

LIBREMAXCAPITAL

Item 1 Cover Page

Part 2A of Form ADV Firm Brochure

March 31, 2015

LibreMax Capital, LLC

600 Lexington Avenue, 19th Floor
New York, New York 10022
Tel: (212) 612-1550
Fax: (646) 380-2690
www.libremax.com

This brochure (“Brochure”) provides information about the qualifications and business practices of LibreMax Capital, LLC. If you have any questions about the contents of this Brochure, please contact Investor Relations at (212) 612-1550. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

LibreMax Capital, LLC is an investment adviser registered with the SEC. Additional information about LibreMax Capital, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Item 2

Material Changes

LibreMax Capital, LLC (the “Adviser”) is required to identify and discuss any material changes made to this Brochure since the last annual update. No material changes were made to this Brochure; however, the following reflects certain key changes since the last annual update of this Brochure on March 31, 2014:

ITEM No.4 was updated to include credit related securities, including distressed securities, as part of the Adviser’s primary investments.

In addition to the changes disclosed above, this Brochure has been updated to for routine updating changes.

The Adviser recommends that you read this Brochure in its entirety. If the Adviser makes any material changes to this Brochure this section will be revised to include a summary of such changes.

Item 3
TABLE OF CONTENTS

Item 1.	Cover Page	1
Item 2.	Material Changes	2
Item 3.	Table of Contents	3
Item 4.	Advisory Business	4
Item 5.	Fees and Compensation	4
Item 6.	Performance-Based Fees and Side-by-Side Management	5
Item 7.	Types of Clients	6
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9.	Disciplinary Information	16
Item 10.	Other Financial Industry Activities and Affiliations	16
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
Item 12.	Brokerage Practices	17
Item 13.	Review of Accounts	19
Item 14.	Client Referrals and Other Compensation	20
Item 15.	Custody	20
Item 16.	Investment Discretion	20
Item 17.	Voting Client Securities	21
Item 18.	Financial Information	22

Item 4. Advisory Business

LibreMax Capital, LLC is a limited liability company formed in Delaware with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on October 1, 2010 and has been registered with the Securities and Exchange Commission as an investment adviser since March 10, 2011. GKL Holdings, LLC (a holding company that is majority owned by Greg Lippmann) and Fred Brettschneider are the principal owners of the Adviser.

The Adviser provides investment supervisory services on a discretionary basis to its clients, which include pooled investment vehicles organized or incorporated as U.S. private investment funds (each a U.S. limited partnership) and non-U.S. private investment funds (each a non-U.S. corporation or limited partnership) as well as other investment advisors. The Adviser's clients may operate in a "master-feeder" structure. The Adviser may, in the future, provide investment advisory services to other types of clients.

The Adviser specializes in securitized and structured financial product investments and credit related instruments. The Adviser's clients primarily invest in a variety of structured products including residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities and loans, collateralized mortgage obligations, collateralized loan obligations and collateralized debt obligations and credit related instruments, including distressed debt.

The Adviser provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of clients. Currently, the Adviser tailors its advisory services in the following manner: it manages pooled investment vehicles for institutional clients that contains tailored investment strategies and restrictions.

Clients may impose restrictions on investing in certain securities or certain types of securities.

The Adviser managed approximately \$4,123,821,000 of regulatory assets on a discretionary basis for its clients as of March 1, 2015. The Adviser does not manage any client assets on a non-discretionary basis.

Item 5. Fees and Compensation

Advisory Fees and Compensation.

Asset-Based Compensation

The Adviser charges each client an investment management fee based on the value of the client's assets under management (as an annual percentage of assets) of up to 2.0%. The Adviser receives an asset-based fee from its non-fund clients as set forth in the agreement with such clients.

Investment management fees are either charged each month in advance based on the net market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the month or accrued monthly based on the net market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of each month and payable quarterly in arrears at the end of each calendar quarter. The investment management fee will be prorated if a new client account is established or terminated during a month or a client makes an addition to or a withdrawal from its account during a month.

