M A R I N E R

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This brochure (the "Brochure") provides information about the qualifications and business practices of Mariner Investment Group, LLC ("Mariner") and Mariner Investment (Europe) LLP ("Mariner Europe"), an affiliated relying adviser of Mariner. If you have any questions about the contents of this Brochure or would like to receive a copy of the Brochure for ORIX Capital Partners, LLC ("OCP"), an affiliated relying adviser of Mariner, please contact us at (914) 670-4335. 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 securities authority.

Mariner, Mariner Europe and OCP are SEC-registered investment advisers. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about Mariner is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Mariner is 124744.

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum.

Item 2 – Material Changes

Our last version of this Brochure was dated March 30, 2018.

We have revised this Brochure to amongst other things update information regarding client accounts advised by Mariner, including adding and/or revising disclosures concerning risks and investments and to update certain information, such as assets under management, and make other clarifying or technical corrections, as well as:

- The wind down of Mariner Coria RV Fund;
- The launch of Mariner Alternative Relative Value Fund and Mariner CLO 6.
- The addition of one office location and the closure of another;
- Updating name of ORIX USA Corporation to ORIX Corporation USA.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this Brochure and subsequent brochures within 120 days of the close of Mariner's fiscal year.

You may request the most recent version of our brochure by contacting Russell Thompson, Mariner's Chief Compliance Officer, at (914) 670-4335.

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Item 4 – Advisory Business

Mariner's Business[1]

Mariner provides discretionary portfolio management and advisory services to institutional clients which are primarily privately-offered pooled investment vehicles (each, a "Fund," or together the "Funds") and, to a lesser extent, insurance companies, endowments, foundations and plan sponsors via managed account agreements. Mariner has been in business since 1992. Mariner's current ownership structure is as follows:

- MIG Holdings, LLC ("MIG Holdings") owns 100% of Mariner[2];
- ORIX Mariner Holdings LLC owns approximately 70% of MIG Holdings (the remainder is held by current and former Mariner employees;
- ORIX Global Asset Management, LLC majority-owns (90%) and controls ORIX Mariner Holdings LLC[3];
- ORIX Corporation USA owns 100% of ORIX Global Asset Management, LLC; and
- ORIX Corporation (NYSE: IX; TSE: 8591), a public company, owns 100% of ORIX Corporation USA.

Advisory Services

Mariner serves as investment adviser to numerous Funds (the "Mariner Funds"), separately managed accounts (the "Accounts"), and as asset manager of collateralized loan obligations (the "Securitized Vehicles") (Collectively, Mariner Funds, Accounts and Securitized Vehicles are referred to herein as "Investment Advisory Accounts"). Mariner generally tailors its advisory services to the individual needs of its clients in Accounts, and manages the Mariner Funds and Securitized Vehicles in accordance with the investment strategy of each and not based upon the individual needs of the investors in the Mariner Funds and/or Securitized Vehicles

Mariner Funds

Mariner acts as investment adviser to several types of Mariner Funds, including:

- Hedge funds (the "Hedge Funds") and private equity funds (the "Private Equity Funds") that use various investment strategies to invest in securities and other investments (such as bonds, stocks, loans and derivatives);

[1] For information concerning OCP, Mariner's affiliated relying adviser, please review OCP's Brochure.
[2] Mariner Investment (Europe) LLP is majority-owned (98%) by Mariner Europe Limited, which is wholly-owned by MIG Holdings, LLC.
3 ORIX Global Asset Management, LLC wholly-owns (100%) and controls OCP.

- Funds for which portfolio managers (or traders) trade a separate account or "book" for those Funds in a multi-strategy, multi-trader format (collectively, the "Multi-Strategy Funds");

- Funds that invest primarily in absolute return strategies indirectly through a traditional fund-of-funds format (each, a "Fund-of-Funds").

Please see Item 8 for information about the Mariner Funds' investment strategies, investments in which those Funds invest, and risk factors associated with those strategies and investments.

Each of the Mariner Funds rely on the exception from the definition of an "investment company" provided by Section 3(c) (7) of the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), except for Mariner Opportunities Fund, L.P. which relies on the exception from the definition of an "investment company" provided by Section 3(c) (1) of the 1940 Act and which is not currently being offered for new investment.

Accounts

Mariner also serves as investment manager to a limited number of Accounts for institutional investors, which Mariner usually manages side-by-side with Mariner Funds.

Securitized Vehicles

Mariner serves as investment adviser and/or asset manager to a limited number of Securitized Vehicles. Please see Item 8 for information about the Securitized Vehicles' investment strategies, investments in which those Securitized Vehicles invest, and risk factors associated with those strategies and investments.

Each of the Securitized Vehicles relies upon an exception from the definition of an "investment company" provided by Section 3(c)(7) of the 1940 Act. Mariner generally manages the Securitized Vehicles in accordance with the specific requirements of the relevant Securitized Vehicle, as set forth in the governing documents of the Securitized Vehicle, and not based upon the individual needs of the investors in the Securitized Vehicle.

Client Restrictions

Mariner generally permits its clients to impose restrictions on their Accounts (i.e., separately managed accounts) with respect to: (i) the specific types of investments or asset classes that Mariner will or will not purchase for their Accounts; (ii) the nature of the issuers of investments that Mariner will or will not purchase for their Accounts; and/or (iii) the risk profile of instruments Mariner will or will not purchase for their Accounts, or the risk profile of the Accounts as a whole.

Client Assets

As of September 30, 2018, Mariner manages approximately $59.1 billion in Regulatory Assets Under Management ("RAUM") and advises approximately $7.8 billion in client assets on a discretionary basis ("AUM").

Item 5 – Fees and Compensation

Compensation for Advisory Services

Generally

Mariner (and its affiliates) generally charge advisory fees to Investment Advisory Accounts (whether the Mariner Funds, the Accounts or Securitized Vehicles) based on: (i) client assets under management; and (ii) the performance of an Investment Advisory Account over a specific time period (such as a year).

Mariner's fees are generally non-negotiable, but under special circumstances, the rate and type of fee may vary based on:

- the nature of a particular client or investor in a Mariner Fund and/or the relationship the client or investor (or their respective advisor or consultant) has with Mariner or its affiliates (for example, Mariner may offer lower fees to large institutional investors in the Mariner Funds, or to large institutional separately managed accounts or to investors advised by the same investment advisor or consultant amongst other reasons);
- the applicable investment strategy;
- any restrictions or requirements imposed on Mariner; and/or,
- the timing (e.g., initial seed capital); and/or
- the amounts invested.

Mariner (and its affiliates), in its sole discretion, may elect to waive or reduce its management fee and or incentive allocation (as applicable) for, but not limited to, its employees, affiliates, the family members of its employees or affiliates, or any investor without entitling any other investor to waiver or reduction.

As a general policy and as discussed further below, Mariner deducts its asset and performance-based fees directly from the Mariner Funds and Account. In some [limited] instances (for example, large institutional investors who invest with Mariner via a "fund of one" Hedge Fund investment structure in which that investor is the sole investor in the Hedge Fund, management fees are negotiated and at times paid in arrears).

Generally, investment advisory contracts terminate on, or shortly following, one party's receipt of written notice of termination (for any (or no) reasons set forth in the investment advisory contract) from the other party. For example, investors in Mariner Funds do not generally have the ability to terminate the investment advisory contracts between such Mariner Funds and Mariner, however, in most cases investors may withdraw from Mariner Funds pursuant to the terms of the relevant Fund's offering memorandum. Similar advisory services may be available from other investment advisers at lower cost.

Asset-Based Fees

The asset-based fees (or "management fees") normally range from 0% to 2% per anuum of the client's net assets value on the first day of each month or the first day of each month of such quarter (depending on the terms of the applicable offering document and/or investment management agreement) (or for the Private Equity Funds, of the amount of committed capital, drawn capital and/or paid-in capital that has actually been invested into the Fund's portfolio companies). Asset-based fees are generally payable monthly or quarterly in advance or arrears for the Mariner Funds and the Accounts (depending on the terms of the applicable offering document and/or investment management agreement). With respect to any asset-based fees received in advance by Mariner, such fees for any month or quarter, as applicable, in which Mariner manages assets for less than a full month or full quarter, as applicable, shall be prorated, such proration to be calculated on the basis of the number of days in the month or quarter, as applicable, compared to the number of days the assets were under management during such month.

