

**INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV**

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Mortgage Opportunities Capital LLC. If you have any questions about the contents of this Brochure, please contact us at (213) 633-8200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

Mortgage Opportunities Capital LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Mortgage Opportunities Capital LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 MATERIAL CHANGES

This Brochure, dated March 29, 2019, provides the following material updates to the Brochure dated March 14, 2018, which was the initial filing of the Brochure. Clients, prospects and other interested parties are encouraged to read the entire Brochure carefully. Mortgage Opportunities Capital will deliver a summary of any material changes to this and subsequent Brochures within 120 calendar days of the close of its fiscal year. Mortgage Opportunities Capital may further provide you with other interim disclosures about material changes to the information in this Brochure as necessary, such as this update to the Brochure. Mortgage Opportunities Capital will further provide you with a new Brochure, without charge, as necessary based on changes or new information. A copy of Mortgage Opportunities Capital's current Brochure can be obtained by contacting your Client Services Representative at (213) 633-8200. Capitalized terms within the document not otherwise defined shall have the same meanings assigned in the Glossary of Terms for Form ADV.

The following summarizes material changes made within this update to the Brochure:

Item 4:

Mortgage Opportunities Capital's assets under management (AUM) figure was updated to reflect total AUM of \$170,984,109 as of December 31, 2018. No Client assets were managed on a non-discretionary basis

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ITEM 4 ADVISORY BUSINESS

Mortgage Opportunities Capital LLC (the “Manager”) is a Delaware limited liability company and registered investment adviser founded in September 2017. The Manager expects its investment advisory business primarily to consist of sponsoring and advising securitization vehicles and related vehicles issuing and/or investing in residential or commercial real estate mortgage-backed securities and making investment decisions with respect to interests in third-party sponsored securitizations of residential or commercial real estate loans. The Manager’s clients (“Clients”) are expected to include securitization vehicles (each, a “Securitization Client”), including entities controlled by or under common control with the Manager, and may also include accounts and pooled investment vehicles that invest in securitizations. The Manager or its affiliates may also hold certain interests in Securitization Clients and other vehicles advised by the Manager, including risk retention interests.

DoubleLine Mortgage Opportunities Master Fund LP (the “DMO Master Fund”), a Cayman Islands exempted limited partnership, which is the master fund in a master-feeder structure (the DMO Master Fund, together with its feeder funds, parallel funds, alternative and/or subsidiary investment vehicles, special purpose vehicles and certain related vehicles other than the Manager, the “DMO Fund”), is the sole owner and managing member of the Manager. The DMO Fund is advised by DoubleLine Capital LP (“DoubleLine Capital”), an investment adviser separately registered with the SEC, and DoubleLine Mortgage Opportunities GP LLC (the “DMO General Partner” and together with DoubleLine Capital and their respective affiliates, “DoubleLine”) is the general partner of the DMO Fund.

While the Manager is (and, in the future, one or more of its affiliates and its Clients may also be) a portfolio company of the DMO Fund and receive ongoing financial support from the DMO Fund, the Manager has been formed to operate as a business separate from DoubleLine and the DMO Fund, with separate management and a credit committee that operates the Manager’s business and manages the investment portfolios for the Manager’s Clients. As a result, the Manager (and not the DMO Fund, DoubleLine Capital or the DMO General Partner) has the power to make all investment decisions for the Manager’s Clients and is responsible for all decisions related to its operations, including decisions regarding whether to hire and fire its employees.

The Manager’s personnel (the “Manager Employees”) includes certain current DoubleLine employees (and may in the future include additional current or former DoubleLine employees) who are independently contracted or employed to work for and on behalf of the Manager. The Manager’s employees are expected to make investment decisions independent from any investment decisions made by DoubleLine, including acquiring any loans to be securitized and in respect of any investments in commercial mortgage-backed securities (“CMBS”). The Manager may not delegate its investment decisions to DoubleLine Capital, the DMO General Partner or any other DoubleLine entity. See *Item 8 Methods of Analysis, Investment Strategies and Risk of Loss* for a discussion of potential conflicts of interest.

The Manager’s investment advisory services include sourcing, identifying, evaluating, negotiating, overseeing, managing, monitoring and disposing of investments. The Manager typically has full discretionary authority with respect to investment decisions for Clients, but it may provide investment advice on a non-discretionary basis as well. The Manager negotiates the

scope of advisory services on a case-by-case basis when entering into advisory arrangements with Clients. In general, the Manager tailors its advisory services in accordance with each Client's investment strategy and may consider a variety of factors, such as risk tolerance, time horizon, tax status, liquidity needs, return objectives and preferences for investment vehicles, when establishing an investment program for a Client. In the event a Client is a Securitization Client, the Securitization Client generally will be managed in accordance with the vehicle's overall investment objectives, not a particular investor's investment objectives or needs.

The Manager's advisory relationship with a Client is set forth in and governed by the Client's "Governing Documents," which are generally expected to consist of an investment management agreement between the Manager and the Client and any other applicable governing documents, which depending on the nature of the Client may include a private placement or offering memorandum and/or a limited partnership agreement (or similar operating agreement).

Investors that invest in Clients are expected to participate in the overall investment program for the duration of such Client's term, subject to any termination, withdrawal or transfer rights provided in the Governing Documents. Clients (and their investors) should refer to the applicable Governing Documents for information regarding a Client's investment strategy and any restrictions on investments or on the Manager's authority. The Manager's advisory services are further described below under "*Item 8 Methods of Analysis, Investment Strategies and Risk of Loss*" and "*Item 16 Investment Discretion.*"

As of December 31, 2018, the Manager had \$170,984,109 Client assets under management.

ITEM 5 FEES AND COMPENSATION

Management Fees and Performance-Based Fees

The Manager negotiates terms regarding fees, equity participation, other compensation and expense reimbursements on a case-by-case basis and does not maintain a standard fee schedule for Clients. Fees and other compensation paid by different Clients may vary even when the Clients receive the same or similar services from the Manager. Prospective and existing Clients and their investors should refer to a Client's Governing Documents for specific details regarding management fees, structuring fees, incentive or performance-based fees or allocations, equity participation or compensation, expenses and other fee-related issues. Except as otherwise described in the applicable Governing Documents, expenses, management fees, incentive fees, equity participation or compensation and any other fees are expected to be paid over the term of the advisory relationship. Certain Clients may have restrictions in their Governing Documents, due to investment strategies focused on investing in illiquid securities or otherwise, that limit withdrawal, redemption, transfer and termination rights.

The Manager may receive management fees or structuring fees based upon a percentage of committed capital or the cost basis or fair market value, as determined by the Manager or its designee, of a Client's assets under management, based upon a flat-fee arrangement, or based upon any other standards agreed to with the Client. The Manager may also receive other forms of compensation, including receiving equity stakes in and/or other economic benefits from a Client.

In certain cases, the Manager's right to receive management fees or structuring fees may be subject to the availability of funds in accordance with the priority of payments described in the Client's Governing Documents.

Management fees or structuring fees may be payable up front or on a periodic basis. Such fees may be paid via direct deduction from a Client's account, by adjustment to the purchase price of securities, by capital calls, or pursuant to separate invoices.

The Manager may also receive an incentive or performance-based fee or allocation. Incentive or performance-based fees or allocations are typically only payable to the extent the Client has received investment proceeds in excess of certain performance thresholds set forth in the Governing Documents. In lieu of incentive or performance-based fees or allocations, the Manager may receive other equity participation or compensation in a Client or Client investment.

Any of the foregoing fees or other compensation may be payable to the Manager or any of its affiliates. Certain fees and other compensation may be subject to waiver or rebate and the mechanism for applying the waiver or rebate may vary.

Expenses

Expenses charged to Clients are negotiated on a case-by-case basis, but Clients typically bear (whether directly or by reimbursing the Manager and/or its affiliates): all fees, costs, expenses and other liabilities associated with their investment activities, which may include sourcing, finding, investigating, developing, evaluating, negotiating, structuring, acquiring, monitoring, holding, administering, financing, refinancing, managing, hedging, selling, exchanging or otherwise disposing of or monetizing prospective and actual investments (regardless of whether such investments are consummated); legal, auditing, consulting, accounting, valuation, appraiser, regulatory compliance, travel, data provider (including management systems and software), custodian, subcustodian, depositary, transfer agent, disbursal, brokerage, registration, origination, servicing, administrator and other third party services; research and software expenses; support services (including data processing, trading, settlement, client relations, accounting, legal and tax support and other services), outsourced to third party service providers; legal, compliance, custodial, depositary, trading, settlement, risk management, client relations, auditing, accounting and banking costs, fees and expenses, including for example, costs, fees and expenses attributable to legal, compliance, trading, settlement, client relations, accounting, reporting and information management software and systems used in connection with the Client and its activities as well as those associated with the preparation of financial statements, tax returns and Schedule K-1s, the filing of various foreign tax withholding and treaty forms and the representation of the Client (or its investors) by the tax matters partner; appraisal and valuation costs, fees and expenses, including costs, fees and expenses of independent appraisal or valuation services or third party vendor price quotations; asset-level costs, fees and expenses, including asset management, loan servicing, credit facility, guarantee, letter of credit or similar credit support or one or more other similar financing transactions, securitization, closing, advisory, due diligence and other ancillary services in respect of the Client's assets; costs, fees and expenses that are classified as extraordinary expenses under generally accepted accounting principles, and other extraordinary, nonrecurring matters; insurance expenses; litigation and indemnification expenses, including damages and other costs, fees and expenses relating to litigation or other matters that are the subject of the indemnification rights;

taxes and other governmental charges, fees and duties; lender licensing costs and all ongoing costs associated with such status, including all compliance costs; and costs, fees, expenses and liabilities relating to the incurrence and repayment of indebtedness (together with any interest and other amounts payable thereon and fees and expenses related thereto).

Clients also generally bear all fees, costs, expenses, and other liabilities incurred related to forming, organizing, developing, structuring, operating, maintaining, amending or modifying the governing documents of, dissolving and winding up the applicable Client or any other related vehicle of the Client (including any vehicle through or in which investments may be made), and costs, fees and expenses related to the business and operations of such vehicles; costs and expenses incurred in connection with defaults by other investors in the Client; and costs of reporting to regulatory authorities in any jurisdiction in which the Client is organized or is marketed or otherwise directly or indirectly conducts business related to it or its investments.

To the extent expenses are incurred jointly or otherwise in connection with actions intended to benefit one or more Clients, then the Manager may allocate expenses based on any manner determined equitable, in the good faith judgment of the Manager, including pro rata based on relative size and/or on perceived benefit derived by each Client.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in “*Item 5 Fees and Compensation*” above, the Manager may receive performance-based fees or allocations or other incentive compensation, equity participation or economic benefits from Clients. In addition, the Manager or its affiliates hold economic interests in certain Clients or their investments, including retained economic interests in accordance with the Risk Retention Rules (as defined in Item 8).