These fees are negotiable and may be waived or reduced for the Adviser and its members, employees and affiliates, relatives of such persons, and for certain large or strategic investors.

Performance-Based Compensation

The Adviser will be paid a performance-based allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) of up to 20%. This compensation may be paid to the Adviser or to a related person of the Adviser. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate of up to 5% or a preferred return of up to 6.75%.

These fees are negotiable and may be waived or reduced for the Adviser and its members, employees and affiliates, relatives of such persons, and for certain large or strategic investors.

Payment of Fees. The Adviser deducts the investment management fee from client accounts by instructing the client's custodian. The Adviser deducts client accounts for investment management fees either monthly or quarterly.

Other Fees and Expenses. In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts including research fees and expenses (including subscription fees for data services and research related travel). Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. As described in Item 4, in order to achieve its investment objective, a client may invest all of its investable assets through a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Brochure for a discussion of the Adviser's brokerage practices.

Item 6. Performance-Based Fees and Side-by-Side Management

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser is entitled to be paid performance-based compensation by its private pooled investment vehicle clients. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of

investment opportunities require that similarly managed accounts generally participate in investment opportunities pro rata based on asset size, in the absence of certain other factors, and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

Item 7. Types of Clients

The Adviser provides advisory services to private investment funds and other investment advisers and may, in the future, provide advisory services to other types of clients. Investors in the private investment funds may include institutional investors, pension and profit sharing plans, trusts, estates, charitable organizations, high net worth individuals, private investment funds, corporations and other business entities.

With respect to any client that is organized as a private investment fund, any initial and additional subscription minimums are disclosed in the private investment fund's offering documents.

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

Methods of Analysis and Investment Strategies. The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser's investment strategy is focused on investing in securitized products and credit instruments. To pursue this investment strategy, the Adviser's methods of analysis include an extensive micro-credit analysis as well as use of technical analytical tools and approaches.

The Adviser conducts a comprehensive analysis of the following key factors as part of its overall investment process:

Macro-economic. The Adviser engages in a macro-economic analysis wherein the Adviser attempts to anticipate macroeconomic events which encompasses an analysis of long or short risk and increased or shortened duration views. The Adviser will seek to use market information to carefully establish likely impacts of anticipated changes in the macro-economy, regulatory and legal environment on portfolio holdings and adjust those holdings accordingly.

Micro-credit. The Adviser has developed proprietary analytical models that utilize loan level mortgage information and high resolution home price index data in conjunction with cash flow projections on securities to assist the portfolio management team in analyzing potential upside and risk of each position held in a portfolio or being considered for purchase. Such micro-credit analysis may include expected average life, duration, yield and write-down projections on structured securities.

Hedging. The Adviser may utilize a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts for risk management purposes.

Leverage. The Adviser's investment program utilizes a significant amount of leverage which involves the borrowing of funds from brokerage firms, banks and other institutions, primarily through repurchase transactions and committed financing facilities, in order to be able to increase the amount of capital available for marketable securities investments.

Short Selling. The Adviser may engage in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and, (iii) for profit.

These method(s), strategies and investments involve(s) risk of loss to clients and clients must be prepared to bear the loss of their entire contribution/investment.

Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

The following risk factors include those risks that the Adviser believes to be material, significant or unusual related to the securities that may be utilized by the Adviser and is not intend to be a complete list of all the risks associated with the Adviser's investment strategies. Before making an investment with any of the Adviser's clients, prospective investors should read the offering documents of the applicable client for detailed risk disclosures that address the specific risks associated with that fund's investment strategy. An investment with the Adviser or one if its clients involves significant risks and is suitable only for those persons who can bear the economic risks of the loss of their entire investment and who have limited need for liquidity in their investment.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

Lack of Diversification. Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Leverage. Performance may be more volatile if a client's account employs leverage.