In the event of an investor's withdrawal from a Mariner Fund prior to the end of, as applicable, a month or quarter, Mariner will repay to the Mariner Fund and the Mariner Fund will distribute to the withdrawing investor a *pro rata* portion of the asset-based fee received in advance (based on the number of days remaining in the month or the quarter, as applicable).

In the event of the termination of an investment management agreement for an Account prior to the end of, as applicable, a month or quarter, where the client has prepaid an asset-based fee, Mariner will refund to the client a *pro rata* portion of that fee (based on the number of days remaining in the month or the quarter, as applicable).

Performance-Based Fees

Mariner's performance-based fee[4] normally ranges from 0% to 25% of the increase in the net asset value of an Investment Advisory Account ("Net Appreciation") for the relevant time period (typically one year), which may be subject to a performance measure (for example, a high water mark, hurdle rate, loss carry forward or other adjustment) (each a "Performance Measure"). "Net appreciation" generally includes net investment profits (realized and unrealized), less investment transaction costs, applicable fees and all other accrued expenses including management fees. A performance fee is generally accrued monthly on an "as-if" earned basis and is payable at the end of the performance fee calculation period usually as of December 31st of each year (or on the termination of an investment management agreement or the withdrawal of an investor from a Mariner Fund). In certain instances, the performance fee may be payable as of last day of the calendar quarter (or otherwise quarterly basis). To the extent certain Mariner Funds calculate the performance fee on a "series-by-series" basis, an Investor which acquires interests/shares in such Mariner Fund at more than one time during a calendar year (or performance fee calculation period) may be subject to

[4] Please note that certain performance-based compensation is in the form of an allocation (to Mariner or its affiliate), instead of a fee. For purposes of this Brochure, any reference to the payment of a performance-based fee will also include, as applicable, the allocation of a performance-based allocation.

paying a performance fee even though the overall value of such Investor's investment in such Mariner Fund has declined.

In addition, all or a portion of the performance-based fee may be paid to a Mariner affiliate. Investors directly invested in Mariner Funds are subject to the management and performance fees of the applicable Mariner Fund, as described in that Fund's offering documents. For the Private Equity Funds, the performance-based fee (e.g., carried interest) is typically based on a distribution waterfall (as set forth in the applicable offering documents).

Fund-Specific Compensation[5]

The following chart provides the fees of the Mariner Funds. Unless otherwise noted, asset-based fees are presented as an annual rate and are based on the average net asset value of the relevant Fund's assets during the course of a year. Unless otherwise noted, performance-based fees are based on the net appreciation of the Fund's assets during the relevant time period (usually during the course of a year).

Name of Fund	Asset-Based Fee	Performance-Based Fee
Concordia G-10 Fixed Income Relative Value I, L.P. Concordia G-10 Fixed Income Relative Value Ltd	2.0%	20% (subject to a LIBOR hurdle)
Concordia Institutional Multi-Strategy Ltd.	1.5%	20% (subject to a LIBOR hurdle)
Concordia Municipal Opportunities Fund III, L.P.	1.0%	16% (subject to a Performance Measure)
ELM CLO 2014-1 Ltd.	Up to 0.50%	20% (subject to a Performance Measure)
Galton Agency MBS Offshore Fund, Ltd.[6]	1.75%	20% (subject to a Performance Measure)
Galton Mortgage Strategies Onshore Fund, L.P. Galton Mortgage Strategies Offshore Fund, Ltd.	1.75%	20% (subject to a Performance Measure)

[5] Please note that certain Mariner Fund investors (e.g., "seed" investors or institutional investors who make larger size investments and/or agree to subject those investments to additional investment withdrawal restrictions or other commitments) may have negotiated different asset-based or performance-based fees than set forth herein (e.g., lower fees).
[6] Galton Agency MBS Offshore Fund, Ltd. launched on March 5, 2018.

Galton Onshore Mortgage Recovery Fund III, L.P. Galton Offshore Mortgage Recovery Fund III, Ltd.	1.75%	Carried interest based upon distribution waterfall
Galton Onshore Mortgage Recovery Fund IV, L.P. Galton Offshore Mortgage Recovery Fund IV, Ltd.	1.75%	Carried interest based upon distribution waterfall
International Infrastructure Finance Company Fund, L.P. International Infrastructure Finance Company Feeder, L.P.	1.5%	Carried interest based upon distribution waterfall.
International Infrastructure Finance Company Fund II, L.P. International Infrastructure Finance Company Feeder II, L.P.	1.5%	Carried interest based upon distribution waterfall.
Mariner Atlantic, Ltd. Mariner Partners, L.P.	1.5-2% (varies by share class)	10 - 20% (subject to a Performance Measure) (varies by share class) Certain share classes may also pay traders performance-based fees of 16-25% of net appreciation (subject to a Performance Measure).
Mariner Breakwater, L.P.	.75% - 1.50%	Carried interest based upon distribution waterfall.
Mariner CLO 2015-1 LLC	Up to 0.50%	20% (subject to a Performance Measure)
Mariner CLO 2016-3, Ltd.	Up to 0.50%	20% (subject to a Performance Measure)
Mariner CLO 2017-4, Ltd.	Up to 0.50%	20% (subject to a Performance Measure)
Mariner CLO-5, Ltd.	Up to 0.50%	20% (subject to a Performance Measure)
Mariner CLO-6, Ltd.	Up to 0.50%	20% (subject to a Performance Measure)
Mariner CLO Opportunities Fund, L.P.	1.75%	Carried interest based upon distribution waterfall.
Mariner Fairwind Unit Trust	1.25%	15% (subject to a Performance Measure)

Mariner Falcon CLO Fund, L.P.	Up to 0.75%	None
Mariner Frontier Fund, L.P.	0.50%	None
Mariner Glen Oaks Fund, L.P. Mariner Glen Oaks Offshore Fund, L.P.	1.0% - 1.5% (varies by share class)	15-20% (varies by share class and subject to a Performance Measure)
Mariner Alternative Relative Value Fund I, Ltd.	0.50%	25% (Subject to Performance Measure)

Special Status Mariner Funds[7]:

Name of Fund	Asset-Based Fee	Performance-Based Fee
Mariner Opportunities Fund, L.P.	2.0%	20% (subject to a Performance Measure)

Additional Expenses

Please note, the information provided in this section is intended to be a broad, general overview of the additional expenses changed by Mariner Funds. Please refer to each Fund's offering document for additional disclosures on expenses, especially for the additional expenses associated with the Private Equity Funds and Securitized Vehicles.

Mariner's fees are exclusive of, as applicable, brokerage commissions, transaction fees, origination fees, back office costs and other related costs and expenses, which are the clients' responsibility. Custodians, broker-dealers, third party investment advisers and other third parties may impose fees on Mariner's clients, such as management fees, performance fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Third-parties, such as funds in which Fund-of-Funds may invest, may incur soft dollar expenses, of which a Mariner client may incur a *pro rata* portion (see Item 12 for additional information). These charges, fees and commissions are generally exclusive of and in addition to Mariner's fees, and may be paid by either a Fund (for example, brokerage commissions) or Mariner (for example, placement fees) to Mariner affiliates such as Back Office Services Group LLC ("BOSG"), Mariner Investment (Europe) LLP ("Mariner Europe") and Mariner Group Capital Markets, LLC ("MGCM") (see Item 10 below).

[7] Please note the above Special Status Mariner Funds have wound down ongoing operations and are currently in the process of liquidation. Mariner is entitled to stated asset-based and performance-based fees for the funds (i.e., in accordance with applicable governing agreements); however, Mariner is currently waiving all such management and performance based fees at this time.