The Manager may have an incentive to favor, or to take increased investment risk with respect to, Clients for which it might earn performance-based fees or allocations or receive other incentive compensation, equity participation, economic interests or benefits, including the holding of risk retention interests. The Manager believes this risk is mitigated, at least in part, by the fact that its primary advisory business is expected to be sponsoring and managing securitization vehicles that are formed serially and therefore the vehicles will not be competing for investment opportunities with one another. In addition, certain of the Manager’s employees also provide investment advisory services to DoubleLine clients and, as a result, may have a financial incentive to favor DoubleLine’s clients over the Manager’s clients. The Manager believes this risk is mitigated, at least in part, by the fact that DoubleLine does not sponsor or advise securitization vehicles.

The Manager has adopted policies and procedures to address these conflicts, including policies and procedures designed to ensure allocation of trades and securities to Client accounts on a fair and equitable basis, taking into account the Client’s investment objectives and strategies as well as other relevant factors including applicable law.

ITEM 7 TYPES OF CLIENTS

The Manager typically provides investment advice to securitization vehicles, pooled investment vehicles, and various institutional investors, including pension plans (both public and private, and including ERISA plans), endowments, foundations, insurance companies, corporations and other business entities, charitable organizations and sovereign wealth funds. Clients may include investment partnerships or other pooled investment vehicles formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Investors in Clients advised by the Manager will be required to meet various sophistication requirements and will generally be persons and entities that are both (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) “qualified purchasers” as defined under the Investment Company Act. Minimum investment amounts vary by Client.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The following is a summary of the investment strategies and methods of analysis generally used by the Manager. Prospective and existing Clients and investors investing in Clients should review the more detailed descriptions of a Client’s investment strategies and process, methods of analysis, investment limitations, and risks in the applicable Governing Documents. There can be no assurance that the Manager will achieve the investment objectives of any Client, and a loss of investment is possible.

Methods of Analysis and Investment Strategy

The Manager expects its investment advisory business primarily to consist of sponsoring and advising securitization vehicles investing in residential or commercial real estate mortgage-backed securities and making investment decisions with respect to interests in third-party sponsored securitizations of residential or commercial real estate loans, including advising Clients that serve as a “third party purchaser” of so called B-pieces of CMBS securitizations sponsored or originated by unaffiliated parties, where the Manager, on behalf of the Client, conducts significant due diligence with regard to such B-pieces and agrees to a lengthy holding period (e.g., minimum of 5 years), limited ability to transfer and no ability to hedge credit risk.

As described more fully in the “Risk Retention Rules” risk factor below, the U.S. Risk Retention Rules (defined below) generally require the sponsor of a securitization or its “majority-owned affiliate” within the meaning of the U.S. Risk Retention Rules (or certain originators, or in the case of CMBS, certain third party purchasers), to retain unhedged and subject to various requirements pursuant to such rules, at least 5% of the credit risk of such securitizations. Accordingly, the Manager or one or more of its majority-owned affiliates may hold and retain 5% or more of the credit risk of any securitization. As described more fully under “EU Risk Retention Rules” below, the European Union has similar 5% risk retention rules in place that apply to sponsors and originators within the meaning of the EU Risk Retention Rules.

The Manager has a network of residential and commercial real estate relationships with loan originators, brokers and vendors for the purpose of providing a reliable sourcing, due

diligence and transaction execution network for the origination and acquisition of residential and commercial mortgage loans. The Manager intends to leverage where appropriate captive and other strategic relationships with originators, servicers, asset managers and other operating platforms in connection with its investment activities. The Manager additionally intends to use its relationships with Wall Street broker/dealers and institutional investors to source assets through both primary new issue and secondary trading opportunities. The Manager expects this combined network to provide a source of investment opportunities from which the Manager intends to select and assemble a diversified portfolio of real estate loans, securities and other assets for its Clients. In addition, because the DMO Fund's investment strategy includes originating loans and exiting or realizing certain of its investments by securitizing them, the Manager expects to source certain investments for its Clients from the DMO Fund. The Manager's investment sourcing, monitoring, realization and valuation practices and processes are independent of the practices and processes employed by DoubleLine for the DMO Fund, and the Manager conducts its own credit analysis of any assets sourced for Clients regardless of whether the assets are sourced through the DMO Fund, another DoubleLine entity or a third party.

Risks of Investment

Existing and prospective Clients and investors in Clients should be aware that the types of investments typically recommended by the Manager entail a high degree of risk, including potential loss of all capital. Below is a discussion of certain risk factors that the Manager believes are generally applicable to its Clients, although certain of the risk factors discussed below have been drafted with certain Client relationships and investment programs in mind. Client accounts will vary in their investment strategies and the Manager may have limited or no investment discretion with respect to certain Client accounts. Prospective and existing Clients (and investors in Clients) should review the applicable Governing Documents for additional information regarding investment limitations, risks and conflicts of interest.

Risks Related to the Manager and its Operations

Absence of Prior Operating History. The Manager is newly formed and has no operating history that can be used to evaluate its investment performance.

Past Performance Not Necessarily Indicative of Future Results. The past investment performance of the Manager's investment professionals may not be indicative of results that can be expected for the investment programs pursued by the Manager's Clients.

Portfolio Management Risk. Judgments made by the Manager about the attractiveness, value and potential appreciation of particular investments may prove to be incorrect and may not anticipate actual market movements or the impact of economic conditions generally. In fact, no matter how well the Manager evaluates market conditions, such investments may fail to produce the intended result, and investors could lose money on their investments.

Expedited Transactions. Investment analyses and decisions by the Manager may be required to be undertaken on an expedited basis to take advantage of certain investment opportunities. In such cases, the information available to the Manager at the time of making an investment decision may be limited and the Manager may not have access to detailed information regarding the investment.

Accordingly, no assurance can be given that the Manager will have knowledge of all circumstances that may adversely affect a particular investment.

High Transaction Costs. Clients may engage in a large number of purchase transactions, in particular in connection with the acquisition of loans acquired by a Client for the purpose of securitization activities. Transaction costs and certain other expenses involved in a Client's investment activities (including, *inter alia*, assignment and documentation fees and legal expenses) are borne by the Client regardless of the profitability of the Client's investment and trading activities.

Valuations. Valuations are a subjective analysis of the fair market value of an asset and require the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. Valuations may result in adjustments of the aggregate fair market value of a Client's assets or gross or net internal rate of return calculations for a Client. There can be no assurance that the aggregate fair market values or gross or net internal rate of returns, as calculated based on such valuations, will be accurate on any given date, nor can there be any assurance that the sale of any asset would be at a price equivalent to the last estimated value of such asset. Subject to applicable law, there is broad discretion to establish the value of investments in illiquid securities and other illiquid assets.

Accuracy of Third Party Information. The Manager may select investments for a Client, in part, on the basis of information and data made available directly or indirectly by third parties, including independent consultants who may be retained in connection with evaluating a proposed investment. The Manager may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available. No assurance can be given as to a Client's right of recourse against independent consultants or other third party information sources in the event errors or omissions occur.

Risk Relating to Due Diligence. The Manager will conduct such due diligence about Client investments as the Manager deems reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence may entail marketing studies, business plan development, evaluation of important and complex business, financial, tax, accounting, and legal issues as well as background investigations of individuals. Outside professionals, consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The involvement of such third parties may present a number of risks primarily relating to reduced control of the functions that are outsourced and may entail significant third-party expenses, which will be borne by the Client subject to any limitations thereon set forth in the Governing Documents. In addition, if the Manager is unable to timely engage third-party providers, its ability to evaluate and acquire more complex assets could be adversely affected. Due diligence investigations with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. Moreover, there can be no assurance that attempts to identify risks associated with an investment will achieve their desired effect. In the event of fraud, any material misrepresentation or omission or any professional negligence by any seller of assets or such seller's representatives, or by any other party, a Client may suffer a material loss of capital and the value of the Client's investments may be adversely impacted. The Client

will rely upon the accuracy and completeness of representations made by various persons in the due diligence process and cannot guarantee such accuracy or completeness.

Cyber-Security Threats. Cyber-security threats could result in disruption of operations, loss of assets, or damage to the Manager's reputation. The Manager and its service providers rely on information technology systems for current and planned operations, including to facilitate their abilities to monitor and control their respective operations and adjust to changing market conditions. The Manager and its service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release or use of confidential information and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Manager or third-party service providers may adversely impact Clients. Clients may also incur substantial costs, directly or indirectly, for cyber security risk management in order to prevent any cyber incidents in the future.

Investment Risks

General Economic Conditions and Recent Market Events. Many factors affect the appeal and availability of investments that are the focus of the Manager's Clients. The activities of the Manager and Client investments could be materially adversely affected by instability in the local, U.S. or global financial markets, or changes in market, economic, political or regulatory conditions, as well as by numerous other factors outside the control of the Manager. Interest rates, employment rates, general levels of economic activity and other economic indicators may affect the value and number of investments made by a Client or considered for prospective investment.

Real Estate Generally. The real estate industry is cyclical in nature, and a deterioration of real estate fundamentals generally will have an adverse effect on the performance of a Client's investments. Real estate values can be seriously affected by interest rate fluctuations, changes in general and local economic conditions, adverse changes in the financial conditions of tenants, buyers and sellers of properties, bank liquidity, changes in interest rates, increases in borrowing rates, the unavailability of mortgage funds (which may render the sale or refinancing of properties difficult or impractical), insurance, changes in environmental and zoning laws, overbuilding and increased competition, relative popularity of certain property types and locations, changes in supply and demand fundamentals, availability of certain construction materials, increases in property taxes, casualty or condemnation losses, regulatory limitations on rent, increased mortgage defaults, changes in laws, wars, natural disasters, severe weather patterns, terrorist attacks and similar events. Certain significant expenditures associated with real estate (such as mortgage payments (to the extent leveraged), real estate taxes and maintenance costs) have no relationship with, and thus do not diminish in proportion to, a reduction in income from the property. Reductions in value or cash flow could impair a Client's ability to make distributions or other investment-related payments, adversely impact its investment program and reduce overall returns on investments.

Client investments secured by real estate will be subject to risks generally incident to the ownership of real estate, including: (i) changes in general or local economic conditions; (ii) changes in the supply of or demand for similar or competing properties in an area; (iii) changes in interest rates and the availability of permanent mortgage financing, which may render the sale of a property or

loan difficult or unattractive; (iv) changes in tax, real estate, environmental and zoning laws; and (v) periods of high interest rates and tight money supply. Any of the preceding factors, or a combination thereof, may adversely affect a Client's performance.