Short Selling Risk. The Adviser's investment program includes short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Commercial and Residential Mortgage-Backed Securities. Investing in commercial and residential mortgage-backed securities (collectively, "MBS") involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Mortgage-backed securities generally provide for the payment of interest and principal on the mortgage-backed securities on a frequent basis and there also exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets, known as prepayment risk. As a result of prepayments, the client's portfolio may be required to reinvest assets at an inopportune time, which may expose the client's portfolio to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments, and the ability to attract and retain tenants.

The residential mortgage-backed securities ("RMBS") that the client's portfolio may invest in include Agency RMBS and non-Agency RMBS securities. Agency RMBS are residential mortgage-backed securities for which a U.S. government agency such as the Government National Mortgage Association ("Ginnie Mae"), or a federally chartered corporation such as the Federal National Mortgage Association ("Fannie Mae"), or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), guarantees payments of principal and interest on the securities. Non-Agency RMBS are residential mortgage-backed securities that are not issued or guaranteed by a U.S. government agency. The non-Agency RMBS the Adviser expects to invest in will represent interests in "pools" of mortgage loans secured by residential real property. Non-Agency RMBS may be AAA-rated through unrated. The mortgage loan collateral for non-Agency RMBS generally consists of residential mortgage loans that do not generally conform to the U.S. government agency underwriting guidelines due to certain factors including mortgage balance in excess of such guidelines, borrower characteristics, loan characteristics and level of documentation.

Non-Agency RMBS that are backed by collateral pools of mortgage loans that have been originated using underwriting standards that are less restrictive than those used in underwriting prime mortgage loans are often referred to as "subprime" mortgages or "Alt-A" mortgages. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories, mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Accordingly, these mortgage loans are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans. A significant portion of a client's portfolio may consist of subprime or Alt-A residential mortgage securities (or synthetic securities with reference obligations that are subprime residential mortgage securities).

The Adviser may also invest in Non Agency RMBS backed by closed-end second lien mortgage loans and home equity lines of credit, or HELOCs, which are loans secured by second liens on the related mortgaged properties. The proceeds from any liquidation, insurance or condemnation proceedings will be available to satisfy the outstanding balance of such mortgage loans only to the extent that the claims of the related senior mortgages have been satisfied in full, including any related foreclosure costs. In circumstances when it has been determined to be uneconomical to foreclose on the mortgaged property, the servicer may write off the entire balance of such mortgage loans as a bad debt. The rate of default of these loans may be greater than that of mortgage loans secured by first liens on comparable properties.

In the recent past, delinquencies, defaults and losses on residential mortgage loans had increased substantially and may continue to increase, which may affect the performance of RMBS, in particular RMBS that are backed by subprime, Alt-As well as second lien mortgage loans. Subprime and midprime mortgage loans are generally made to borrowers with lower credit scores and having higher loan-to-value ratios. In addition, in the recent past housing prices and appraisal values in many states had declined substantially. A further decline of those values may in the future result in additional increases in delinquencies and losses on RMBS generally. Other economic factors that have contributed to the rising delinquencies and losses on RMBS generally are described below.

Resetting Adjustable Rate Mortgage Loans. With respect to adjustable rate mortgage loans and hybrid mortgage loans that have or will enter their adjustable-rate period, borrowers may experience increases in their monthly payments and become increasingly likely to default on their payment obligations. Higher combined loan-to-value ratios may result in lower recoveries on foreclosure, and an increase in net losses above those that would have been realized had property values remained the same or increased. A decline in property values or inaccurate appraisals are particularly likely to impact recoveries on any second lien mortgage loans included in the mortgage pools backing RMBS.

Deteriorating Market Conditions. Current market conditions may impair borrowers' ability to refinance or sell their properties, which may contribute to higher delinquency and default rates. Borrowers seeking to avoid increased monthly payments by refinancing may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Borrowers who intended to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their property for an amount equal to or greater than the unpaid principal balance of their loans. In addition, some mortgage loans may include prepayment premiums that would further inhibit refinancing.