In addition to the asset-based and performance based fees discussed above, the Mariner Funds also generally will bear legal, administration and operating fees and expense (including entity-level taxes and other governmental fees and expenses), organizational costs, fees of the related administrator and back office service provider, internal and external accounting and auditing expenses, tax preparation expenses, expenses incurred in preparing, printing and delivering all reports or statements (including such expenses incurred in connection with any documents relating to the Mariner Funds), insurance premiums and all filing costs and fees and expenses (including, but not limited to, relating to the offer and sale of Mariner Fund interests such as costs and expenses arising from compliance with applicable marketing or offering laws or regulations (e.g., Swiss law on collective investment schemes)), as well as any risk management expenses. The Mariner Funds also generally bear all costs and expenses incurred in connection with the actual or proposed making, financing, holding, monitoring, hedging, management or disposition of any investments of the Mariner Fund (whether such investments or transactions are consummated or not), including, without limitation, appraisal expenses, fees and expenses of custodians and prime brokers, brokerage costs or commissions, finder's fees, dealer spreads, mark-ups, exchange fees, National Futures Association fees, give up fees, execution fees, automated order routing or similar fees , clearing and settlement costs, investment banking fees, expenses relating to short sales, commitment fees, financing costs and/or interest charges, bank service fees, broken deal expenses and all other transactional costs, special, ordinary and/or recurring investment expenses, including but not limited to expenses incurred in buying, selling, packaging, structuring and holding securities and other investments (e.g., specific transaction related expenses such as the cost of third party products or services used exclusively to create new or distinct investment opportunities), performance-based trader compensation (if applicable) consultants', accountants' and other experts' fees, travel and entertainment expenses incurred for investment-related purposes, research (e.g., data and news subscription services including, without limitation, Debtwire, CapitalStructure and Reorg Research), investment and/or trading related expenses, including, but not limited to, without limitation, subscriptions, news and quotation equipment and services (including fees for data and software providers), expenses related to all market data and related software used by Mariner, investment and trading related software, including data processing and storage, software development and trade order management software (e.g., software used to route trade orders), risk management expenses, expenses relating to any investor committee advisory committee or investment committee, currency hedging costs, corporate secretary, registered office and agent expenses, subscription fees, foreign representation fees, paying agent fees, legal and due diligence expenses, and investment and consulting fees (e.g., for expert networks and investment consultants including, without limitation, Gerson Lehman Group), all filing costs and fees, any other costs or fees related to the monitoring or acquisition of Mariner Fund assets, including, without limitation, the cost of any research software, pricing facilities or credit databases used by Mariner, fees of any director of any Mariner Fund, wind-up and liquidation expenses, expenses for professional liability insurance (e.g., directors and officers/errors and omissions coverage, cost of corrections coverage and fiduciary bonds), servicing and special servicing fees (whether paid to third parties or to affiliates of Mariner), and any other legal, accounting, auditing, appraisal, administrative and accounting expenses, and fees for outside services. In addition, Mariner can in its discretion charge certain Mariner Funds for ongoing regulatory expenses, including without limitation the fees and expenses associated with the

preparation and filing relating to Form PF, CPO-PQR, the Foreign Account Tax Compliance Act (FATCA), AIFMD and other regulatory filings which seek information about the Mariner Funds. The Mariner Funds will also pay any extraordinary fees and expenses they may incur, including any litigation or indemnification expenses. Please refer to the respective Mariner Funds offering document for additional disclosures on expenses.

Mariner May Be Incentivized to Allocate Shared Expenses to Certain Investment Advisory Accounts

Certain shared expenses (e.g., insurance premiums, use of consultants or other experts, certain computer software, certain legal fees, etc.) may be allocated among Mariner, its affiliates and Investment Advisory Accounts. While Mariner seeks to allocate expenses in accordance with its fiduciary duties and contractual obligations, Mariner may be incentivized to allocate shared expenses to Investment Advisory Accounts and away from Mariner or its affiliates.

Item 12 further describes the factors that Mariner considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (for example, commissions).

Compensation-Based Conflicts

Mariner's desire to benefit financially its affiliates and other associated investment advisers

Mariner does and may in the future retain (and therefore benefit financially) affiliated traders and affiliated investment advisers (as the term "affiliate" is defined under applicable federal securities laws) or certain associated investment advisers as described further below (adviser with which Mariner may have a non-controlling but significant financial interest), which may create a financial conflict. As a general statement, Mariner discloses this conflict in the investment management agreements (for Accounts) and offering documents for potential investors (for the Mariner Funds), and will only retain affiliated or otherwise associated traders or advisers when Mariner believes that doing so is appropriate and in the general best interests of the relevant Mariner Fund or Account.

In addition to affiliated advisers, Mariner (or certain of its sister or parent company affiliates) may also have significant financial interests in and/or provide specific and substantive support services to unaffiliated but otherwise associated investment advisers (and their clients, for example, hedge fund vehicles and managed accounts) for which Mariner receives compensation and in which may also have a less than 25% ownership interest (the "Associated Advisers"). For example, pursuant to a service agreement or other type of joint venture arrangement, Mariner (or certain of its sister or parent company affiliates) may have an ownership and/or economic interest in a third party investment adviser that does not rise to the level of legal "affiliation" (as that term is defined under applicable federal securities laws). Even absent a legal affiliation between the parties, such an association (and related interests) may create a financial conflict. Mariner will only retain Associated Advisers when Mariner believes that doing so is appropriate and in the general best interests of the relevant Mariner Fund or Account.

As a general statement, the Mariner-advised Fund-of-Funds investment strategy does not purchase securities of the Hedge Funds advised by Mariner, its affiliates or its Associated Advisers ("Affiliate Securities"). However, Mariner reserves the right to buy, on behalf of its Fund-of-Funds clients, Affiliate Securities if Mariner discloses such anticipated purchase and/or in certain cases receives approval from the client (or their authorized representative) and determines it to be in the general best interests of its advisory clients (for example, tailored or custom fund-of-funds products). In fact, at this time, there exists a single client mandate (e.g., "fund of one" institutional investor) that seeks to invest in certain Hedge Funds advised by Mariner (Affiliated Securities). In such cases, Mariner may (but is not required to) waive all or a portion of the fee it would otherwise be entitled to receive from the relevant Hedge Fund or Fund-of-Funds.

No Arm's Length Negotiation between Mariner and the Mariner Funds

The fee arrangements between Mariner and the Mariner Funds were not the product of an arm's-length negotiation with a third party. Mariner discloses this conflict in the relevant offering documents to potential investors in the Mariner Funds.

Incentive for Mariner to favor clients that pay higher fees

Management fees paid by certain Mariner clients may be higher than those paid by other Mariner clients, which could lead to a tendency for Mariner to favor its clients that pay higher fees, for example, in the allocation of scarce investment opportunities or investment decisions. Please see Item 10 below for information regarding Mariner's trade allocation and aggregation of trade policies, and Item 11 below for information regarding Mariner's Code of Ethics.

Mariner may be incentivized to originate or acquire an investment in order to earn an origination fee

A Mariner Fund may pay Mariner or its affiliate an "origination fee" in connection with an investment that Mariner or its affiliate originates on behalf of that Fund. Those fees will be payable from the issuer/borrower involved in the investment and will be payable in respect of the additional due diligence, underwriting and other investment services to be performed by Mariner or its affiliate in connection with that investment. As a result, Mariner or its affiliate, as applicable, will have an interest in originating those investments and performing those services, and will be compensated in connection with those investments even if they are not successful or otherwise do not perform as expected. In addition, certain Mariner Funds or borrowers from those Funds will pay Mariner or its affiliate market rate servicing fees in respect of those Funds' debt investments.

As a result, Mariner or its affiliate (as applicable) will have an interest in originating or acquiring investments with respect to which it will be in a position to receive such servicing fees and would be compensated even if the underlying investment is not successful or does not perform as expected.

Sales Compensation

In general, employees of Mariner and/or its affiliates MGCM (a limited purpose broker-dealer engaged primarily in private placement activity) and Mariner Europe (an affiliate of Mariner authorised and regulated by the Financial Conduct Authority) who (i) refer or help solicit investment

advisory clients for Mariner, its affiliate or an Associated Adviser or (ii) solicit investors for Funds for which Mariner, its affiliate or an Associated Adviser serves as an investment adviser, may be compensated (e.g., receive sales based compensation and/or a discretionary bonus that takes into consideration the employee's efforts to refer or help solicit investment advisory clients for Mariner, its affiliate or an Associated Adviser).

Accordingly, this practice of compensating employees of Mariner and/or its affiliates MGCM and Mariner Europe for referring or helping to solicit investment advisory clients and/or investors for Funds for which Mariner, its affiliate or an Associated Adviser serves as investment adviser presents a conflict of interest, as it gives those employees an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Mariner discloses this conflict to potential clients and potential investors in the relevant offering documents for the Mariner Funds. Prospective clients and prospective Fund investors should note that he/she/it has the option to purchase investment products recommended by Mariner through other brokers or agents that are not affiliated with Mariner.