Real Estate Securities. The real estate equity securities in which Clients may invest are subject to specific risks relating to the particular issuer of the securities and may be subject to the general risks of investing in subordinated real estate securities and the general risks of the real estate industry. Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the current value of real property interests.

Commercial Real Estate Loans. The Manager's Clients may make or invest in loans secured by commercial real estate. Real estate loans secured by properties are subject to the risks related to underlying real estate. Commercial mortgage loans are generally secured by income producing property, such as multi-family housing or commercial property, and may entail risks of delinquency and foreclosure, and risks of loss in the event thereof. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures and causing maintenance and capital improvements to be carried out in a timely fashion), property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property and the occurrence of any uninsured casualty at the property.

Furthermore, rates of defaults and losses on commercial mortgage loans, and the value of any commercial property, may be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property, may be unable to predict or control. Any default on the loan could result in the Client acquiring ownership of the property, and the Client would bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan. In addition, foreclosure of a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on the Client's anticipated return on the foreclosed loan. Furthermore, the market for defaulted commercial mortgage loans or foreclosed properties may be very limited. Additionally, a bankruptcy filing by or against the borrower of a commercial loan can delay and impair recovery on a commercial mortgage loan.

The Manager cannot determine whether the values of the properties ultimately securing the loans will remain at the levels existing on the dates of origination of those loans. If the values of the underlying properties decline, a Client's risk will increase because of the lower value of the security associated with such loans. In this manner, real estate values could impact the values of a Client's loan investments. A Client may invest in mortgage-backed securities, collateralized debt

obligations and other real estate-related investments, which may be similarly affected by property values and could adversely affect a Client.

Risks Related to the Specific Use of the Property. 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. Furthermore, 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 for any reason. 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.

Loan Performance Dependent upon Successful Management of the Mortgaged Property. Successful management and operation of the related business (including property management decisions such as pricing, maintenance and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, taxes and other operational expenses, general economic conditions, governmental rules, regulations and fiscal policies, environmental issues and insurance coverage are among the factors that may impact both performance and market value.

Federal Agencies' Risks. The U. S. Government conservatorship of Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Corporation ("Fannie Mae") in September 2008 and its ultimate resolution may adversely affect the real estate market, the value of real estate-related assets generally and markets generally. In addition, there may be proposals from the U.S. Congress or other branches of the U.S. Government regarding the conservatorship, including regarding reforming Fannie Mae and Freddie Mac or winding down their operations, which may or may not come to fruition. There can be no assurance that such proposals, even those that are not adopted, will not adversely affect the values of Clients' assets. The Federal Housing Finance Agent ("FHFA"), as conservator or receiver of Fannie Mae and Freddie Mac, has the power to repudiate any contract entered into by Fannie Mae or Freddie Mac prior to its appointment if it determines that performance of the contract is burdensome and repudiation of the contract promotes the orderly administration of Fannie Mae's or Freddie Mac's affairs. In the event the guaranty obligations of Fannie Mae or Freddie Mac are repudiated, the payments of interest to holders of Fannie Mae or Freddie Mac mortgage-backed securities would be reduced if payments on the mortgage loans represented in the mortgage loan groups related to such mortgage-backed securities are not made by the borrowers or advanced by the servicer. Any actual direct compensatory damages for repudiating these guaranty obligations may not be sufficient to offset any shortfalls experienced by such mortgage-backed security holders. Further, in its capacity as conservator or receiver, FHFA has the right to transfer or sell any asset or liability of Fannie Mae

or Freddie Mac without any approval, assignment or consent. If FHFA were to transfer any such guaranty obligation to another party, holders of Fannie Mae or Freddie Mac mortgage-backed securities would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

Mortgage-Backed Securities. Mortgage-backed securities (“MBS”) are complex financial instruments. The value and performance of MBS depend upon the actions of numerous transaction parties and the creation of the appropriate legal structure for the underlying transactions, as described herein. MBS are typically created by the sale of assets or collateral (*e.g.*, residential or commercial mortgage loans) to a securitization conduit, which becomes the legal issuer of the MBS. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a trust or other special-purpose entity. Interests in, or other securities issued by, the MBS trust or special-purpose entity, that give the holder thereof the right to certain cash flows arising from the underlying assets, are then sold to investors through an investment bank or other securities underwriter in a publicly registered issuance or private placement. MBS transactions include one or more servicers (which may be an originator of the collateral or an affiliate thereof) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and a paying agent that is responsible for distributing such funds to the investors in accordance with the terms of the securities. The servicers process the payments, administer the assets in the pool and make various decisions with respect to pool assets to maximize collections, including loan modifications and foreclosures.

Credit rating agencies that rate the MBS typically analyze the policies and operations of the sponsor, originators and servicers, as well as the structure, underlying pool of assets, expected cash flows, credit enhancement and other attributes of the securities. The initial ratings of MBS generally only address the likelihood of the payment of interest when due and the ultimate payment of principal by its legal maturity date. The ratings generally do not address the likelihood of the payment of principal on MBS on or before expected final payment dates nor do the ratings guarantee that MBS will never suffer losses or have a delay in payment. The ratings of MBS have been and may continue to be lowered or withdrawn entirely by the applicable rating agency without prior notice of such change in rating. The market value of MBS acquired by a Client could decrease if ratings on such are subsequently lowered or withdrawn.

Often MBS issuances are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. The subordinated tranches must absorb credit losses on the collateral before losses can be charged to the senior tranches.

The multiplicity of roles that may be played by a single company—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of companies. For example, an originator of the mortgage loans (or an affiliated company) may also serve as servicer, administrator of the securities, underwriter, provider of liquidity and credit enhancer.

MBS offerings are also subject to counterparty risk. If the MBS trust enters into a derivative instrument (such as an interest rate cap agreement, currency swap agreement or interest rate swap agreement), payments on the MBS may be dependent on payments made under the derivative instrument. In this regard, the amounts available to the issuing entity to pay interest and principal on all classes of the MBS will depend in part on the operation of the derivative instrument and the performance by the derivative counterparty under the derivative instrument. If the MBS trust does not receive the payments it expects from the counterparty, the MBS trust may not have adequate funds to make all payments to holders of MBS when due, if ever.

The risks of investing in MBS reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the possibility of changes in the structure or effectiveness of the government sponsored enterprises, Fannie Mae, Freddie Mac and Ginnie Mae, the ability of tenants to make payments, the ability to attract and retain tenants and prepayment risk. Increasing rates of delinquencies, foreclosures and other losses on mortgages could, in turn, adversely affect certain securities in which a Client may invest.

In addition, numerous United States federal and state statutory provisions, including the United States federal bankruptcy and consumer protection laws, and state debtor relief and consumer protection laws, may also adversely affect the ability of an issuer of MBS to collect the principal of or interest on the underlying mortgage loans, and holders of the affected MBS may suffer a loss if the applicable laws result in these loans becoming uncollectible.

Commercial Mortgage-Backed Securities. In addition to the risks applicable to MBS set forth above, CMBS are susceptible to certain additional risks described herein, among others. CMBS are backed by one or more commercial mortgage loans. Each of the mortgage loans specifies the terms on which the related borrower must repay the outstanding principal amount of the loan. The rate, timing and amount of scheduled payments of principal may vary, and may vary significantly, from mortgage loan to mortgage loan. The rate at which the underlying mortgage loans amortize will directly affect the rate at which the principal balance or notional amount of CMBS is paid down or otherwise reduced.

Structural Considerations for CMBS. CMBS may be backed by a single mortgage loan or an underlying mortgage pool of only a few mortgage loans. In such cases, each commercial mortgage loan in the underlying mortgage pool represents a large percentage of the principal amount of the CMBS backed by such underlying mortgage pool. Credit risk relating to CMBS is, as a result, property-specific. In this respect, CMBS transactions resemble traditional non-recourse secured loans. The collateral must be analyzed and transaction structured to address issues specific to each individual commercial property and its business.

At any one time, a portfolio of CMBS may be backed by mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Potential conflicts of interest inherent in CMBS transactions can present risks. A servicer of a CMBS trust may be affiliated with the issuer or a sponsor of the related CMBS. In addition, the holder of certain subordinate classes of a CMBS issuance may be entitled to certain rights such as the right to replace the special servicer and consent rights with respect to certain loan modifications, and may have interests that conflict with those of the holders of other classes of the related CMBS issuance.

Balloon Payments. Each commercial mortgage loan underlying CMBS may have a balloon payment due on its maturity date. Balloon mortgage loans involve a greater risk to a lender than fully-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment. This, in turn, will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the commercial real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the CMBS may experience losses.

CMBS Market Conditions. In addition to the risks discussed above, CMBS are subject to other risks, including possible downgrades or withdrawals of ratings assigned to CMBS and limited liquidity. Furthermore, the value of CMBS may be adversely affected by factors unrelated to the performance of the particular CMBS or the underlying commercial loans, such as fluctuations in interest rates and the supply and demand for CMBS or other structured products generally.

In a rising interest rate environment, the value of CMBS may be adversely affected when repayments on underlying mortgage loans do not occur as anticipated, resulting in the extension of the security's effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated assets but more sensitive to adverse economic downturns or individual issuer developments. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality securities because the ability of obligors of mortgages underlying CMBS to make principal and interest payments or to refinance may be impaired. In this case, existing credit support in the securitization structure may be insufficient to protect a Client against loss of the Client's principal on these securities. The value of CMBS also may change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the mortgage securities markets as a whole.

Over the past several years, events in the real estate and securitization markets, as well as the debt markets and the economy generally, have caused significant dislocations, illiquidity and volatility in the market for CMBS, as well as in the wider global financial markets. Declining real estate values, coupled with diminished availability of leverage and/or refinancings for commercial and multifamily real estate has resulted in increased delinquencies and defaults on commercial and multifamily mortgage loans. In addition, the downturn in the general economy has affected the financial strength of many commercial and multifamily real estate tenants and has resulted in increased rent delinquencies and increased vacancies. Any continued downturn may lead to increased vacancies, decreased rents or other declines in income from, or the value of, commercial and multifamily residential real estate, which would likely have an adverse effect on CMBS that

are backed by loans secured by such commercial and multifamily real estate and thus affect the values of such CMBS. Despite some recent improvement, we cannot assure you that the dislocation in the CMBS market will not re-occur or become more severe. Even if the CMBS market continues to recover, the underlying mortgaged properties and therefore, the underlying mortgage loans and mortgage-backed securities, may nevertheless decline in value. Any further economic downturn may adversely affect the financial resources of the related borrower under the underlying mortgage loans and may result in the inability of the related borrower to make principal and interest payments on, or refinance, the outstanding debt when due. Any delinquency or loss on the underlying mortgage loans may have an adverse effect on the distributions of principal and interest received by the Client as a holder of related CMBS.