Structural Features of Interest Payments. Structural features of RMBS may contribute to the impact of increased delinquencies and defaults and lower recoveries on the underlying mortgage pool. In particular, there may be a decline in the interest rate payable under those RMBS structured to limit interest payable to investors based on a weighted average coupon cap. Mortgage loans bearing interest at a higher rate will have a greater tendency to default than those with lower mortgage rates. Such defaults will reduce the weighted average coupon of the underlying mortgage loans and accordingly the interest rate payable to investors in the related RMBS. Negative amortization features of Pay Option ARMs likewise may contribute to increased delinquencies and defaults as the loan balance increases by the amount of any shortfall in interest payments. In addition, delinquencies, defaults and lower recoveries on underlying mortgage loans will reduce interest and principal actually paid to investors to less than the amounts owed to investors in accordance with the terms of their RMBS. RMBS may not be structured with significant or any overcollateralization, so their performance will be sensitive to delays or reductions in payments, particularly in the case of subordinated tranches of RMBS. To the extent that RMBS provide for write-downs of principal, interest will cease to accrue on the portion of principal of an RMBS that has been written down.

Loan Originator and Servicer Difficulties. RMBS may provide that the servicer is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the

delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Recently, a number of originators and servicers of mortgage loans have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings. These difficulties have resulted in part from declining markets for their mortgage loans and claims for repurchases by them of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults or for material breaches of representations and warranties made on the mortgage loans, such as fraud claims. These difficulties have been compounded by a general decline in the willingness by banks and other financial institutions to extend credit to originators and servicers in the asset-backed securities industry and the resulting disappearance of available credit and liquidity lines to such originators and servicers. Higher delinquencies and defaults may also be contributing to these difficulties by reducing the value of mortgage loan portfolios, requiring originators to sell their portfolios at greater discounts to par. In addition, the costs of servicing an increasingly delinquent mortgage loan portfolio may be rising without a corresponding increase in servicing compensation. The value of any residual interests retained by sellers of mortgage loans in the securitization market may also be declining in these market conditions. Declining real estate values may decrease the number of borrowers seeking or able to refinance their mortgage loans, resulting in a decrease in overall originations. These factors, among others, may have the overall effect of increasing costs and expenses of originators and servicers while at the same time decreasing servicing cash flow and loan origination revenues. Such financial difficulties may have a negative effect on the ability of servicers to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on sale of underlying properties following foreclosure. Many servicers have become overwhelmed by the number of defaulted loans in their servicing portfolios, and are unable or unwilling to pursue collections or other remedies, or commence foreclosure proceedings on many defaulted mortgage loans.

In addition, the inability of the originator to repurchase such mortgage loans in the event of early payment defaults and loan representation breaches may also affect the performance of RMBS backed by those mortgage loans (and ABS CDO Securities backed by such RMBS). These difficulties may adversely affect the performance and market value of RMBS originated, serviced or subserviced by these companies. As a result, the performance and market value of ABS CDO Securities backed by RMBS also may be adversely affected.

Under certain circumstances, including a failure to perform its servicing obligations or a bankruptcy of the servicer and in some cases, certain loss and/or delinquency triggers being exceeded, investors may be entitled to remove and replace the existing servicer. There is no guarantee, however, that a suitable servicer could be found to assume the obligations of the existing servicer, and the transition of servicing responsibilities to a replacement servicer could have an adverse effect on performance of servicing functions during or following a transition period and a result in an increase in delinquencies and losses and decreases in recoveries. The loss by a servicer of its right to service a mortgage loan portfolio would decrease servicing revenues and may result in reputational damage as a servicer.