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

Generally

As described in Item 5 above, Mariner's clients generally pay performance-based fees. All performance-based fees are calculated and paid in accordance with Section 205 and Rule 205-3 under the U.S. Investment Advisers Act of 1940 (the "Advisers Act"). Further, the Mariner Funds will not accept investors who do not satisfy the eligibility criteria of Rule 205-3. As set forth in Item 5, performance-based fees generally range from 0% to 30% of "Net Appreciation" of the Investment Advisory Accounts for the relevant time period, and may be subject to a Performance Measure. Mariner generally advises only clients that are charged both an asset-based and a performance-based fee; however, one Mariner Fund charges only an asset based fee, Mariner Frontier Fund, L.P.

Conflicts

Mariner's incentive to favor clients who pay performance-based fees

Due to the different fee arrangements in place for Mariner's clients, Mariner may have an incentive to favor clients that pay performance-based fees over clients that pay only asset-based fees. This incentive could, for example, affect Mariner's decision to effect securities transactions for some clients and not for others if Mariner believes that the transaction will be profitable (or to allocate a greater portion of a limited investment opportunity to those clients), or to engage in cross trades between Investment Advisory Accounts.

To address these conflicts, Mariner's policies and procedures seek to provide that investment decisions are made without consideration of its financial interests, and instead are made in accordance with Mariner's fiduciary duty to all clients. As discussed further in Item 10 below, this generally means that all Investment Advisory Accounts managed using the same investment strategy will participate *pro rata* in all investment opportunities that Mariner allocates to any other Investment Advisory Account using that strategy.

Performance-based fees may incentivize riskier investment behavior

Mariner's (or its affiliate's) receipt of performance-based fees may incentivize Mariner to make investments that are riskier or more speculative than Mariner would make if Mariner (or its affiliate) did not receive performance-based fees. Further, "Net Appreciation," which is the basis for most performance-based fees, includes unrealized appreciation of client assets, and may result in Mariner receiving greater performance-based fees than would be the case if net appreciation was based only on realized gains. Mariner discloses this conflict in the relevant offering documents to potential investors in the Mariner Funds and otherwise in other relevant documents (e.g., Form ADV).

Item 7 – Types of Clients

As noted in Item 4 above, with very limited exception, Mariner provides discretionary portfolio management and advisory services to clients such as the Mariner Funds (which may be organized as domestic or foreign partnerships, corporate or other incorporated or unincorporated entities), insurance companies, endowments, foundations and plan sponsors[8]. The minimum account size that Mariner will accept varies as it is dependent upon the investment strategy. Investors that directly invest in Mariner Funds will generally be subject to minimum investment amounts as described in the Funds' offering documents. Those minimum investment amounts for Fund investors may be modified, depending on the investor relationship and in accordance with the Fund documents.

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

The following is a summary of (i) the strategies and methods Mariner uses in formulating advice or managing assets (and their material risks) and (ii) the material risks associated with the types of securities that Mariner primarily recommends to its clients. Mariner does not recommend any particular type of security; rather, Mariner recommends securities and other instruments based on the investment objectives and strategies of the Fund [or Account]. Clients and prospective clients should refer to a separate disclosure document that the client has or will receive that sets out a more detailed explanation of the material risks of investment strategies or methods of analysis that are or will be used to manage the client's account.

The investment strategies employed by Mariner subject a Fund or Account to various risks that an investor should be prepared to bear, including the loss of some or all of their investment. Investing in any of the Funds [or Accounts] involves the risk that the Fund [or Account] may not achieve its investment objective. A Fund's value [or Account's value] may vary based on market fluctuations caused by such factors as economic and political developments, changes in interest rates, and perceived trends in security prices.

Overall Investment Strategy and Investment Risks

Market and Investment Risk

[8] Mariner currently advises one separately managed account on a non-discretionary basis.

- Risks of Investments Generally. All investments risk the loss of capital. No guarantee or representation is made that Investment Advisory Accounts or their related investment programs or strategies will be successful. Investment Advisory Accounts' investment programs or strategies may involve, without limitation, risks associated with limited diversification and concentration, leverage, investments in speculative assets and the use of speculative investment strategies and techniques, interest rates, currencies, volatility, tracking risks in hedged positions, credit deterioration or default or prepayment risks, systems risks and other inherent risks inherent. Certain investment techniques (e.g., use of direct leverage or indirectly through leveraged investments) can, in certain circumstances, magnify the impact of adverse market moves to which the Investment Advisory Accounts may be subject

  Mariner and its affiliates controlled by Mariner (e.g., GP entities) efforts and methods of seeking to minimize such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

- General Economic and Market Conditions. The success of the Investment Advisory Accounts' activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Investment Advisory Accounts' investments), trade barriers, currency exchange controls, national regulation and changes in laws and rules, and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of Investment Advisory Accounts' investments. Volatility or illiquidity could impair any Investment Advisory Accounts' profitability or result in losses.

- General Market Risks; Volatility. Mariner's Investment Advisory Accounts' strategies are designed to accomplish the investment objective independent of the general market direction or volatility. However, there can be no guarantee of the success of that strategy and the Investment Advisory Accounts' activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. In addition, there is a risk of market disruptions resulting from certain events (e.g., power outages, terrorist attacks, military action, or economic and diplomatic sanctions) which could affect the Investment Advisory Accounts' investment activities and performance. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity. All of these factors may affect the level and volatility of securities prices and the liquidity of the Investment Advisory Accounts' investments. Unexpected volatility or illiquidity could impair the profitability or result in losses. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The also Investment Advisory Accounts are subject to the risk of the failure of any of the exchanges on which some of its positions may trade or of their clearinghouses. Their

portfolios are not necessarily designed to benefit from market volatility and may lose value in times of volatility or directly due to market volatility.

- Market Crisis and Governmental Intervention. The global financial markets have undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited time frame within which governments were able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

  The United States Federal Reserve and non-U.S. governments have taken significant and historic steps to intervene in the financial markets. Future government interventions may lead to a change in valuations of securities that is detrimental to the Master Fund's investments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

  Mariner believes that it is possible that emergency intervention may take place again in the future and that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Investment Advisory Accounts or the fulfillment of their investment objective.

- Market Disruption. The Investment Advisory Accounts may incur major losses in the event of disrupted markets, and other extraordinary events may not be consistent with historical pricing relationships (on which Mariner bases a number of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to Investment Advisory Accounts. In 1994, in 1998 and again in the so-called "credit crisis" of 2008, a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of private investment funds. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

- Institutional Risk. The institutions, including brokerage firms and banks, with which the Investment Advisory Accounts will trade or invest, may encounter financial difficulties that impair the operational capabilities or the capital position of the Investment Advisory Accounts. In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional investors may be compelled to withdraw from the Investment Advisory Accounts or it's counterparties or brokers will be required to restrict the amount of credit previously granted due to their own financial difficulties, resulting in forced liquidation of substantial portions of the portfolios.

Strategy Risk

- Limited Diversification. In the normal course of making investments on behalf of Investment Advisory Accounts, Mariner may be concentrated in a limited number or type of financial instruments or assets. Such concentration of risk may increase the losses suffered by the Investment Advisory Accounts or reduce their ability to hedge their exposure and to dispose of depreciating assets. Limited diversity could expose the Investment Advisory Accounts to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments or assets. In the Investment Advisory Accounts that are concentrated in a limited number or type of financial instruments, the overall adverse impact on the Investment Advisory Accounts of adverse movements in the value of their portfolios will be considerably greater than if the Investment Advisory Accounts were not permitted to concentrate their investments in such manner.

- Leverage. As a general statement (and where applicable) Investment Advisory Accounts intend to lever their assets through various types of financings, including seller financing, and through various securitization vehicles. Mariner may also cause the Investment Advisory Accounts to leverage their investment returns with options, short sales, swaps, forwards and other derivative instruments.

  While leverage presents opportunities for increasing the Investment Advisory Accounts' total returns, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Investment Advisory Accounts would be magnified to the extent the Investment Advisory Accounts are leveraged. The cumulative effect of the use of leverage by the Investment Advisory Accounts in a market that moves adversely to the Investment Advisory Accounts' investments could result in a substantial loss to the Investment Advisory Accounts, which would be greater than if the Investment Advisory Accounts were not leveraged. Leverage will increase the exposure of the Investment Advisory Accounts to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Investment Advisory Accounts' investments or their corresponding markets.

  Investment Advisory Accounts may engage in portfolio financings where several investments are cross-collateralized, pursuant to which multiple investments may be subject to the risk of loss. As a result, Investment Advisory Accounts could lose their interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments. In addition, recourse debt, which Investment Advisory Accounts reserve the right to obtain, may subject other assets of the Investment Advisory Accounts' investments to risk of loss.