In addition to credit factors directly affecting CMBS, the continuing fallout from a downturn in the residential mortgage-backed securities market and markets for other asset backed and structured products has also affected the CMBS market by contributing to a decline in the market value and liquidity of securitized investments such as CMBS. The deterioration of other structured products markets may continue to adversely affect the value of CMBS. Even if CMBS are performing as anticipated, the value of such CMBS in the secondary market may nevertheless decline as a result of a deterioration in general market conditions or in the market for other asset backed or structured products. Trading activity associated with commercial mortgage-backed securities indices may also drive spreads on those indices wider than spreads on CMBS, thereby resulting in a decrease in value of such CMBS. Spreads on those indices may also be affected by a variety of factors, which may or may not be related to the commercial and multifamily real estate markets and may react to factors that are unknown and cannot be discerned.

The Client may also invest in “non-investment grade” CMBS which have a higher risk of default than investment grade loans. Non-investment grade ratings for these loans typically result from the overall leverage of the loans, the lack of a strong operating history for the properties underlying the loans, the borrowers’ credit history, the properties’ underlying cash flow or other factors. If the borrowers in the underlying loans are unable to repay their loans at maturity, the Client’s revenues may be adversely affected. If negative economic trends impact the real estate market, borrowers underlying CMBS may have difficulty repaying the principal of their loans at maturity, which may adversely affect the Client.

Repayment Risks. The repayment of loans secured by income-producing commercial properties is typically dependent on the successful operation of those properties rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. The net operating income from commercial properties is subject to volatility, however, and may not be sufficient to cover debt service on the related mortgage loan at any given time. 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 that 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; natural disasters; 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.

Residential Mortgage Loans. Residential mortgage loans are secured by single family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property typically is dependent upon the income or assets of the borrower. A number of factors may impair borrowers' abilities to repay their loans, including: (i) changes in the borrower's income or assets; (ii) acts of God, which may result in uninsured losses; (iii) acts of war or terrorism, including the consequences of events; (iv) adverse changes in national and local economic and market conditions; (v) changes in governmental laws and regulations, including consumer protection regulations, fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; (vi) costs of remediation and liabilities associated with environmental conditions; and (vii) the potential for uninsured or under-insured property losses.

With respect to mortgage loans owned by a Client, or which a Client has purchased or originated and subsequently sold, the Client, its general partner (if any) and/or their respective affiliates may be subject to liability for potential violations of the Consumer Financial Protection Bureau's (the "CFPB") TILA-RESPA Integrated Disclosure rule (also referred to as "TRID") or other similar consumer protection laws and regulations designed to regulate residential mortgage loan underwriting and originators' lending processes, standards and disclosures to borrowers, which could adversely impact the Client's business and financial results. Provisions of the Dodd-Frank Act require, among other things, significant revisions to the legal and regulatory framework under which asset backed-securities, including RMBS, are issued through the execution of securitization transactions. Some of the provisions of the Dodd-Frank Act have become effective or have been implemented, while others are in the process of being implemented or will become effective soon. In addition, prior to the passage of the Dodd-Frank Act, the SEC and the U.S. Federal Deposit Insurance Corporation had already published proposed and final regulations under already existing legislative authority relating to the issuance of asset-backed securities, including RMBS. Additional federal or state laws and regulations that could affect the Client's ability to execute future securitization transactions could be proposed, enacted, or implemented. In addition, various federal and state agencies and law enforcement authorities, as well as private litigants, have initiated and may, in the future, initiate additional broad-based enforcement actions or claims, the resolution of which may include industry-wide changes to the way residential mortgage loans are originated, transferred, serviced, and securitized, and any of these changes could also affect the Client's ability to execute future securitization transactions. Other laws and regulations include

the CFPB's "ability-to-repay" and "qualified mortgage" regulations. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. Some states have enacted, or may enact, similar laws or regulations, which in some cases may impose restrictions and requirements greater than those in place under federal laws and regulations. In addition, under the anti-predatory lending laws of some states, the origination of certain residential mortgage loans, including loans that are classified as "high cost" loans under applicable law, must satisfy a net tangible benefits test with respect to the borrower. This test, as well as certain standards set forth in the "ability-to-repay" and "qualified mortgage" regulations, may be highly subjective and open to interpretation. As a result, a court may determine that a residential mortgage loan did not meet the standard or test even if the originator reasonably believed such standard or test had been satisfied. Failure of residential mortgage loan originators or servicers to comply with these laws and regulations could subject the Manager, a Client of the Manager or other related vehicles, as an originator, assignee or purchaser of these loans (or as an investor in securities backed by these loans), as applicable, to monetary penalties and defenses to foreclosure, including by recoupment or setoff of finance charges and fees collected, and could result in rescission of the affected residential mortgage loans, which could adversely impact the Client's business and financial results. Additionally, the failure of the Manager and/or a Client of the Manager to take steps to ensure that any subservicers retained by such entities to directly service residential mortgage loans (when the Client or a related vehicle, as applicable, owns the associated mortgage serving rights) are servicing such residential mortgage loans in accordance with applicable laws and regulations could result in enforcement action by the CFPB against the Manager, a Client of the Manager and/or other related vehicles, as applicable, that could restrict their respective businesses, expose them to penalties or other claims, negatively impact their financial results and damage their reputations.

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

Residential Mortgage-Backed Securities. A Client may acquire residential mortgage-backed securities ("RMBS") – agency RMBS and/or non-agency RMBS – which are backed by residential real estate property. In contrast to agency RMBS, non-agency RMBS principal and interest are not guaranteed by federally-chartered entities such as the Federal National Mortgage Association ("Fannie Mae"), and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and, in the case of the Government National Mortgage Association ("Ginnie Mae"), the U.S. government. A Client's investments in RMBS are subject to the risks of defaults, foreclosure timeline extension, litigation under consumer protection regulations, fraud, home price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal, accompanying the underlying residential mortgage loans. To the extent that assets underlying a Client's investments are concentrated geographically, by property type or in certain other respects, the Client may be subject to certain of the foregoing risks to a greater extent. In the event of defaults

on the residential mortgage loans that underlie the Client's investments in agency RMBS and the exhaustion of any underlying or any additional credit support, the Client may be adversely affected. The underlying residential mortgage loans in an issue of RMBS held by a Client are likely to include "non-traditional" mortgages, such as adjustable rate mortgages ("ARMs"), *i.e.*, mortgages that offer relatively low monthly payments during the initial years of the loan that increase (often significantly) in later years, or mortgages that require large "balloon" payments at specified times (unlike traditional, "self-amortizing" mortgages). Many borrowers enter into non-traditional mortgages with the hope that they will be able to refinance, or resell the underlying property, before the increased interest payments or balloon payments become due. Continuing stress in the real estate markets, including continuing declines in housing prices may, however make these refinancings or resales commercially infeasible or impossible. This, in turn, may contribute to higher delinquency rates and losses on mortgages underlying RMBS held by a Client, which would adversely affect the Client's performance.

In addition to the risks applicable to all types of MBS set forth above, agency and non-agency RMBS are susceptible to certain risks described herein, among others. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the servicer's failure to perform. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. Distributions on the RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans. The rate of defaults and losses on residential mortgage loans are affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged property is located, changes in property values, 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.

Disruption Due to Servicing Transfers. 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 an existing servicer. All transfers of servicing involve some risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities and other reasons. As a result, the mortgage loans may experience increased delinquencies and defaults, at least for a period of time, until all of the borrowers are informed of the transfer and the related servicing mortgage files and records and all the other relevant data has been obtained by the new servicer. There is no guarantee, however, that a suitable servicer could be found to assume the obligations of the existing servicer either at all or on the same terms as the prior 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 result in an increase in delinquencies and losses and decreases in recoveries. There can also be no assurance as to the extent or duration of any disruptions associated with the transfer of servicing or as to the resulting effects on the yield on the related RMBS.

Geographic Concentration. Residential mortgage loans underlying an individual RMBS security may be concentrated in one or more states. The rate of delinquencies, defaults and losses on the mortgage loans may be higher than if fewer of the mortgage loans were concentrated in those states

because the following conditions will have a disproportionate impact on the mortgage loans in general: weak economic conditions in those states, which may or may not affect real property values and may affect the ability of borrowers to repay their loans on time; declines in the residential real estate market in those states may reduce the values of properties located in those states, which would result in an increase in the loan-to-value ratios of the related mortgage loans; and properties in those states may be more susceptible than homes located in other parts of the country to certain types of uninsurable hazards, such as hurricanes, as well as earthquakes, floods, wildfires, mudslides and other natural disasters.

Consumer Protection Laws. A Client's underlying assets may be subject to various laws for the protection of creditors that may adversely affect an issuer's or borrower's ability to make or a creditor's ability to enforce payment in full, on a timely basis or at all, any of which may result in a loss for the Client. In addition, a number of judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the investments, the obligors thereof may be subject to allegations of lender liability which could materially adversely affect the value of such investments. To the extent the Manager holds equity or other interests in obligors of investments or their underlying assets, a Client could be exposed to claims for equitable subordination, lender liability or both based on such equity or other holdings.

The mortgage lending and servicing business involves the collection of numerous accounts and compliance with various federal, state and local laws that regulate consumer lending. Lenders and servicers may be subject from time to time to various types of claims, legal actions (including class action lawsuits), investigations, subpoenas and inquiries in the course of their business. It is impossible to predict the outcome of any particular actions, investigations or inquiries or the resulting legal and financial liability. In addition, adverse economic conditions in the residential housing market have resulted in serious financial difficulties for, and in some cases, bankruptcy of, numerous mortgage originators and servicers, particularly those involved with subprime loans. If any legal or governmental proceeding were determined adversely to an originator or servicer of mortgage loans included in a RMBS trust and were to have a material adverse effect on its financial condition, or if the servicer or originator experiences serious financial difficulties, the ability of the affected servicer to service the mortgage loans in accordance with the applicable servicing agreement, or the ability of the affected originator to fulfill its obligation to repurchase or substitute for defective mortgage loans, could be impaired.

Legislative and regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of a servicer to foreclose on a defaulted loan. Various jurisdictions have considered or are currently considering such actions, and the Manager cannot predict the nature or extent of limitations on foreclosure that may be enacted. Any such governmental actions that interfere with the foreclosure process could affect RMBS yields.

Failure to comply with state and United States federal consumer protection laws and related statutes could subject the lenders under the mortgage loans backing an issue of RMBS to specific statutory liabilities, and may limit the ability of an RMBS issuer to collect all or part of the principal of, or interest on, the related underlying mortgage loans or subject such issuer to damages and administrative enforcement.