Transfers of mortgage loans by the related originator or seller will be characterized in the applicable sale agreement as a sale transaction. Nevertheless, in the event of a bankruptcy of the originator or seller, the trustee in bankruptcy could attempt to recharacterize the sale of the mortgage loans as a borrowing secured by a pledge of the mortgage loans. If such attempt were successful, the trustee in bankruptcy could prevent the trustee for the RMBS from exercising any of the rights of the owner of the mortgage loans and also could elect to liquidate the mortgage loans. Investors may suffer a loss to the extent that the proceeds of the liquidation of the underlying mortgage loans would not be sufficient to pay amounts owed in respect of their investments. If this occurs, investors would lose the right to future payments of interest and may fail to recover their initial investment. Regardless of whether a trustee elects to foreclose on the underlying mortgage loan pool, delays in payments on the RMBS and possible reductions in the amount of these payments could occur as a result of the bankruptcy of the originator or seller.

Foreclosure Moratoriums. The rise in the rate of foreclosures of properties backing subprime loans in certain states or localities has resulted in legislators, regulators and attorney generals in such states or

localities seeking measures to prevent or restrict foreclosures and bringing lawsuits against participants in the financing of subprime loans in their states or localities, including issuers and underwriters of RMBS backed by such loans and investors in such RMBS, including the Adviser's clients. Such trends in forestalling or limiting foreclosures may continue to increase.

Credit Downgrades. Over the past three years, the rating agencies have placed on credit watch with negative implications or downgraded the ratings previously assigned to a large number of RMBS and ABS CDO Securities backed by such RMBS.

Non-prime mortgage loans that were originated by certain originators in the recent past have experienced higher and earlier than expected rate of delinquencies and are likely to experience default and loss levels that are substantially higher than those suggested by historical default and loss data. Since the delinquency rates of non-prime loans are continuing to rise, it is unclear what the ultimate default and loss experience on these loans will be. Non-Prime Residential Mortgage Securities and ABS CDO Securities backed by such RMBS may have significant exposure to such subprime, midprime and other non-prime mortgage loans, and any such security will likely experience loss levels that may substantially exceed losses that were expected of such security based on historical default and loss data regarding the underlying subprime, midprime and other non-prime mortgage loans.

A portion of the RMBS (and the reference obligations for Synthetic Securities) to be purchased by the Adviser for client portfolios may be RMBS which were originated or are serviced (or both) by mortgage companies which are currently in bankruptcy proceedings or regulatory enforcement actions which have restricted the ability of the lender or its affiliates to originate mortgage loans and may affect its ability to service or subservice mortgage loans. Servicers who have sought bankruptcy protection may, due to the application of applicable law in this proceeding, may also no longer be required to make service advances.

Declining Market Prices. The foregoing adverse changes in market conditions and regulatory climate may reduce the cashflow received from RMBS or ABS CDO Securities backed by RMBS invested in by the Adviser (or credit default swaps, embedded credit default swaps or other synthetic securities that reference RMBS or ABS CDO Securities backed by RMBS) and increase the incidence and severity of credit events and floating amount events under the credit default swaps, embedded credit default swaps or other Synthetic Securities. .

Loan Modifications. The U.S. government, through the U.S. Federal Reserve, the Federal Housing Administration and the Federal Deposit Insurance Corporation, commenced implementation of programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. The programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans. In addition, members of Congress have indicated support for additional legislative relief for homeowners, including an amendment of the bankruptcy laws to permit the modification of mortgage loans in bankruptcy proceedings. The Helping Families Save Their Homes Act of 2009 (the "Act"), which was signed into law on May 20, 2009, provides a safe harbor for servicers entering into "qualified loss mitigation plans" with respect to residential mortgages originated before the Act was enacted. A servicer's duty to any investor or other party to maximize the net present value of any mortgage being modified will be construed to apply to all investors and other parties and will be deemed satisfied when certain criteria are met. Any servicer that is deemed to be acting in the best interests of all investors and parties is relieved of liability to any party owed a duty as discussed above. The Act further provides that any person, including a trustee, issuer and loan originator, shall not be liable for monetary damages or subject to an injunction, stay or other equitable relief based solely upon that person's cooperation with a servicer in implementing a qualified loss mitigation program that meets the criteria set forth above. By protecting servicers from such liabilities, this safe harbor may encourage loan modifications and reduce the likelihood that investors in securitizations will be paid on a timely basis or will be paid in full.