- Illiquidity. A substantial portion of any Investment Advisory Account's portfolios may consist of loans, or other financial instruments that are not actively or widely traded and the Investment Advisory Accounts may invest in illiquid securities, or securities that become illiquid after the Investment Advisory Accounts' investments in such securities. For example, mortgage/real-estate-backed loans and asset-backed securities are generally less liquid than are other securities (e.g., stocks or bonds). The reduction in dealer market-making capacity in the fixed income markets that has occurred in recent years has the potential to further reduce liquidity. Certain securities and other investments held by Investment Advisory Accounts may also be illiquid because, for example, they are subject to legal or other restrictions on transfer. Valuation of certain Investment Advisory Account's investments may

be difficult or uncertain, including with respect to securities, because there may be limited information available about the issue. In addition, the sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Investment Advisory Accounts may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Even those markets which are expected to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid. Consequently, it may be relatively difficult for certain Investment Advisory Accounts to dispose of certain investments rapidly and at favorable prices in connection with withdrawal requests, adverse market developments or other factors.

- Long/Short. The success of any Investment Advisory Account's long/short investment strategy depends upon Mariner's ability to identify and purchase investments that are undervalued and identify and sell short investments that are overvalued. The identification of investment opportunities in the implementation of Investment Advisory Accounts' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying Investment Advisory Accounts' positions were to fail to converge toward, or were to diverge further from values expected by Mariner, the Investment Advisory Accounts may incur a loss. In the event of market disruptions, significant losses can be incurred which may force certain Investment Advisory Accounts (e.g., specific Mariner Funds or Accounts) to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Mariner's long/short strategies may become outdated and inaccurate as market conditions change.

- Long-Term. The success of any Investment Advisory Account's long-term investment strategy depends upon Mariner's ability to identify and purchase investments that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, certain Investment Advisory Accounts may forego value in the short-term or temporary investments in order to be able to avail themselves of additional and/or longer term opportunities in the future. Consequently, certain Investment Advisory Accounts may not capture maximum available value in the short-term, which may be disadvantageous, for example, for Mariner Fund investors who withdraw all or a portion of their capital accounts before such long-term value may be realized by such Investment Advisory Accounts.

- Investments in Undervalued Instruments. Investment Advisory Accounts may invest in undervalued instruments. The identification of investment opportunities in undervalued instruments is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued instruments offer the opportunity for above- average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Investment Advisory Accounts' investments may not adequately compensate for the business and financial risks assumed.

- Relative Value. The success of certain Investment Advisory Account's relative value investment strategy depends upon Mariner's ability to identify and exploit perceived

inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that Mariner or its relevant affiliates (e.g., the General Partner of a Mariner Fund), will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for Mariner to maintain a position. Even pure arbitrage positions can result in significant losses if Mariner is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which Mariner seeks to invest will reduce the scope for any Investment Advisory Account's investment strategy. In the event that the perceived mispricings underlying the Investment Advisory Accounts' positions were to fail to converge toward, or were to diverge further from, relationships expected by Mariner, the Investment Advisory Accounts may incur losses.

- Short Selling. Short selling involves selling securities which may or may not be owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Investment Advisory Accounts engage in short sales will depend upon the Investment Advisory Account's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Investment Advisory Accounts of buying those securities to cover the short position. There can be no assurance that any Investment Advisory Account will be able to maintain the ability to borrow securities sold short. In such cases, the Investment Advisory Account can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

- Necessity for Counterparty Trading Relationships; Counterparty Risk in General. As a general statement, many Investment Advisory Accounts expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Investment Advisory Accounts to trade in any variety of markets or asset classes over time. In addition, with regard to Investment Advisory Accounts that invest in Mortgage Servicing Rights ("MSRs") (collectively such client accounts simply referred to hereinafter as "Mariner MSR Funds"), Mariner or a related entity's (i.e., Galton Funding's)[9] loan origination business is relationship driven. Mariner may work with various approved mortgage lenders, but these lenders may not be contractually obligated to do business with Mariner, and Mariner's competitors may also have relationships with these lenders and actively compete with

[9] Galton Funding is part of the Galton Team ("Galton"), an internal trading team at Mariner, which consists of the Galton Securities Team and the Galton Funding Team. The Galton Funding Team supports the loan acquisition program and is NOT functioning under MIG's RIA. The Galton Securities Team consists of investment decision makers for the investment vehicles (e.g., commingled funds and managed accounts) as well as the dedicated marketing, technology and other team members that support the investment business. The Galton Securities Team members report to Mr. Michaelcheck, the Chief Investment Officer of Mariner. All investment advisory services performed by the Galton Securities Team are provided through Mariner Investment Group LLC (the SEC registered investment adviser), more specifically, Marnier is the investment manager of all product offerings (e.g., hedge fund or managed account) advised by the Galton trading team.

Mariner in its efforts to expand its network of approved mortgage lenders. There can be no assurance that the Investment Advisory Accounts (e.g., Mariner MSR Funds) or Mariner will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Investment Advisory Accounts' trading activities and Mariner's loan origination business (if any exists at the time) could create losses, preclude the Investment Advisory Accounts and/or Mariner, as applicable, from engaging in certain transactions, financing, loan origination, derivative intermediation and prime brokerage services and prevent the Investment Advisory Accounts and/or Mariner from trading at optimal rates and terms. Moreover, a disruption in the financing, loan origination, derivative intermediation and prime brokerage services provided by any such relationships before the Investment Advisory Accounts or Mariner establishes additional relationships could have a significant impact on the Investment Advisory Accounts' and/or Mariner's business, as applicable, due to the Investment Advisory Accounts' and/or Mariner's reliance on such counterparties.

Some of the markets in which Investment Advisory Accounts may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes Investment Advisory Accounts to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Investment Advisory Accounts to suffer a loss. In addition, in the case of a default, Investment Advisory Accounts could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where Investment Advisory Accounts have concentrated their transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of a specific Investment Advisory Account's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of an Investment Advisory Account's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of Investment Advisory Accounts' securities and other assets from Investment Advisory Accounts' prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, Investment Advisory Accounts may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to Investment Advisory Accounts' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on Investment Advisory Accounts and their assets.

As a general statement, Investment Advisory Accounts are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, Mariner and/or an Investment Advisory Account's internal credit function which evaluates the creditworthiness of Investment Advisory Accounts'

counterparties may prove insufficient. The ability of an Investment Advisory Account to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of Investment Advisory Accounts' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by Investment Advisory Accounts.

- Co-Investments with Third Parties. Investment Advisory Accounts may co-invest with other Investment Advisory Accounts or third parties through joint ventures or other entities (including in certain cases Mariner affiliates). Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment; may have economic or business interests or goals that are inconsistent with those of Investment Advisory Accounts; or may be in a position to take (or block) action in a manner contrary to the Investment Advisory Accounts' investment objectives. In those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and the Investment Advisory Accounts.

- Systemic Risk. Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Investment Advisory Accounts interact on a daily basis.

- Volatility Risk. The Investment Advisory Accounts' investment programs may involve the purchase and sale of relatively volatile instruments such as derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of underlying financial instruments. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by the Investment Advisory Accounts. In addition, many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility may be higher for the Investment Advisory Accounts' investments.

- Interest-Rate and Foreign Exchange-Rate Risks. The prices of assets held by the Investment Advisory Accounts may be sensitive to interest-rate and foreign exchange-rate fluctuations. Such fluctuations could cause the U.S. dollar value of long and short positions to move in unanticipated directions. To the extent that interest-rate and foreign exchange-rate assumptions underpin the hedging of a particular position, fluctuations in rates could invalidate those underlying assumptions and expose the Investment Advisory Accounts to losses. The Investment Advisory Account are not obligated to hedge their exposure to interest-rate and foreign exchange-rate risks, or any other risks.