Loan Modifications. In order to reduce borrower defaults and comply with government initiatives designed to reduce foreclosures, the servicer or servicers may from time to time use servicing and collections practices that have the effect of accelerating or deferring prepayments or borrower defaults of mortgage loans. The servicers may generally waive, modify or vary any term of any mortgage loan, or postpone strict compliance by the borrower with any term of any mortgage loan, so long as the mortgage loan is in default or default is reasonably foreseeable. For example, qualifying borrowers might be permitted to skip a payment or be offered other benefits that have the effect of deferring or otherwise altering the timing of a trust's receipt of interest or principal payments.

Any loss mitigation or loan modification actions relating to the mortgage loans underlying non-agency RMBS, could cause the non-agency RMBS to lose value or suffer realized losses. In addition, failure by the servicer to timely modify the terms of a defaulted mortgage loan where appropriate could have adverse effects on the non-agency RMBS.

Recordation Risks. The mortgages or assignments of mortgage for some mortgage loans, including the underlying loans included in a Client's RMBS portfolio, may be recorded in the name of Mortgage Electronic Registration Systems, Inc. ("MERS"), solely as nominee for the originator and its successors and assigns. The recording of mortgages in the name of MERS is a relatively new practice in the mortgage lending industry. Accordingly, delays and additional costs in commencing, prosecuting and completing foreclosure proceedings and conducting foreclosure sales of the mortgaged properties could result. Those delays and additional costs could in turn delay the distribution of liquidation proceeds to certificate holders and increase the amount of losses on the mortgage loans. MERS has been under significant scrutiny recently and suits have been brought alleging that recordations in the name of MERS should not perfect a lender's interest in the related mortgaged property. If a court were to hold that recordation in the name of MERS was not valid, the owner of a mortgage loan could lose its ability to foreclose on the related mortgaged property and therefore be left with an unsecured loan. In addition, documentation or custodial errors could also result in loss of mortgage security and similarly result in an unsecured loan.

Lending and Lender Licensing Considerations. Client investments (if any) in commercial and residential real estate loans and/or the originators of such loans (which may include a Client) may be subject to special rules, disclosure and licensing requirements and other provisions of federal or state laws and/or requirements relating to commercial and consumer finance. Failure to comply with these federal or state requirements could subject lenders to specific statutory liabilities. Various state licensing requirements could apply to a Client, its related vehicles or the Manager with respect to investments in, or the origination and servicing of, loans and similar real estate-related assets. The licensing requirements could apply depending on the location of the borrower, the location of the collateral securing the loan, or the location where the Client, its related vehicles or the Manager operates or has offices. In states in which it is licensed, the Client, its related

vehicles or the Manager, as applicable, will be required to comply with applicable laws and regulations, including consumer protection and anti-fraud laws, which could impose restrictions on the ability of the Client, its related vehicles or the Manager to take certain actions to protect the value of the Client's investments in such assets and impose compliance costs. Failure to comply with such laws and regulations could lead to, among other penalties, a loss of any license held by the Client, its related vehicles or the Manager, which in turn could require the Client to divest assets located in or secured by real property located in that state. These risks will also apply to issuers and entities in which the Client invests that hold similar assets, as well as any origination company or servicer in which the Client owns an interest.

Residential Mortgage Servicing State Licenses. State mortgage finance licensing laws vary considerably. Many of the mortgage licensing laws impose a licensing obligation to service residential mortgage loans. Certain state collection agency licensing laws require entities collecting on delinquent or defaulted loans for others or acquiring such loans to be licensed. Failure to obtain and maintain the appropriate state licenses, or to qualify for the appropriate exemptions, could adversely affect a Client's investments to the extent the Client seeks to engage in loan servicing activities or has a financial interest in a servicer.

Risk Retention

Risk Retention. Effective beginning December 24, 2015, the risk retention rules promulgated by U.S. federal regulators under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") have required a "securitizer" or "sponsor" of certain residential mortgage securitizations to retain directly or through a majority-owned affiliate (including an entity that is considered a majority-owned affiliate based on the holding of a controlling financial interest in such entity as determined under U.S. generally accepted accounting practices ("GAAP")), at least 5% of the credit risk of the securitized assets (the "U.S. Risk Retention Rules"). The U.S. Risk Retention Rules began to apply to CMBS and other securitizations on December 24, 2016. For CMBS, the U.S. Risk Retention Rules allow the retention obligation to be satisfied by a "third party purchaser" of so called B-pieces of CMBS sponsored or originated by unaffiliated parties, where the third party purchaser conducts significant due diligence with regard to such B-pieces and agrees to a sufficiently long holding period (e.g., minimum of 5 years), limited ability to transfer and no ability to hedge the credit risk of such investments.

The DMO Fund, in pursuit of its investment strategy and in order to facilitate compliance with the U.S. Risk Retention Rules, has used its capital to establish the Manager as an asset manager separate from DoubleLine, with the independent capacity to act as the "sponsor" of securitizations under the U.S. Risk Retention Rules. The Manager, or other entities that are majority-owned affiliates of the Manager within the meaning of the U.S. Risk Retention Rules (whether owned by the Manager or under common ownership with the Manager), are also expected to hold U.S. Retention Interests. "U.S. Retention Interests" are economic interests in the credit risk of the assets of the securitization vehicle (and any securitization warehouse, if applicable), which are held in the form of (i) a first-loss interest issued by the securitization vehicle equal to 5% of the fair value (determined using a fair value measurement framework under GAAP) of all securities in the securitization vehicle (or the securitization warehouse, if applicable) (a "Horizontal Interest"); (ii) an interest in each class of securities issued by the securitization vehicle (or the securitization warehouse, if applicable) equal to 5% of the face value of each tranche of securities (a "Vertical

Interest”); or (iii) a combination of a Horizontal Interest and a Vertical Interest, in each case in a manner that complies with the requirements of the U.S. Risk Retention Rules.

The European Union has similar 5% risk retention rules in place that apply to certain European Union investors such as credit institutions (including banks), investment firms, authorized alternative investment fund managers and insurance and reinsurance undertakings (the “EU Risk Retention Rules” and together with the U.S. Risk Retention Rules, the “Risk Retention Rules”). Under the EU Risk Retention Rules, the required retention interest is a material net economic interest within the meaning of the EU Risk Retention Rules, currently an amount equal to at least 5% of the nominal value of the loans and other assets in (or in certain circumstances the tranches issued by) the securitization vehicle representing principal proceeds (the “EU Retention Interest” and together with the U.S. Retention Interest, the “Retention Interests”). The Manager may determine that it will engage in securitization activities that require compliance with the EU Risk Retention Rules. However, the Manager may also choose not to hold risk retention that would satisfy the EU Risk Retention Rules, which may limit the market for its securitizations in the EU. Currently, the EU Risk Retention Rules can be satisfied through an “originator” option or a “sponsor” option, each of which has different requirements than the U.S. Risk Retention Rules. Certain amendments to the EU Risk Retention Rules are pending but have not been finalized.

It is expected that the creation or acquisition of Retention Interests by the Manager will be sized and structured to facilitate compliance with the Risk Retention Rules, but may be sized in an amount that is more than the minimum amount required to satisfy such Risk Retention Rules (which may include the entire first loss interest in any securitization). Clients holding these interests may be prohibited from transferring or hedging their Retention Interests except to the extent permitted under the applicable Risk Retention Rules.

The transactions and structures described herein for facilitating compliance by the Manager, Clients and their respective related vehicles with applicable Risk Retention Rules are subject to change, and may include any other approach or variations thereon deemed necessary or advisable for complying with applicable Risk Retention Rules. Moreover, no assurance can be given that any such transactions or structures will satisfy any applicable Risk Retention Rules.

Risk Retention Rules. The Risk Retention Rules require that the holder of the Retention Interest for any securitization and any affiliate thereof hold such Retention Interests without transferring or hedging the credit risk represented by such Retention Interests, directly or indirectly, for a significant period of time (in the case of EU Retention Interests, the life of the applicable securitization). Accordingly, the Manager and its affiliates may be unable to engage in strategies designed to mitigate losses on such investments. Such restrictions may also continue to apply even after the Manager and its affiliates are removed or resign as collateral managers or otherwise in the underlying securitizations. In addition, certain direct or indirect transfers of interests in the Manager or its affiliates might result in making one or more of such Persons unable to hold the Retention Interests for the applicable securitizations.

Prospective Clients (and investors in Clients) are advised that no assurance can be given that any approach taken or facilitated by the Manager or its affiliates will satisfy applicable Risk Retention Rules (whether in connection with its own risk retention requirements or the risk retention requirements of others), which could materially and adversely affect the Manager and its Clients.

Risk Retention Undertakings. The Manager and its affiliates may be required from time to time in connection with securitizations to execute one or more letter or other agreements, the exact form and nature of which will vary (the “Risk Retention Undertakings”) under which they will make certain undertakings designed to ensure that such securitizations comply with the Risk Retention Rules. Such Risk Retention Undertakings may be required for U.S. and/or EU risk retention compliance, as applicable. Such Risk Retention Undertakings may include a variety of representations, warranties, covenants and other indemnities, each of which may run to various transaction parties. At present, such Risk Retention Undertakings would typically include requirements to, among other things, make certain representations, warranties and undertakings in relation to the acquisition and retention by the Manager and its affiliates of the Retention Interests for the life of the securitization or such shorter period as may be required under the applicable regulations; however, in the case of the U.S. Risk Retention Rules, the full extent of required Risk Retention Undertakings is not known at this time. If the Manager or its affiliates breach any such Risk Retention Undertakings, they will be exposed to claims by the other parties thereto, including for any losses incurred as a result of such breach. Such claims may reduce, or entirely diminish any cash or assets available for distribution or other payment to Clients or investors in Clients.

If the Manager at any time determines that, for purposes of complying with the Risk Retention Rules, it is necessary or advisable for it or any other person to make direct investments (including acquiring a controlling financial interest) in any other entity at any time, the Manager will be permitted (but not required) to make or dispose of its investments at a price representing fair market value as determined by a third party valuation agent selected by the Manager.

Moreover, even if the Manager and its affiliates are in full compliance with their Risk Retention Undertakings, the Risk Retention Rules themselves are subject to change and varying interpretations, and one or more governmental authorities or government officials could take positions regarding such matters that differ from the approach taken or embodied in the Risk Retention Undertakings.

The effects of the 2016 U.S. presidential election and potential changes to regulations relating to transactions are uncertain and may affect the U.S. Risk Retention Rules and required Risk Retention Undertakings.