Loan modifications are more likely to be used when borrowers are less able to refinance or sell their homes due to market conditions and when the potential recovery from a foreclosure is reduced due to lower property values. A significant number of loan modifications could result in a significant reduction in cash

flows to the holders of the mortgage securities on an ongoing basis. These loan modification programs, as well as future legislative or regulatory actions, including amendments to the bankruptcy laws, that result in the modification of outstanding mortgage loans may adversely affect the value of, and the returns on, the assets held by the Adviser's clients.

Commercial mortgage-backed securities, or "CMBS," are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt that may affect the related borrower's ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to four-family lending since it typically involves larger loans to a single borrower or related borrowers than residential one- to four-family lending.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on such a loan. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. Furthermore, the net operating income from and value of any commercial property may be adversely affected by risks generally incidental to interests in real property, including events which the borrower or manager of the property, or the issuer or servicer of the related issuance of CMBS, may be unable to predict or control, such as changes in general or local economic conditions and specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; acts of war; acts of terrorism; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property

were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of CMBS servicers or special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation.

Mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default.

Asset-Backed Securities. Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Private Student Loans. In general, private education loans are made to students who may have higher debt burdens than student loan borrowers as a whole and who may be more likely than other student loan borrowers to default on their payments or have a higher rate of forbearances, which could affect the timing and amount of available funds for any collection period and adversely affect an issuing entity's ability to pay principal and interest. In addition, the private education loans are not secured by any collateral of the borrowers and are not insured by any governmental agency. Consequently, the Adviser may bear the risk of loss to the extent that the reserve account or other specified credit enhancement is insufficient or unavailable to cover a borrower's default.

In addition, a borrower may prepay a student loan in whole or in part, at any time, and an issuing entity may receive unscheduled payments due to defaults and purchases by the loan servicer or the depositor. Consequently, to the extent applicable, the length of time that the notes are outstanding and accruing interest may be shorter than expected, which may affect returns. On the other hand, student loans may be extended as a result of grace periods, deferment periods and, under some circumstances, forbearance periods which may delay principal payments. In addition, the amount available for distribution may be reduced if borrowers fail to pay timely the principal and interest due on the student loans. Consequently, the length of time that the notes are outstanding and accruing interest may be longer than expected, which may affect returns.

Finally, private education loans, while not generally dischargeable in bankruptcy proceedings, can become dischargeable if the borrower proves that keeping the loans non-dischargeable would impose an undue hardship on the debtor and the debtor's dependents.

Collateralized Debt Obligations. The Adviser's clients' portfolio will include investments in collateralized debt obligations ("CDOs"), which are generally limited recourse obligations of the issuer payable solely from the underlying assets ("CDO Assets") of the issuer. Consequently, holders of interests in CDOs must rely solely on distributions on the CDO Assets or proceeds thereof for payment in respect thereof. In addition, interest payments on CDOs (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the CDO Assets (or, in the case of market value CDOs, proceeds from the sale of the CDO Assets) are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer of the related CDO to pay such deficiency will be extinguished. Certain classes of debt and equity in CDOs (particularly subordinated classes) may provide that to the extent funds are not available to pay interest, such interest will be deferred or paid "in kind" and added to the outstanding principal balance of the related security. Generally, the failure by the issuer of a CDO to pay interest in cash does not constitute an event of default as long as a more senior class of securities of such issuer is outstanding and the holders of the securities that have failed to pay interest in cash (including the Adviser's clients) will not have available to them any associated default remedies.

The CDO Assets will themselves consist primarily of asset-backed and mortgage-backed securities which are subject to liquidity, credit, interest rate, and certain other risks. Such investments are normally considered speculative in nature. CDO Assets are typically actively managed by an investment manager, and as a result the CDO Assets may be traded, subject to rating agency and other constraints, by such investment manager. The aggregate return on the CDOs will depend in part upon the ability of each investment manager to actively manage the related portfolio of CDO Assets.