  The value of the fixed rate securities in which the Investment Advisory Accounts invest generally will have an inverse relationship with interest rates. Current economic conditions may result in a rise in interest rates, which currently are at historic lows. If interest rates rise the value of the Investment Advisory Accounts' fixed rate securities may decline. Furthermore, the higher a fixed rate security's duration, the greater its price sensitivity to

changes in interest rates. In addition, to the extent that the receivables or loans underlying specific securities are prepayable without penalty or premium, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

In addition, if mortgage loan interest rates fall, an increasing number of homeowners will seek to refinance and prepay their mortgage loans. When a mortgage loan is prepaid, it will no longer produce any MSR-related revenue for the Mariner MSR Funds. Therefore, a sustained decline in mortgage loan interest rates will generally result in a reduction in servicing income to the Mariner MSR Funds. Because the value of MSRs is a function of the anticipated stream of revenues generated by servicing the mortgage loans, the value of MSRs will decline as mortgage loan interest rates fall and more prepayments are anticipated. Conversely, an increase in mortgage loan interest rates is likely to result in a decreased number of refinancings. The Mariner MSR Funds may attempt to hedge against the risks involved from interest rate changes by purchasing and/or selling certain financial instruments. While the Mariner MSR Funds may hedge against any losses of servicing income and loss of value of the MSRs that may be incurred from interest rate fluctuations, there can be no assurance that such actions will be effective.

- Competition; Availability of Investments. The markets in which the Investment Advisory Accounts invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Investment Advisory Accounts will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, independent mortgage loan servicers, large financial institutions, the public equity markets and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce the Investment Advisory Accounts' opportunity for profit by generally increasing price pressure on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.

- Equity Securities Generally. The Investment Advisory Accounts may invest in equity and equity-related securities of U.S. and non-U.S. companies. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments and movements in the equity markets in general. As a result, the Investment Advisory Accounts may suffer losses if they invest in equity instruments of issuers whose performance diverges from expectations or if equity markets generally move in a single direction and the Investment Advisory Accounts have not hedged against such a general move. In addition, the Investment Advisory Accounts may invest in equity securities of companies that they do not control. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Investment Advisory Accounts do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Investment Advisory Accounts' interests, which could have a material adverse effect on the Investment Advisory Accounts. In addition, events such as domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Investment Advisory Accounts.

- Debt Instruments Generally. The Investment Advisory Accounts may invest in private and government debt securities and instruments. It is likely that many of the debt instruments in which the Investment Advisory Accounts invests may be unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these instruments and may have an adverse impact on the value of such instruments. It also is likely that any such economic downturn could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.

- Hedging Generally. The Investment Advisory Accounts may invest in various securities, derivatives, indexes and cash equivalents and related instruments both to hedge their portfolio positions and to seek to meet the Investment Advisory Accounts' investment objectives opportunistically as more fully described above. The success of the Investment Advisory Accounts' hedging strategy is subject to the ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of the instances when the Investment Advisory Accounts hedge portfolio positions is also subject to the ability for hedges to be continually recalculated, readjusted and executed in an efficient and timely manner. While the Investment Advisory Accounts may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Investment Advisory Accounts than if it had not engaged in any such hedging transactions. For a variety of reasons, a perfect correlation may not be established between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Investment Advisory Accounts from achieving the intended hedge or expose the Investment Advisory Accounts to risk of loss. Moreover, the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Investment Advisory Accounts' portfolio holdings. The Investment Advisory Accounts will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally.

- Fraud. Of paramount concern in certain types of investments (e.g., loan investments) is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Investment Advisory Accounts to perfect or effectuate a lien on the collateral securing the loan. In certain instances, Mariner and/or the Investment Advisory Accounts will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Investment Advisory Accounts may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

- Global Investments. The Investment Advisory Accounts may invest a portion of their assets outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-U.S. issuers.

  The Investment Advisory Accounts may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the assets may be subject to taxes levied by governments, which have the effect of increasing the cost of such investments and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income realized, and gross sale or disposition proceeds received, by the Investment Advisory Accounts from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Investment Advisory Accounts will reduce their net income or returns (or increase their net loss) from such investments.

  Laws that govern private and non-U.S. investment and transactions in financial instruments in non-U.S. countries may be relatively new and untested. As a result, the Investment Advisory Accounts may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain non-U.S. countries in which assets of the Investment Advisory Accounts may be invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Investment Advisory Accounts and their operations. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the United States.

- Non-U.S. Taxation. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of Investment Advisory Accounts or other assets of the Investment Advisory Accounts, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

- Non-performing Nature of Debt. It is anticipated that certain debt instruments the Investment Advisory Accounts may purchase will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these instruments.

- Small Companies. The Investment Advisory Accounts may invest in small and/or unseasoned public or private companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, operating history, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of securities issued by larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, reduced liquidity, losses and risks of insolvency or bankruptcy. Research resources, third-party analysis and information relating to smaller companies may be less available than that in respect of larger companies, making it more difficult to research an investment and make an informed investment decision.

- Preferred Stock. Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

- Exposure to Material Non-Public Information. From time to time, Mariner may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Advisory Accounts may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

- Uncertain Exit Strategies. Due to the illiquid nature of many of the positions which the Investment Advisory Accounts have or are expected to acquire, as well as the uncertainties of the reorganization and active management process, Mariner is unable to predict with confidence what the exit strategy will ultimately be for any given investment, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

- No Material Limitation on Strategies. Mariner on behalf of certain Investment Advisory Accounts, will opportunistically implement whatever strategies or discretionary approaches the Firm believes from time to time may be best suited to prevailing market conditions. There can be no assurance that Mariner will be successful in applying any strategy or discretionary approach to the Investment Advisory Accounts' trading.

Specific Risks Related to Investments in the U.S. Mortgage Market

- Conditions in the U.S. Residential Mortgage Market May Adversely Affect the Performance of the Investment Advisory Accounts. Certain Investment Advisory Accounts intend to invest in assets involving the U.S. residential mortgage market, including in subprime mortgage loans, securities backed directly or indirectly by subprime mortgage loans and MSRs of subprime mortgage loans, securities backed directly or indirectly by subprime mortgage loans and equity, debt or options in real estate-related or mortgage-related companies. The performance of residential mortgage loans and the performance of associated derivative securities (such as mortgage-backed securities ("MBS")) are influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner behavior.

- Housing Reform. The structure of the U.S. housing finance market is subject to substantial change and multiple types of reform, ("Housing Reform"). Housing Reform may include, but is not limited to, FNMA and FHLMC exiting conservatorship, changes to the implicit or explicit U.S. government backing of the Agencies, elimination of one or more of the Agencies, merger or combination of multiple Agencies, changes to the guidelines of the Agencies as well as various other forms of legislative or regulatory reform. Housing Reform may result in meaningful changes to the counterparty risk of the Agencies, the value of any past or future credit wraps provided by the Agencies, liquidity of Agency MBS, and other factors that may have a material adverse impact on the Investment Advisory Accounts' investments as well as the nature and attractiveness of the targeted opportunity set.

- Regulation of the Mortgage Industry and the Dodd-Frank Act.

  Securities, futures and credit markets, and originators and servicers of residential mortgage loans are subject to comprehensive statutes and extensive regulation by federal, state and local governmental authorities. Loans, and their related origination and servicing practices, are highly regulated consumer finance products and are subject to federal, state and local laws. Violations or alleged violations of federal, state or local laws could result in a reduction in the amount available from a mortgage loan, and as a result its related MSRs, and could otherwise affect the performance of the Investment Advisory Accounts' other investments. In addition, violations, or even alleged violations, by loan servicers of laws or regulations applicable to mortgage loan origination and servicing, could adversely affect any such entity's ability to continue its performance of its obligations with respect to the mortgage loans.

  In addition, the Dodd-Frank Act includes extensive changes to the laws regulating financial services firms, which included the creation of (1) the Consumer Financial Protection Bureau (the "CFPB") within the Federal Reserve to regulate consumer financial services and products and (2) the Financial Stability Oversight Council to identify, monitor and address emerging systemic risks posed by the activities of financial services firms and make recommendations to the Federal Reserve to alleviate those risks. The CFPB has sole rulemaking and interpretive authority under existing and future consumer financial services laws and supervisory, examination and enforcement authority over institutions subject to its jurisdiction. The law also provides for enhanced regulation of derivatives and securitization transactions (including the addition of risk retention requirements, third-party due diligence disclosure requirements, expanded asset-level data requirements and new standards relating to eligibility of securities as "mortgage-related securities" under the Exchange Act), restrictions on executive compensation and enhanced oversight of credit rating agencies. In addition, the

law provides for the elimination of prepayment penalties for mortgage loans and expanded consumer protection in respect of high-cost loans.