Conflicts of Interest

Conflicts of Interest; Other Activities of the Manager. The Manager may make investment decisions for its own account or for the account of its Clients that differ from those made for its other Clients and/or from those made by DoubleLine with respect to DoubleLine clients, including the DMO Fund. The Manager makes decisions for each Client consistent with the Manager’s duties to that Client, in the best interests of that Client. Clients’ interests may conflict with one another and may conflict with the interests of the DMO Fund and DoubleLine clients. Accordingly, in certain instances the resolution of a conflict may result in the Manager acting on behalf of another Client in a manner that is not in the best interests, or is opposed to the interests, of another Client, the DMO Fund and/or DoubleLine clients. These conflicts may arise, for example, where different Clients and/or other persons invest in the same issuer, whether in the same or different securities or assets of such issuer. Subject to the foregoing and applicable law, (i) the Manager may invest for its own account and for the accounts of its Clients in various securities or other instruments or

investments that are senior to, pari passu with or junior to, or have interests different from or adverse to, the securities or other instruments or investments that are owned by other Clients, the DMO Fund and/or DoubleLine clients, (ii) the Manager and its affiliates may engage in transactions that arrange for or provide financing or leverage for certain Client investment programs and/or investments, and (iii) the Manager may at certain times be simultaneously seeking to purchase (or sell) investments for one Client and to sell (or purchase) the same investment for another Client, and may enter into cross trades (including similar transactions such as novations of derivative positions) in such circumstances. In addition, the Manager and its Clients may buy securities and other investments from, or sell securities and other investments to, one another, the DMO Fund and/or DoubleLine clients, in each case, if permitted by and in accordance with applicable law. Similarly, the Manager, one or more of its Clients, DoubleLine, the DMO Fund or any DoubleLine client may contribute assets to a Client in which one or more of the foregoing persons holds or is expected to hold different and potentially adverse interests. Conversely, the Manager and/or its Clients may also invest (along with other Clients) in structured investments that are created or otherwise sponsored by DoubleLine or by DoubleLine clients. In negotiating the terms and conditions of any such investments, or any subsequent amendments or waivers, the interests of the Manager's Clients and the interests of one or more DoubleLine clients could conflict. In these situations, decisions over whether to make an investment, proxy voting, corporate reorganization, how to exit an investment, the servicing of loans or bankruptcy matters may result in conflicts of interest. Similarly, if an issuer in which Clients and/or DoubleLine clients directly or indirectly hold different classes of securities (or other assets, instruments or obligations issued by such issuer or underlying investments of such issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a liquidation of the issuer in which it may be paid in full, whereas an equity or junior bond holder might prefer a reorganization that holds the potential to create value for the equity holders. While such transaction would be intended to be made at fair value, there is inherent risk undervaluing or overvaluing an asset, with the potential that a Client may pay too much for an asset it purchases or receive too little for an asset it sells. If an asset is undervalued or overvalued, one Client may benefit at the expense of another. These other relationships may also result in securities laws restrictions on transactions in these instruments by the Manager and its Clients, may require the Manager to obtain informed Client consent, and may otherwise create potential conflicts of interest for the Manager.

Reliance on Approvals of Others. Subject to the applicable Governing Documents, the Manager may in certain situations choose to consult with or obtain the consent of a Client's investors or an entity, such as an independent board, authorized by the Client's investors to represent the investors (an "Authorized Representative") with respect to any conflict of interest, including with respect to approvals required under the Advisers Act, including Sections 205(a) and 206(3). If, as permitted pursuant to the applicable Governing Documents, the requisite percentage of the Client's investors or the Authorized Representative consents to a particular transaction or waives a particular conflict of interest or the Manager acts in a manner, or pursuant to the standards and procedures, approved by the requisite percentage of the Client's investors or the Authorized Representative with respect to such conflict of interest, or otherwise as provided in the Governing Documents, then the Manager will not have any liability to the Client or its investors for such actions taken in good faith by them, including actions in pursuit of their own interests.

Employees; Consultants. The Manager Employees (some or all of whom also work for DoubleLine or previously worked for DoubleLine on a separate basis) will be responsible, through the Manager, for making all decisions in respect of a Client's securitization activities and all other Client investments. The Manager will bear all overhead costs for Manager Employees (which will include compensation and other overhead costs for the Manager Employees and may include an allocated share of salary, bonus, benefits and rent), and the Manager may (directly or indirectly) enter into reimbursement arrangements with DoubleLine in connection with these obligations.

Other Activities of Management. The Manager will devote such time as is reasonably necessary to conduct the business affairs of its Clients in an appropriate manner. However, Manager Employees may work on multiple Client accounts and may also separately work for DoubleLine. Additionally, Manager Employees are permitted to undertake investment activities and other outside business opportunities (including for DoubleLine) and regularly conduct extensive other activities. Accordingly, conflicts may arise in the allocation of management resources.

Other Interests. The Manager and the Manager Employees may maintain relationships with (or may invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services to, the Manager and/or its Clients. The Manager and the Manager Employees may receive other benefits from these relationships that are not made available to other Clients. This may also impact the Manager's selections of certain financial institutions or other service providers for its Clients.

Service Providers. The service providers for the Manager and its Clients (including lenders, brokers, attorneys and investment banking firms) may be investors in the Manager, in one or more Clients and/or in DoubleLine clients, and/or may be sources of investment opportunities or counterparties to any of the foregoing. This presents a conflict of interest, as it may influence the Manager in deciding whether to select such a service provider or have other relationships with such service provider. The Manager or a Client may utilize or otherwise engage in transactions with, and may invest in entities that utilize or otherwise engage in transactions with, loan origination companies, operating partners, servicers, asset managers and other service providers that are acquired and owned by (or otherwise affiliated with) the DMO Fund, the Manager, other Manager Clients, DoubleLine or DoubleLine clients. Advisors, consultants and other service providers may charge different Clients and/or the Manager different rates for their services or may have different arrangements for specific types of services, which may be more beneficial to certain Clients than others and/or may benefit the Manager to a greater degree than the benefit accorded to certain of its Clients. Each Client (and investor in a Client) consents to any such differential rates or arrangements and authorizes the Manager to make all determinations regarding the same. Each investor further waives any conflict of interest in connection with any of the foregoing.

Material Non-Public Information. The Manager may from time to time come into possession of material non-public information concerning specific issuers. In addition, to the extent the Manager Employees are also dual-employees of DoubleLine, material nonpublic information in DoubleLine's possession may be attributed to the Manager. Under applicable securities laws, this may limit the Manager's flexibility to buy or sell securities issued by such issuers on behalf of or otherwise use such information for the benefit of the Manager's Clients. The Manager may decline to pursue certain investment opportunities or exit strategies on behalf of a Client in order to avoid being in possession of material non-public information in respect of an issuer where such

possession would limit the Manager's ability to trade in other securities of such issuer. Alternatively, the Manager may decline to receive material nonpublic information in order to avoid trading restrictions, even though access to such information might have been advantageous and other market participants are in possession of such information. All of the foregoing may adversely impact the performance of Client accounts.

Diverse Investor Group. When a Client has multiple investors, the Client's investors may have conflicting investment, tax and other interests with respect to their investments in the Client. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Client, the structuring or the acquisition of investments and the timing of disposition of investments. Conflicts of interest may arise in connection with decisions made by the Manager, including with respect to the nature or structuring of investments, that may be more beneficial for one investors than for another investor, especially with respect to individual tax situations. Also, Client investments may have a negative impact on related investments made by one or more investors in separate transactions. In originating, selecting, structuring and managing investments appropriate for a Client, the Manager and its affiliates will consider the investment and tax objectives of the Client and its investors as a whole, not the investment, tax or other objectives of any individual investor.

Clients and investors in Clients or their affiliates may include companies with significant business interests within the securitization industry, insurance and other risk management companies, financial institutions and governmental or other pension plans, and may have a direct or indirect interest in one or more of a Client's investments. One or more of the Client's investors could hold securities, debt or provide risk management services. This could result in a Client becoming involved in disputes and litigation with one or more of its investors or their affiliates.

Allocation of Investment Opportunities; Overlapping Accounts. The Manager may manage, advise or sub-advise one of more Clients that may invest in assets eligible for purchase by another Client ("Overlapping Accounts"). The investment policies, fee arrangements and other circumstances of the Overlapping Accounts may vary. Investment opportunities will be allocated on a basis determined by the Manager in good faith and consistent with its obligations to the Clients and in accordance with the Manager's then current allocation policies (which may include allocating the entire investment opportunity to one of the Overlapping Accounts, or sharing an opportunity between Overlapping Accounts in proportions determined by the Manager in its sole discretion), taking into account relevant factors such as, where applicable, the sourcing of the transaction, the nature of the investment focus of each Client, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction of the respective teams of investment professionals, any requirements set forth in the applicable client's governing agreements, the status of the overall portfolios of such clients and their respective diversification, industry exposure, and other factors deemed relevant by the Manager. In view of the foregoing, there can be no assurance that Clients will share, pro rata or otherwise, in any given investment opportunity or that a Client will receive a priority allocation. In addition, the method of allocating investment opportunities may change over time. Decisions as to the allocation of investment opportunities present numerous conflicts of interest, which may not be resolved in a manner that is favorable to a Client's interests. Similar conflicts of interest will apply in connection with the disposition of an investment held by one or more Overlapping Accounts. All of the foregoing procedures could in certain circumstances adversely affect the price paid or received by the Client

or the size of the position purchased or sold by the Client (including prohibiting the Client from purchasing a position or effecting a disposition) or may limit the rights that the Client may exercise with respect to an investment. In addition, the Client may make investments in which Overlapping Accounts also invest, either concurrently with or subsequent or prior to the investment by the Client. The Manager may from time to time incur expenses in connection with investments to be made on behalf of Overlapping Accounts. The Manager will attempt to allocate such expenses on a basis it considers to be equitable, but such allocation may not accurately reflect the relative benefits ultimately enjoyed by each Client. When required by the applicable Governing Documents or in the Manager's discretion, the Manager consults with and may seek consent to conflicts from a Client.

Affiliate Purchases, Sales. The DMO Fund, its related entities and other DoubleLine clients may transfer loans they have originated or acquired to the Manager, an affiliate of the Manager, or a Client of the Manager in exchange for cash and/or debt or equity securities issued by such Client. Similarly, the DMO Fund, its related entities and other DoubleLine clients may acquire loans originated or acquired by the Manager or its Clients in exchange for cash and/or debt or equity securities issued by the DMO Fund, its related entities or other DoubleLine clients; however, the Manager and its Clients may, in such circumstances, retain any closing fees or payments for their own account and as compensation for the additional risk they accept at the inception of the transaction. The DMO Fund, its related entities and other DoubleLine clients may also sell other assets to, or buy other assets from, the Manager or its Clients at fair value. Such purchase or sale arrangements may allow a party to acquire assets it may otherwise be unable to acquire or allow a party to reduce its exposure to assets while continuing to be able to participate in additional transactions in the future. There is a risk, however, that the value of the assets in question may drop, with the result that a party will have a greater exposure to the asset than it may otherwise desire. There is also the risk of undervaluing or overvaluing an asset, with the potential of paying too much for an asset purchased or receiving too little for an asset sold. If an asset is undervalued or overvalued, one party may benefit at the expense of another party, including a Client.

