funds, the price at which the Funds are able to liquidate an investment may differ, sometimes significantly, from the value of such investment as calculated by Investment Manager and GTIM. The value of any security on any valuation date is intended to represent the liquidation value of such investment on such date and is Investment Manager's and GTIM's estimate of such value using the methodology stipulated by the Governing Documents. Any valuation of an investment may not reflect the actual amount received by the Funds upon the liquidation of such investment. In addition, the timing of liquidations of investments may also affect the prices obtained upon such liquidations. Third party pricing information may not be available for certain investments, and investments may trade with significant bid-ask spreads. The Funds are entitled to rely, without independent investigation, upon pricing information and valuations furnished to the Funds by third parties, including pricing services.

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

GTIM and its Supervised Persons have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's or Investor's evaluation of the company or its personnel.



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

Green Tree Servicing, LLC (“GT Servicing”) is affiliated with GTIM and provides third party servicing for residential mortgage, manufactured housing and consumer installment loans and contracts, and assists with asset receivable management by concentrating on collections after charge-offs and recovery of deficient balances after foreclosure sales and liquidation of bad debt. GT Servicing also has an originations business that provides home financings for both Green Tree Credit Solutions, LLC, Green Tree Servicing LLC borrowers, and third-party clients and also serves as a real estate broker. GT Servicing services a portion of the loans underlying the securities acquired by the Funds. GT Servicing may also service the collateral underlying certain asset-backed securities acquired by the Funds. The Investment Manager and GTIM have established a Servicer Oversight Committee which holds responsibility for ensuring that the servicing fee is negotiated on an arm’s length basis. The Servicer Oversight Committee is composed of several individuals including both voting and non-voting members. The voting members of the Servicer Oversight Committee are appointed by the Investment Manager and are unaffiliated with GTIM and GT Servicing. Non-voting members may be appointed by GTIM and include representatives of GT Servicing.

GTIM is also affiliated with Green Tree Agency Investments, LLC (“GTAI”), a nationwide licensed insurance agency that services customers’ needs for property and casualty, as well as life and health insurance products.

As mentioned in response to item 4, within each Fund structure (except for the offshore feeder) is a designated General Partner. The General Partner of the onshore feeder is jointly owned and controlled by GTIM and the Investment Manager. The master fund has two General Partners, one controlled by GTIM and one controlled by the Investment Manager. GTIM and the Investment Manager each control 50% of the Management Shares of the offshore feeder.

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

GTIM has adopted a written Code of Ethics (the “Code”) that is applicable to all Supervised Persons. Among other things, the Code requires GTIM and its Supervised Persons to act in the Funds’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and, in the case of Access Persons, pre-clear and report on many types of personal securities transactions. GTIM’s restrictions on personal securities trading apply to Access Persons and their family members who live in the same household. The CCO monitors Access Persons’ trading relative to the Funds’ trading in order to detect and prevent any potential concerns regarding Access Persons’ personal trading activities. A copy of GTIM’s Code is available upon request by calling the CCO at (651) 293-3573.

GTIM maintains a Watch List of Securities for which GTIM has noted the possibility of potential conflicts of interest. The CCO compiles and maintains this list of securities. Access Persons are required to obtain written pre-clearance from the CCO for personal transactions in securities associated with any issuers on the Watch List. GTIM also maintains a Restricted List of securities

that GTIM is actively evaluating for purchase or sale in Fund accounts, or about which GTIM might have received Material Non-Public Information. The CCO compiles this list to assist in reviewing pre-clearance requests and determining whether to approve or reject such requests. The CCO generally will not pre-clear any personal transactions in securities that are associated with any issuers on the Restricted List unless a valid reason exists that does not compromise compliance with the Federal Securities Laws.

## **Item 12: Brokerage Practices**

### Best Execution Reviews

The Investment Manager determines the broker used for securities transactions of the Funds and anticipates that securities transactions will occur primarily with the issuers, underwriters or major dealers acting as principals. Such transactions normally occur on a net basis and do not involve payment of a separate brokerage commission. Rather, the cost of securities purchased from an underwriter usually includes a commission paid by the issuer to the underwriters and transactions with dealers normally reflect the spread between bid and ask prices. In selecting brokers to execute transactions, GTIM need not solicit competitive bids and does not have an obligation to seek the lowest available commission, mark-up/mark-down or other cost (collectively, “commissions”).

In selecting brokers, GTIM takes into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. In addition, the availability and size of investment opportunities and the prospect of future deal flow may play a role in GTIM’s selection of counterparties. Further, GTIM’s assessment as to the reputation and integrity of counterparties generally plays a role in counterparty selection.

On a semi-annual basis, GTIM conducts best execution meetings to review the counterparties used on the transactions recommended GTIM, any potential concerns noted, and any resolutions of the concerns noted. The results of these meetings are considered in determining GTIM’s direction of future trading activity. Investment Manager generally reviews best execution associated with RMBS transactions; while GTIM plays a more substantial role in such assessments with respect to other investment instruments, such as whole loans.