The CDOs in which the Adviser's clients will invest may include mandatory auction calls after a certain period of time. Under the terms of such mandatory auction calls, the collateral of the CDO is put up for bid, and assuming that the highest bid represents an amount that will fully pay off all debt interests, then the bid must be accepted, the debt paid off, and the remainder distributed to the equity holders. In the event of a mandatory auction call, there is no guarantee that the equity holders will receive any payment, or that such payment will represent the amount of money represented by the difference between (i) the face amount of the collateral outstanding and (ii) the face amount of the bonds outstanding.

Collateralized Loan Obligations. Clients may invest in collateralized loan obligations ("CLOs"), which involve the securitization of leveraged loans. CLOs are limited recourse obligations of the issuer payable solely from the cashflow obligations of the corporate issuer that represent the underlying assets. Consequently, holders of the notes must rely solely on distributions of cashflows for the payment of principal and interest on their particular notes. If distributions of cashflows are insufficient to make full payment on a particular note, no other assets are available from which to pay any deficiencies. If economic conditions are unfavorable, or a liquidity crisis persists, or there is not a sufficient volume of new CLO transactions or other sources of funding, the underlying loans may either be extended or the borrowers may default. This may negatively impact the value of existing CLOs, particularly lower-rated mezzanine tranches and subordinated tranches.

Commercial Loans and Loan Participations. Clients may invest in corporate loans and interests in syndicated, commercial bank loans, whether acquired through assignment or participation. Under the agreements governing most syndicated loans, should the client, as a holder of an interest in a syndicated loan, wish to call a default or exercise remedies against a borrower, it could not do so without the agreement of at least a majority of the other lenders. Further, actions could be taken by a majority of the other lenders, or in some cases, a single agent bank, without the consent of the client. The client would, nevertheless, be liable to indemnify the agent bank for the client's ratable share of expenses or other liabilities incurred in such connection and, generally, with respect to the administration and any renegotiation or enforcement of the syndicated loans. Moreover, an assignee or participant in a loan may not be entitled to certain gross-up payments in respect of withholding taxes and other indemnities that otherwise might be available to the original holder of the loan.

In purchasing participations, the client will usually have a contractual relationship only with the selling institution, and not the borrower. The client generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The client may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution. Further, in most cases, the holder of a participation will be bound by the actions or omissions of the selling institution and will be liable to indemnify the selling institution against expenses and liabilities allocable to the portion of the loan represented by the participation.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, the client 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 secured loan. Consequently, the client may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

Subordinated Securities. The Adviser's client may invest in subordinated or residual ("first loss securities" or "equity tranches") securities of certain MBS, ABS, CDOs and CLOs. These instruments, while offering significant return potential, involve greater credit risk of default than the senior classes of the issue or series. Certain subordinated securities ("first loss securities") absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities therefore possess some of the attributes typically associated with equity investments and can add greater volatility to the returns than if the Adviser's client did not invest in such instruments.

Derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a client's portfolio.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments,

especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

As part of its routine compliance monitoring, all employees are required to certify upon hire and annually thereafter whether they have been the subject of any disciplinary actions.

Item 10. Other Financial Industry Activities and Affiliations

Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Except as otherwise disclosed in this Brochure, neither the Adviser nor any of its management persons has a relationship or arrangement that is material to its advisory business or to its clients with any related person. In addition, 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 has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's clients before its own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Frank Bruttomesso (Chief Compliance Officer) by email at fbruttomesso@libremax.com or by telephone at (212) 612-1550. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such

information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser or its related persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its related persons to preclear certain types of transactions in their personal accounts with the Chief Compliance Officer or his designee, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in securitized products, certain financial, real estate and housing related securities, as well as any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are required to disclose their securities transactions and holdings on a quarterly basis. All of the Adviser's related persons are also required to provide broker confirmations of each transaction in which they engage and a quarterly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer or his designee and compared with transactions for the client accounts and reviewed against the restricted securities list.