Except to the extent limited by applicable law, the Manager may effect cross-transactions in which the Manager causes a transaction to be effected between Clients. In addition, except to the extent limited by applicable law, the Manager may effect a transaction in which the DMO Fund or another DoubleLine client purchases an investment from or sells an investment to a Client. While the Manager intends to comply with applicable law as well as its internal policies with respect to cross-transactions between its Clients and transactions between its Clients and the DMO Fund or another DoubleLine client, there can be no assurance that a conflict will not arise with respect to the interests of the Manager, its Client(s) or another counterparty to such a transaction.

ITEM 9 DISCIPLINARY INFORMATION

The Manager is required to disclose all material facts regarding any legal or disciplinary events that could be material to a prospective or existing Client's evaluation of the Manager or the integrity of the Manager's management. To the best of the Manager's knowledge, there are no legal or disciplinary events that are material to your evaluation of the Manager or the integrity of its management.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

DoubleLine Capital and DoubleLine Equity LP (“DoubleLine Equity”, SEC 801-77611) are affiliated through similar ownership structures, and both are controlled by the same general partner, DoubleLine Capital GP LLC. DoubleLine Capital GP LLC also controls the DMO Fund GP.

The Manager, DoubleLine Capital and DoubleLine Equity share certain personnel and other resources through contractual arrangements with DoubleLine Group LP, which is also controlled by DoubleLine Capital GP LLC. DoubleLine Capital GP LLC is ultimately controlled by Jeffrey Gundlach. It is possible that DoubleLine Capital will share client lists and other similar information with the Manager. DoubleLine serves as the investment adviser to a variety of clients, including certain registered investment companies and certain private funds.

While the Manager is (and, in the future, one or more of its affiliates and its Clients may also be) a portfolio company of the DMO Fund and receive ongoing financial support from the DMO Fund, the Manager has been formed to operate as a business separate from DoubleLine and the DMO Fund, with separate management and a credit committee that operates the Manager’s business and manages the investment portfolios for the Manager’s Clients. As a result, the Manager (and not the DMO Fund, DoubleLine Capital or the DMO General Partner) has the power to make all investment decisions for the Manager’s Clients and is responsible for all decisions related to its operations, including decisions regarding whether to hire and fire its employees.

The DMO Fund may seek to sell to or purchase from the Manager or its Clients, or the Manager or its Clients may seek to purchase from or sell to the DMO Fund, any or all of the assets from time to time held by such entity or its related vehicles. Each entity involved in any such proposed transaction will make its own independent determination in respect of such proposed transaction, taking account of its own best interests. If any such transaction occurs among such entities, it will occur only on arm’s length terms. In addition, the Manager will obtain Client consent to any transactions between a Client and the DMO Fund to the extent required under applicable law or by the applicable Governing Documents.

Please also see Items 8 and 11 for further discussions of potential conflicts of interest between the Manager and various DoubleLine affiliated persons.

**ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS,
PERSONAL TRADING AND OTHER POTENTIAL CONFLICTS OF INTEREST**

Code of Ethics

The Manager has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act and will provide a copy of the Code to any Client or prospective client upon request. All supervised persons at the Manager provide a written acknowledgement of the terms of the Code initially, annually, and as amended.

It is possible that the Manager's supervised persons may purchase or sell for themselves securities that the Manager's Clients also hold. In addition, the Manager may purchase or sell for a Client securities of an issuer in which it or its supervised persons also have a position or interest. It is possible that the Manager or its supervised persons may buy or sell the same securities at a better price for its own account than a Client that buys or sells the same securities on the same day. To govern such personal transactions, the Code includes personal securities trading policies and procedures that outline the conditions under which the Manager supervised person also may purchase or sell securities when such securities are held or traded by Clients. The Manager conducts an active monitoring program of the personal trading of its supervised persons. Certain aspects of the Manager's Code are discussed below.

While the Code permits Manager Employees subject thereto to invest in securities, it also subjects such Manager Employees to a number of procedures and prohibitions with respect to investment activities. These procedures include (1) reporting, including on a quarterly and annual basis, accounts, position and transaction information, other than positions in certain excluded securities and transactions; (2) pre-clearance of securities transactions other than certain excluded securities; and (3) a pre-approval requirement with respect to the purchase of any securities in a private placement, initial public offering or limited offering. The Code also prohibits the investment by Manager Employees in (a) any security on the Manager's Restricted List; (b) uncovered short sales; and (c) uncovered options. Additional restrictions and prohibitions also apply to certain Manager Employees subject to the Code, including portfolio managers.

The Code also contains policies and procedures that require the following:

- General principles of conduct for all Manager Employees.
- The Manager and all Manager Employees owe a fiduciary duty to Clients. This means that the Manager and the Manager Employees must always place the interests of its Clients first.
- No Access Person of the Manager (a) may buy or sell a security either for themselves or others while in possession of material, non-public information about an issuer, or (b) communicate material, non-public information to others who have no official need to know. The Code provides guidance about what is material non-public information, lists common examples of situations in which Manager Employees could obtain that information, and describes the Manager's procedures regarding its watch list and restricted securities list and for establishing information barriers when necessary and appropriate.
- A list of Manager Employees to contact for questions regarding the Code.
- The following are examples of personal transactions by Manager Employees that must be pre-approved:
 - purchases or sales of common stock, preferred stock and other forms of equity transactions,
 - bond trades (other than trades for direct obligations of the US government),
 - transactions in any mutual fund managed by the Manager or DoubleLine,

- private placement transactions,
 - transactions in any closed-end funds managed by the Manager or DoubleLine, and
 - initial public offerings.
- Manager Employees may not profitably sell any security requiring pre-approval for personal trading for a sixty day period following the purchase of such security.
 - Duplicate account statements and trade confirmations for applicable personal accounts must be provided by Manager Employees to the applicable officers of the Manager for review.
 - The Manager and the Manager Employees may not accept certain gifts and entertainment from certain persons or entities in the financial industry. The Code includes an approval process for specific categories of gifts and entertainment provided to Manager Employees.
 - The Manager Employees generally may not engage in certain activities outside of their employment with the Manager (and DoubleLine for those dually-employed), including outside employment, service as a director or in a similar capacity to an organization, fiduciary appointments, and services as an officer or director of a charitable, professional, civic or non-profit entity. The Code includes an approval process before Manager Employees may engage in such activities.
 - Certain Manager Employees are restricted as to their ability to engage in political activities and make political contributions. The Code sets forth general rules governing political contributions and solicitation activities, responsibility of individuals for personal contribution limits, pre-clearance of contributions to state and local candidates, and rules for political activities on Manager premises and for using Manager resources.
 - The Code sets forth confidentiality requirements imposed on Manager Employees.
 - Manager Employees must report activities not in compliance with the Code.

The Code provides that exemptive relief may be given from certain of its requirements by the Chief Compliance Officer after a consideration of the specific facts and circumstances of the request. Such exemptive relief typically would relate to situations involving an employee hardship or financial need where no material conflict with a Client's interests exists.

Participation or Interest in Client Transactions and Personal Trading

Potential Conflicts of Interest Due to Personal or Affiliated Positions

The Manager may, from time to time, recommend to, or purchase or sell on behalf of, Clients securities or other investment instruments in which the Manager, DoubleLine, their respective affiliates or other related persons (including their respective advisory affiliates) have a

financial interest as the investment manager, general partner, trustee or as a co-investor in such investment instruments.

It is possible that the Manager's supervised persons may purchase or sell for themselves securities that the Manager's Clients also hold. In addition, the Manager may purchase or sell for a Client securities of an issuer in which the Manager or its supervised persons also have a position or interest. It is also possible that the Manager or its supervised persons may buy or sell the same securities at a better price or with better terms for its own account than the price and terms for which the same securities are bought or sold for a Client's account on the same day. To govern such personal transactions, the Code includes personal securities trading policies and procedures, as discussed above, that outline the conditions under which a Manager supervised person may purchase or sell securities when such securities are also held or traded for Client accounts. The Manager also conducts an active monitoring program of the personal trading of its supervised persons.

The Manager and its related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Clients or vehicles managed by the Manager in connection with certain "warehousing" transactions, provided that the sale is consistent with the Manager's fiduciary obligations to such collective investment vehicles. Such transactions will be fully disclosed in writing, and the written consent of the Client (which, in certain circumstances, may be provided by an Authorized Representative) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws. Client consent also may be requested as part of such transactions, including through the investment management agreement.

Other Potential Conflicts of Interest

There will be occasions when the Manager may encounter potential conflicts of interest in connection with a Client. On any issue involving conflicts of interest, the Manager will be guided by its good faith judgment as to a Client's best interests. If any matter arises that the Manager determines in its good faith judgment constitutes an actual conflict of interest, the Manager may take such actions as may be necessary or appropriate to ameliorate the conflict. These actions may include disposing of the investment giving rise to the conflict of interest, appointing an independent fiduciary or consulting the Client.

Below is a discussion of certain potential conflicts of interest related to the Manager's business.

Risk Retention. The Manager may acquire or hold risk retention securities as is required under the applicable Risk Retention Rules.

Other Fees. The Manager or Manager Employees may receive various fees as a result of services performed by them for, or for the benefit of, a Client, including origination fees, lending arrangement and syndication fees, loan servicing fees and other asset management fees, structuring fees, closing fees, advisory fees and fees for due diligence and other ancillary services provided by the Manager or such Manager Employees. The terms of such fee arrangements may provide for one-time fees, annual or other periodic fees, fees tied to the aggregate net book value of the

assets, acceleration of such fees (including for early termination of such fee arrangements), or such other terms as the Manager deems appropriate in its sole discretion. Any such fees will not offset any other fees charged by the Manager. The Manager may therefore have incentives to charge such fees in greater amounts. In many cases with respect to the implementation of such arrangements, there is not an independent third party involved to evaluate the fairness of the arrangements. Therefore, a conflict of interest may exist in the determination of any such fees and other terms in the applicable agreement, which may be more favorable to the Manager or the Manager Employees than terms that would otherwise be available on an arm's length market basis. Each Client will be deemed to consent to any such arrangements.