### Soft Dollar Benefits

GTIM does not participate in any formal soft dollar arrangements outside of receiving proprietary research available to other institutional investors (e.g., no written soft dollar or commission sharing agreement, no generation of soft dollar “credits”, etc.). Research services received from brokers and dealers (“brokers”) are supplemental to GTIM’s own research effort, are expected to be de minimis in the normal course, and primarily consist of industry standard information provided to market participants when considering potential investment opportunities. To the best of GTIM’s knowledge, these services are generally made available to all institutional investors doing business with such brokers.

GTIM does not separately compensate such brokers for the research and does not believe that it “pays-up” for such brokers’ services. However, when GTIM obtains research, GTIM receives a benefit because GTIM does not have to produce or separately pay for the research. As a result,

GTIM may have an incentive to select or recommend a broker-dealer based on GTIM's interest in receiving the research, rather than on the Funds' interest in receiving most favorable execution.

#### Client Referrals

GTIM may place transactions with a broker that (i) provides GTIM (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker or (ii) refers prospective Investors to GTIM (or an affiliate), if otherwise consistent with seeking best execution. However, GTIM does not consider the opportunity to participate in such capital introduction events or the referral of prospective Investors in selecting the brokers used to execute transactions.

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

As described in Item 4 above, all investments for the Funds are carefully reviewed and approved by the applicable Investment Committee. The investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Each investor is provided with the following written reports in accordance with the terms of the applicable Governing Documents: (i) audited annual financial statements; (ii) estimated monthly performance summaries; (iii) monthly investor statements; (iv) quarterly management reports; and (v) annual tax information necessary to complete any applicable tax returns.

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

GTIM does not currently have any solicitation arrangements. However, during the fund raising stage for any new Fund that may occur in the future, GTIM may engage the use of a solicitor to introduce prospective investors to the Funds. In such cases, GTIM shall compensate any such solicitors and may also pay certain expenses incurred by the solicitor.

GTIM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

### **Item 15: Custody**

GTIM does not take or maintain physical custody of the Funds' cash or securities, and conducts all business operations in such a way that Fund cash and securities, other than privately offered securities, are preserved in the safekeeping of independent qualified custodians. GTIM is deemed to have custody of the Funds' assets because of its authority over those assets as the joint owner of the General Partner (in the case of the onshore feeder) or owner of one of the two General Partner entities (in the case of the master fund) to the Funds or through the exercise of similar authority or control over the assets of the Funds (in the case of the offshore feeder). Fund investors will not receive statements from such custodians. Rather, each Fund is subject to an annual audit and audited financial statements are distributed to each Fund's Investors within 120 days of the Funds'

fiscal year ends. The audited financial statements are prepared in accordance with generally accepted accounting principles.

## **Item 16: Investment Discretion**

In accordance with the terms and conditions of the Governing Documents, and subject to the direction and control of the General Partner of each Fund, GTIM and the Investment Manager generally have discretionary authority to determine, without obtaining specific consent from the Funds or their Investors, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act of 1940, GTIM has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that GTIM receives are treated in accordance with these policies and procedures. A copy of GTIM's proxy voting policies and procedures, as well as specific information about how GTIM has voted in the past, is available upon written requestor by calling the CCO at (651) 293-3573.

### *Proxy Voting*

GTIM's Funds primarily hold investments which typically do not issue proxies. However, GTIM votes any applicable proxies with diligence, care, and in the best interests of the Funds. GTIM votes each proxy (or exercises equivalent rights, such as certificate holder consent rights) in accordance with its fiduciary duty to its clients. GTIM generally seeks to vote proxies in a way that maximizes the value of the Funds' assets. However, GTIM does not abide by any specific proxy voting instructions conveyed by any Investor with respect to the Funds' investment holdings. The applicable Investment Committee coordinates GTIM's proxy voting (or equivalent) process.

GTIM reviews each proxy vote for potential material conflicts of interest. If GTIM detects a material conflict of interest in connection with a proxy solicitation, the CCO discusses the matter with the applicable Investment Committee or the appropriately authorized investment personnel. The CCO then proposes the course of action that she believes is in the best interests of the Funds. The applicable Investment Committee or designated investment staff then evaluate the CCO's proposal and make a recommendation regarding the proxy vote (or equivalent voting rights). GTIM then votes the proxy according to the agreed upon recommendations. If GTIM cannot reach a unanimous decision regarding the proxy vote, GTIM may choose to engage, at its own expense, an outside proxy voting service provider or consultant to make a recommendation.

### *Class Actions*

GTIM has the authority to direct the Funds' participation in class actions. The applicable Investment Committee or authorized investment personnel determine whether the Funds will (a) participate in a recovery achieved through a class action, or (b) opt out of the class action and

separately pursue their own remedy. The CCO and the applicable Investment Committee or authorized investment personnel evaluate any conflicts of interest with regard to participating in a class action and determine an appropriate course of action for GTIM. GTIM generally does not serve as the lead plaintiff in class actions because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

## **Item 18: Financial Information**

GTIM (i) does not require or solicit prepayment of fees six months or more in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or investors, and (iii) has not been subject to any bankruptcy petition during the past 10 years.