The CFPB, U.S. Treasury Department, several regulatory bodies and state attorneys general have increased scrutiny of mortgage servicers and have imposed, or are seeking to impose, requirements on servicers to substantially revise their servicing practices, including the establishment of national servicing standards that would be applicable to all residential mortgage servicers. For example, such regulatory action may require servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes; adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan; implementation of enhanced controls over third-party vendors that provide default servicing support services; and retention of an independent consultant to conduct a review of all foreclosure actions pending, or that have occurred within a specified period.

Mariner and any of its subservicers may incur significant ongoing costs to comply with new and existing laws and governmental regulation of their residential mortgage servicing businesses. Further, if any new or more restrictive requirements increase the cost of servicing mortgage loans, then the subservicing fees subservicers will require are likely to increase, which could limit Mariner's ability to purchase MSRs if it cannot engage subservicers at servicing fee rates that are consistent with the Mariner MSR Funds' investment objectives.

Actions that have been taken and may be taken in the future by the U.S. government or by state or municipal governments may have the effect of encouraging, or may require, that the terms of residential mortgage loans be modified in order to reduce the applicable interest rate, reduce the outstanding principal amount, extend the term to maturity or otherwise benefit the borrower to the detriment of the holder of the mortgage loan and the owner of the MSRs. These loan modifications may affect only residential mortgage loans that are in default or may also affect other loans as to which the borrower has negative equity in the mortgaged property or is otherwise considered to be disadvantaged or deserving of assistance. Investments held by the Investment Advisory Accounts could be adversely affected, resulting in decreased yield or losses to investors. With regard to the Mariner MSR Funds, while certain loan modifications may be beneficial to the owner of MSRs (e.g., in the case of certain non-performing agency mortgage loans where owners of the MSRs may not be entitled to servicing fees or modifications in lieu of foreclosure), modifications that facilitate prepayment or reduce principal and interest can have an adverse effect on Mariner's net cash flows from servicing fees and result in losses to the Mariner MSR Funds. Similarly, programs designed to facilitate refinancings by current borrowers who would not otherwise qualify also could have such an adverse effect.

There can be no assurance that governmental actions and regulations will have a beneficial impact on the financial markets. To the extent the market does not respond favorably to these initiatives or these initiatives do not function as intended, the Investment Advisory Accounts may not receive a positive impact from the legislation. It is also possible that competitors may utilize the programs, which would provide them with attractive debt and equity capital funding from the U.S. government. In addition, the U.S. government, the Federal Reserve, the U.S. Treasury and other governmental and regulatory bodies may consider taking other

actions to address the lingering effects of the financial crisis. Mariner cannot predict whether or when such actions may occur, and such actions could have a dramatic impact on the business, results of operations and financial condition of the Investment Advisory Accounts.

- Risks Associated with Foreclosure and Bankruptcy. In addition to the procedural delays and uncertainties generally incident to the mortgage foreclosure process in various jurisdictions, several courts and state and local governments and their elected or appointed officials also have taken unprecedented steps to slow the foreclosure process or prevent foreclosures altogether. Several laws have been enacted for these purposes, including in California. It has been widely reported that irregularities in foreclosure processes have been discovered with respect to certain servicers of residential mortgage loans. In judicial foreclosure proceedings and in certain non-judicial foreclosure actions and proceedings, affidavits and other legal pleadings establishing the basis for the foreclosure must be submitted to the applicable court. Such filings are required to be based on the personal knowledge of the facts asserted by the person signing the filings. Many servicers attempted to streamline this process by employing individuals whose sole function is to sign such pleadings. Lawsuits have charged that these individuals signed and filed tens of thousands of foreclosure affidavits without following proper procedures, including without examining the related documentation to ensure knowledge of the facts being asserted and signing foreclosure affidavits in the presence of a notary public as required. As a result of the disclosure of these practices, several large servicers temporarily halted all foreclosures to conduct reviews of their procedures.

  Certain members of Congress, other political leaders and consumer advocacy groups have called for government-imposed moratoria on foreclosures from time-to-time. There can be no assurance that federal or state governments will not impose such moratoria. Any of these types of laws, regulations, rules, moratoria or proceedings could result in substantial delays in, or prevention of, the foreclosure process, and may lead to reduced payments by borrowers, increased reimbursable servicing expenses, reduced proceeds from further depressed home prices, and additional defaults. In addition, the uncertainty regarding the validity of foreclosures may limit or reduce the potential number of buyers and/or the prices of property for sale after such property is acquired through foreclosure. Any of these consequences may lead to increased losses to the Investment Advisory Accounts.

  In addition to the foregoing developments, the existing "right of redemption" in certain states may limit the ability of servicers to sell (or cause the sale of), or prevent a servicer from selling (or causing the sale of), an REO at what would otherwise be an appropriate time for sale. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In other states, including California, this right of redemption applies only to sales following judicial foreclosure, and not to sales pursuant to a non-judicial power of sale. In most states where the right of redemption is available, statutory redemption may occur upon payment of the foreclosure purchase price, accrued interest and taxes. In other states, redemption may be authorized if the prior borrower pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser from the lender subsequent to foreclosure or sale under a deed of trust. Consequently, the practical effect of the redemption right is to force the lender to retain the property and pay the expenses of ownership until the redemption period has run. Similar to foreclosure considerations, bankruptcy proceedings that involve a mortgage loan could impede the related servicer's ability to take actions that are necessary or appropriate to

preserve the value of the mortgage loan. Although mortgage cram-down legislation was not included in the Dodd-Frank Act, no assurance can be made that future efforts by members of Congress to enact such legislation will not succeed in the future. Various proposals would have allowed a bankruptcy judge in a Chapter 13 proceeding, subject to the satisfaction of certain conditions, to modify the terms of a debtor's mortgage loan to:

- Bifurcate the mortgage loan into secured and unsecured portions by allowing the debtor to establish a current market value for the mortgaged property and reducing the amount of the secured mortgage loan to such newly established current market value. The unsecured portion of the mortgage loan would be forgiven if the debtor satisfies the requirements of the bankruptcy plan;

- Modify the interest rate of the mortgage loan by reducing the interest rate or delaying interest rate reset dates for an adjustable-rate loan and reducing the interest rate for a fixed-rate loan; and

- Extend the amortization period of the mortgage loan for up to the longer of 40 years or the remaining term of the original loan.

If a similar legislative proposal were passed in the future, the bifurcation of mortgage loans into secured and unsecured portions and the resulting "cram-down" of secured portions of mortgage loans subject to Chapter 13 proceedings to newly established market values could have a negative impact on the value of mortgage loans if this results in losses on the related mortgage loans higher than those which would have occurred pursuant to traditional loss mitigation and loan modification procedures. Any such cram-down modification by a bankruptcy judge could have a significant impact on the principal and interest collections on the related loans, and therefore may have a significant impact on payments to the owner of the mortgage loans and the Investment Advisory Accounts.

- Risk of Future Legislative, Regulatory or Judicial Action. There can be no assurance as to what actions might be taken by any federal, state or municipal legal authority that may adversely affect investments held by the Investment Advisory Accounts. Such actions could include, by way of example, further restrictions on the ability of the holder of a mortgage loan to foreclose upon default by the borrower or delays in the foreclosure process, encouragement of modification of the terms of mortgage loans in ways that may be adverse to the interests of the holder of the mortgage loans or of related securities, and judicial determinations as to whether particular types of mortgage loans are "unfair" under applicable law.

- Lack of Information Regarding Underwriting Standards; Higher Expected Delinquencies in Payment. Certain Investment Advisory Accounts may acquire mortgage loans or non-agency MSRs. When investing in such mortgage loans and MSRs, from time to time, the seller will not have information available to it as to the underwriting standards that were applied in originating the mortgage loans, and such mortgage loans may have been originated in accordance with standards less strict than those of the agencies. Similarly, when acquiring loans through third-party origination ("TPO"), Mariner may not be underwriting the loan and may have limited information on the underwriting standards that were applied in originating such loan. As a result, certain mortgage loans underlying the Mariner MSR Funds' MSRs and certain mortgage loans owned by the Investment Advisory Accounts may experience higher than expected rates of delinquency and defaults, which could result in losses to the Investment Advisory Accounts. Changes in the values of mortgaged properties may have a

greater effect on the delinquency, default and loss experience of the mortgage loans in the Investment Advisory Accounts than on mortgage loans that were originated under stricter guidelines.