ITEM 12 BROKERAGE PRACTICES

The Manager seeks to achieve best execution under the circumstances when trading for its Clients. This means that, in selecting broker-dealers to execute securities transactions for Client accounts, the Manager seeks to select broker-dealers that will execute securities transactions in a manner that is in the best interest of the Client under the circumstances. This does not mean, however, that Client transactions are always executed at the lowest available commission or spread. The Manager may effect transactions that cause a Client to pay a commission or spread in excess of a commission or spread that another broker-dealer would have charged if the Manager determines that such commission or spread is reasonable in relation to the circumstances of that transaction. In making this determination, the Manager may take a variety of factors into consideration, including, but not limited to, (i) execution quality in light of order size, difficulty of execution and other relevant factors; (ii) associated expenses and costs; (iii) the quality, reliability, responsiveness and value of the provided services, (iv) the operational compatibility between the broker-dealer and the Manager; (v) ability to provide liquidity, (vi) the ability of a broker-dealer to execute difficult transactions in unique and/or complex securities, and (vii) the broker-dealer's safety and soundness, based on publicly available information.

The determinative factor is not necessarily the lowest possible commission cost or spread, but whether the transaction represents the best qualitative execution for the Client account. The firm periodically evaluates the execution performance of brokers executing its transactions. Equally important may be the timing of the trade. Executing orders at different times may result in delay or opportunity costs or higher settlement costs. The Manager does not adhere to any rigid formulas in making the selection of the applicable broker-dealer, but weighs a combination of the criteria discussed in the preceding paragraph.

The Manager evaluates the creditworthiness of counterparties to Client accounts on an ongoing basis. In addition to information provided by credit agencies, the Manager's team of credit analysts evaluates each approved counterparty using various methods of analysis, including, but not limited to, analysis of publicly available financial and other data (including earnings updates), the broker-dealer's reputation, the Manager's past experience with the broker-dealer or its personnel, market levels for the counterparty's debt and equity, the counterparty's liquidity and its share of market participation.

The Manager does not currently (although it may in the future) make use of commission sharing arrangements where brokerage business is promised in exchange for proprietary or third party services (“soft dollar” arrangements). From time to time, however, the Manager and its affiliates receive unsolicited research from various broker-dealers, which may or may not be counterparties to trades placed on behalf of Clients. While the Manager may review and consider certain of the research received, the provision of research does not factor into the Manager’s broker-dealer selection process. Research services include items such as reports on industries and companies, economic analyses, review of business conditions and portfolio strategy and various trading and quotation services. Such services also include advice from broker-dealers as to the value of securities, availability of securities, availability of buyers, and availability of sellers. These services also include recommendations as to purchase and sale of individual securities and timing of transactions.

In addition to unsolicited research, certain broker-dealers may provide invitations to attend conferences and meetings with management representatives of issuers or with other analysts and specialists. Any such invitations are subject to the provisions of the Code and generally do not factor into the Manager’s broker-dealer selection process.

The Manager does not recommend broker-dealers to Clients, although it does choose the brokers which execute Client trades if the Manager has discretionary authority over the Client account. The Manager does not recommend, request or require Clients to direct the Manager to use a particular broker-dealer to execute account transactions for the Client, nor does the Manager have an affiliated broker dealer. The Manager also does not permit Clients to direct the Manager, in writing, to use a particular broker-dealer to execute account transactions for the Client.

In an effort to achieve efficiencies in execution and reduce trading costs, the Manager and its affiliates typically seek to aggregate securities transactions when the same securities transactions are sought for multiple Client accounts.

Aggregated orders will be allocated among the applicable Client accounts pursuant to the Manager’s trade allocation procedures in a manner that the Manager considers to be fair and equitable over time. The Manager may exclude trades from aggregate orders for accounts where the Client directs the Manager on which brokers to use for trading. Allocations may be made (1) on a pro-rata basis or (2) on a non-pro rata basis based on factors such as: liquidity requirements; reserves and cash flow considerations; diversification requirements; portfolio duration; amount of capital available for investment by a client, including new clients, as well as projected future capacity for investment; variance of the portfolio from models, target weights or indexes; risk management considerations; the size of the investment relative to the size of the account; Client-specific industry and other allocation targets, including each account’s target average credit quality, liquidity, sector targets, and composition; minimum and maximum investment size requirements; tax considerations; legal, contractual, or regulatory constraints specific to or imposed by a client; and any other relevant limitations imposed by or conditions set forth in the applicable offering or other organizational documents of a Client and, if applicable, directed brokerage instructions. These factors provide substantial discretion to the Manager in allocating investment opportunities. In addition, the Manager also may exclude certain accounts from an allocation if the size of the allocation would not satisfy certain minimum size thresholds established by the Manager, a Client or by the issuer itself for operational reasons.

Some aggregated orders may be allocated post-execution. Typically, these aggregated orders will be subject to a recommended allocation. The recommended allocation, provided by a member of the portfolio management team, will provide an allocation for the order or as to the strategy or group of accounts among which the order should be allocated. When allocating on a non-pro rata basis, The Manager will apply the factors described in the preceding paragraph in making a final allocation decision. The Manager takes this approach, in part, because the available securities, amounts or particular characteristics of certain investments may not be known until after execution, which makes pre-execution allocations prohibitively difficult.

Allocations of investment opportunities and aggregate orders may result in performance differences among Client accounts. Allocation of a specific trade may have the appearance or the effect of benefiting one account versus another when viewed in isolation. Periodic reviews of Client account performance are conducted to ensure that trade allocations occur fairly and equitably over time.

ITEM 13 REVIEW OF ACCOUNTS

The Manager closely monitors Client investments. The Manager's management oversees and monitors the operations, financial performance and strategic direction of each portfolio investment.

Reporting is negotiated on a client-by-client basis. Existing and prospective Clients (and investors therein) should review the applicable Governing Documents for further information regarding regular reporting.

The Manager prefers to deliver documents electronically and requests that Clients (and investors therein) acknowledge their desire and ability to receive and open electronic documents. Consent to electronic delivery of documentation is generally part of a Client's Governing Documents. Clients (and investors therein) should refer to the Client's Governing Documents for information regarding withdrawing consent to electronic delivery.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

No entity that is not a Client provides an economic benefit to the Manager for providing investment advice or other advisory services to the Manager's Clients. The DMO Fund (and indirectly its investors), however, as the owner of the Manager bears the costs of the Manager's operations, including all costs of forming, organizing and operating the Manager, all compensation and other overhead costs for the Manager's employees (including an allocable share of the salary, benefits, and rent reimbursable to DoubleLine), and all costs of registering the Manager with the SEC as an investment adviser and all ongoing costs associated with such status, including all costs of complying with the Advisers Act and other applicable laws.

The Manager does not currently compensate anyone for referrals that result in a person becoming a Client or an investor in a Client, although the Manager may enter into such

arrangements from time to time in the future. In the event the Manager does so, this section will be updated to describe such arrangement. Clients and investors in a Client are advised to inquire of any third party about any compensation received by the third-party from the Manager for that referral.

The Manager also may pay, from time to time, the costs for Manager Employees to attend conferences, seminars and other activities that are sponsored by consultants.

ITEM 15 CUSTODY

The Manager does not necessarily have custody of all Client accounts. Clients and their investors should refer to the Client's Governing Documents for information regarding whether the Manager has custody of the Client account and, if so, details regarding the custodial arrangements.

For any Client with respect to which the Manager is deemed to have custody, such Client's securities and cash (and cash equivalents) are held by a qualified, unaffiliated third-party custodian to the extent required pursuant to SEC standards and guidance. Except as noted below, the Client's qualified custodian is required to send, no less frequently than quarterly, account statements to the Client or its representative, which should be carefully reviewed by the Client or its representative.

In the event that the Manager may be deemed to have custody of a Client that is a pooled investment vehicle (e.g., because it is the general partner or manager of such vehicle), the Manager typically relies on the "pooled investment vehicle" exemption from certain obligations imposed by the SEC's custody rule, including the account statement delivery requirement described above and the surprise audit requirement. To qualify for this exemption, (i) the pooled investment vehicle Client is required to be audited annually and upon its liquidation by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and (ii) the audited financial statements are to be provided to the Client's investors annually within 120 days of the end of the Client's fiscal year (or promptly after the completion of a liquidation audit).

With respect to certain Client accounts, the Manager does not have possession of the Client's securities or cash (and cash equivalents). In these cases, the Client arranges for a third-party, such as a trustee or an administrator, to act as its custodian and hold the Client's securities and cash (and cash equivalents) in accordance with the any agreement negotiated between the Client and the third party custodian. Under such arrangements, the custodian typically provides certain account statements and/or reports directly to the Client or its representative, which should be carefully reviewed by the Client or its representative.

Because the Manager also provides periodic written reports to its Clients (as described in *Item 13 Review of Accounts*), Clients should compare the written reports received from the Manager to the periodic reports received from their custodian.

ITEM 16 INVESTMENT DISCRETION

The Manager generally has discretionary authority to manage accounts on behalf of its Clients. Clients typically grant investment discretion through investment guidelines provided within the Client's Governing Documents, which typically include a limited power of attorney. Such limited power of attorney provides the Manager with full discretionary authority to buy, sell or otherwise effect investment transactions involving the assets of the account in a manner consistent with the written investment objectives and guidelines for the particular Client account. In the case of any Clients that are pooled investment vehicles, the Manager manages the vehicle based on its collective investment objectives and individual investors generally cannot place limitations on the Manager's discretionary authority.

As discussed elsewhere in this Brochure, the Manager may furnish investment management services to some Clients on a non-discretionary basis.

ITEM 17 VOTING CLIENT SECURITIES

The Manager does not generally expect to be voting proxies on behalf of its Clients due to the typical nature of the investment advisory services provided to and investments made by the Manager's Clients. In accordance with the Advisers Act, however, the Manager has adopted Proxy Voting Policies and Procedures (the "Proxy Policy") to address how the Manager votes proxies on behalf of a Client. The Proxy Policy seeks to ensure that the Manager votes proxies in the best interest of its Clients, including where there may be material conflicts of interest. The Manager believes its interests are aligned with those of its Clients, in particular with respect to any Client in which the Manager or its affiliates retain risk retention interests and/or hold an equity interest, and therefore does not generally expect to seek Client approval or direction in the event the Manager is required to vote proxies. However, the Proxy Policy sets forth certain specific proxy voting guidelines for when the Manager does vote proxies on behalf of a Client.

In the event that there is a conflict of interest between the Manager and a Client in voting proxies, the Proxy Policy provides that the Manager may address the conflict using certain procedures, including by consulting with its proxy voting committee, seeking the approval or concurrence of such Client on the proposed proxy vote, abstaining from voting, or through other alternatives set forth in the Proxy Policy.

A copy of the Manager's Proxy Policy will be provided to any existing or prospective Client upon request to the Manager's Chief Compliance Officer at (213) 633-8200.

ITEM 18 FINANCIAL INFORMATION

The Manager neither requires prepayment of management fees more than six months in advance nor has any other events requiring disclosure under this item of the Brochure. The Manager has not been the subject of any bankruptcy petition.