To the extent that the Adviser or a related person or any of their employees own securities that the Adviser or its related person also recommends to clients, such clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

Item 12. Brokerage Practices

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders/etc. meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

Research and Other Soft Dollar Benefits. The Adviser may receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. While the Adviser does not currently have any existing soft-dollar relationships and does not currently anticipate that it will have any significant soft dollar relationships, in the event the Adviser does enter into such arrangements, it will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate

governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; data services (including services providing market data, company financial data and economic data); and advice from broker-dealers on order execution. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

If the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer, Chief Investment Officer and Head of Trading will meet periodically to evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services. The Adviser's use of client commissions to obtain research and brokerage products and services may result in higher transaction costs for clients.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. The Adviser will not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate

In determining whether to direct client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Office, Chief Investment Officer and Head of Trading meet regularly to review and evaluate the best execution practices of the Adviser in order to determine in good faith that, with respect to any research or other products or services received from a broker-dealer, the commissions were reasonable in relation to the value of the brokerage, research or other products or services provided by such broker-dealer.

The Adviser may participate in "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to

administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between the Adviser and clients.

Brokerage for Client Referrals. From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser. In addition, such brokers may recommend private funds managed by the Adviser to potential investors. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

Order Aggregation

The Adviser often purchases or sells the same security for many clients contemporaneously/at or near the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously/at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order, or otherwise in accordance with the Adviser's allocation policy and procedures. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients. Please refer to Item 16 for further information regarding the Adviser's allocation policy and procedures.

Item 13. Review of Accounts

Frequency and Nature of Review. The Adviser's Chief Investment Officer, Head of Trading, traders and financial, operational, risk and compliance departments conduct various client account reviews on a continuous basis. These reviews include, but are not limited to, daily reviews of position and transaction reports, profit and loss reports, adherence to investment guidelines, as well as frequent risk and performance reports including scenario and stress testing. In addition, the Investment Committee of the Adviser, which is Chaired by the Chief Investment Officer, meets on a frequent basis but in any case at least monthly to review the client accounts and discuss general market conditions and other investment related matters.

Factors Prompting a Non-Periodic Review of Accounts. Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client, or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis.

Content and Frequency of Regular Account Reports.

A client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

Item 14. Client Referrals and Other Compensation

Economic Benefits Received from Non-Clients for Providing Services to Clients.

The Adviser has entered into an arrangement with a third party placement agent to introduce certain prospective non-U.S. investors to the Adviser that provides for payments by the Adviser to such placement agent in connection with investments made by such investors in the Adviser's private investment funds. The Adviser may enter into other similar arrangements in the future with other placement agents.

Placement agents that introduce prospective investors to the Adviser are subject to a conflict of interest to the extent that they will be compensated in connection with their placement activities. Placement agents are required to disclose to prospective investors the placement arrangement and any fees associated with the arrangement prior to investment.

The Adviser may receive certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

Item 15. Custody

An affiliate of the Adviser is deemed to have custody of certain client funds due to serving as the general partner to limited partnerships and accordingly intends to comply with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") by meeting the conditions of the pooled vehicle annual audit provision.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client

investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size and cash availability of the client account; (v) total portfolio invested position; (vi) nature and liquidity of the security to be allocated; (vii) size of available position; (viii) current market conditions; and (ix) account liquidity, account requirements for liquidity and timing of cash flows. The Adviser may also allocate investments to avoid creating small or odd lots of securities. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

Item 17. Voting Client Securities

Policies and Procedures Relating to Authority to Vote Client Securities. To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Adviser's clients are not permitted to direct their votes in a particular solicitation. If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action. The Adviser does not make any qualitative judgment regarding its client's investments.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Frank Bruttomesso (Chief Compliance Officer) by email at fbruttomesso@libremax.com or by telephone at (212) 612-1550.

Item 18. Financial Information

The Adviser is not required to provide a balance sheet for its most recent fiscal year and it is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.