Risks Related to Investments in Mortgage Loans

- Re-performing Mortgage Loans. Certain Investment Advisory Accounts may invest in mortgage loans that have previously been in default or delinquent in payment and that, at the time such mortgage loans are acquired by the Investment Advisory Accounts, are in compliance with the terms of the related mortgage loan documents and are no longer delinquent. While these mortgage loans may have been acquired at a price that reflects the fact that the mortgage loans are re-performing at the time of acquisition, there can be no assurance that such mortgage loans will continue to be current and/or in compliance with the terms of the related mortgage loan document during the time period in which the Investment Advisory Accounts own such mortgage loans. It is therefore possible that re-performing loans may become non-performing loans and be subject to the same concomitant risks.

- Interest-Only Mortgage Loans. Certain Investment Advisory Accounts may invest in interest-only mortgage loans and MSRs for pools of interest-only mortgage loans. Interest-only mortgage loans permit the borrowers to make monthly payments of only accrued interest for the first 60 or 120 months following origination. After such interest-only period, the borrower's monthly payment will be recalculated to cover both interest and principal so that the mortgage loan will amortize fully prior to its final payment date. If the monthly payment increases, the related borrower may not be able to pay the increased amount and may default or may refinance the related mortgage loan to avoid the higher payment. Such default or refinancing would also reduce servicing fee revenues and increase servicing expenses and therefore adversely affect any related MSRs held by the Mariner MSR Funds. Interest-only mortgage loans reduce the monthly payment required by borrowers during the interest-only period and consequently the monthly housing expense used to qualify borrowers. As a result, the interest-only mortgage loans may allow some borrowers to qualify for a mortgage loan that would not otherwise qualify for a fully amortizing mortgage loan or may allow them to qualify for a larger mortgage loan than otherwise would be the case.

- Greater Risk Involving Certain Property Types. Certain Investment Advisory Accounts may invest directly or indirectly in residential, commercial and consumer performing, non-performing and re-performing whole loans. The Mariner MSR Funds may also invest in MSRs for a variety of residential, commercial and consumer performing and non-performing mortgage loans. Mortgage loans secured by multifamily property, mixed use property or commercial property may incur higher losses as a result of delinquency, foreclosure or repossession than mortgage loans secured by single-family residential property. In addition, any such losses could also reduce servicing fees on the related MSRs, increase servicing costs and therefore result in losses to the Mariner MSR Funds.

- Higher Risk of Loss on Loans Secured by Non-Owner Occupied Properties. Certain Investment Advisory Accounts may invest directly or indirectly in mortgage loans that are secured by properties, including improved and unimproved land, held by borrowers for investment, or by second homes. The Mariner MSR Funds may also invest in MSRs for mortgage loans that are secured by commercial, multifamily or mixed use properties, or by properties, including improved and unimproved land, held by borrowers for investment, or by second homes.

These mortgage loans may present a greater risk of loss, and the unimproved land may present a significantly greater risk of loss, if a borrower experiences financial difficulties, because these borrowers (i) may be more likely to default on a mortgage loan secured by non-owner occupied property than a mortgage loan secured by a primary residence of a borrower and (ii) may not have an incentive to maintain and upkeep a second home or a property held for investment to the same degree as the borrower's primary residence. Any such losses could also reduce servicing fees on the related MSRs, increase servicing costs and result in losses to the Mariner MSR Funds.

- Troubled Origination. The investments chosen by Mariner may have been originated by financial institutions or other entities that are insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being serviced or operated may be adversely affected.

- Geographic Concentration of Mortgage Loans. The mortgage loans and securities backed by mortgage loans in which the Investment Advisory Accounts may invest may be concentrated in a specific state or states. Similarly, the MSRs in which the Investment Advisory Accounts invest may be related to mortgage loans that are concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the ability of borrowers to repay their mortgage loans on time. Such inability of borrowers to repay their mortgage loans on time would also increase rates of loss and delinquency, reduce servicing fee revenues and increase servicing expenses of related MSRs held by the Mariner MSR Funds.

  Properties in certain jurisdictions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, floods, hurricanes, wildfires, mudslides and other natural disasters. Declines in the residential real estate market of a particular jurisdiction may reduce the values of properties located in that jurisdiction, which would result in an increase in the loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans and reduce servicing fee revenues. Natural disasters, such as wildfires, severe storms, tornadoes, hurricanes and flooding affecting regions of the United States from time to time may also result in prepayments of mortgage loans. These factors and others may adversely affect the value of mortgage properties in some geographic regions and affect the performance of the Investment Advisory Accounts.

- Risks Associated with Commercial Mortgage Loans. Certain Investment Advisory Accounts may invest in commercial mortgage loans, mortgage-backed securities on commercial mortgage loans and MSRs for commercial mortgage loans. The value of the Investment Advisory Accounts ' commercial mortgage loans, mortgage-backed securities on commercial mortgage loans, and MSRs for commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as result of such defaults. The factors influencing delinquencies, defaults and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office, etc.); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Commercial mortgage loans are generally viewed as having a greater risk of loss through delinquency and foreclosure than lending on the security of single family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses and comply with applicable zoning and laws) rather than upon the existence of independent income or assets of the borrower. Many commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans and commercial mortgage-backed securities ("CMBS") bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation.

Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

- Repurchases of Loans. Certain Investment Advisory Accounts may sell individual loans or pools of loans. In connection with such transactions, the Investment Advisory Accounts generally expect to enter into agreements customary to the nature and size of the transaction. In those agreements, the Investment Advisory Accounts generally will be required to make certain representations and warranties regarding each loan or pool of loans. In the event of an uncured breach of certain representations or warranties contained in such agreements, the Investment Advisory Accounts may be obligated to repurchase loans or a pool of loans from the purchaser, which may adversely affect the performance of the Investment Advisory Accounts.

- Credit Scores May Not Accurately Predict the Performance of the Mortgage Loans. Mariner may rely on credit scores as part of its due diligence process. Credit scores are obtained by many lenders in connection with mortgage loan applications to help them assess a borrower's creditworthiness. Credit scores are generated by models developed by a third party that analyzed data on consumers in order to establish patterns that are believed to be indicative of the borrower's probability of default over a two-year period. The credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit scores range from approximately 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. However, a credit score purports only to be a measurement of the relative degree of risk a borrower represents to a lender (i.e., a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score). Lenders have varying ways of analyzing credit scores and, as a result, the analysis of credit scores across the industry is not consistent. In addition, it should be noted that credit scores were developed to indicate a level of default probability

over a two-year period, which does not correspond to the life of a mortgage loan. Furthermore, credit scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general, and assess only the borrower's past credit history. Therefore, a credit score does not take into consideration the effect of mortgage loan characteristics (which may differ from consumer loan characteristics) on the probability of repayment by the borrower. There can be no assurance that the credit scores of the mortgagors will be an accurate predictor of the likelihood of repayment of the related mortgage loans. Any delinquencies or defaults on mortgage loans underlying an MSR could reduce servicing fees on the related MSRs, increase servicing costs and therefore result in losses to the Mariner MSR Funds.

- Environmental Risks. Real property pledged as security for a mortgage loan may be subject to certain environmental risks. Under the laws of certain states, contamination of a property may give rise to a lien on the property to ensure payment of the costs of cleanup. In several states, such a lien has priority over the lien of an existing mortgage against the property. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, a lender may be liable, as an "owner" or "operator", for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property if agents or employees of the lender have become sufficiently involved in the operations of the borrower, regardless of whether or not the environmental damage or threat was caused by a prior owner.

  A lender also risks such liability on foreclosure of the mortgage. Any such lien arising with respect to a mortgaged property would adversely affect the value of the mortgaged property and could make impracticable foreclosure on the mortgaged property in the event of a default by the related borrower. In addition, certain environmental laws impose liability for releases of asbestos into the air. Third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to asbestos, lead paint, radon or other hazardous substances. Property owners in some areas have recently been subject to liability claims associated with mold.

- Violation of Various Federal, State and Local Laws May Result in Losses on the Mortgage Loans. Violation of certain Federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may limit the ability of the Investment Advisory Accounts to collect all or part of the principal of or interest on the mortgage loans and, in addition, could subject the Investment Advisory Accounts to damages and administrative enforcement.

Additional Risks Related to Investments in Mortgage Servicing Rights

- Sources of Servicing Income. Income related to MSRs is generated principally from three sources. Depending upon the servicing agreement applicable to the MSRs and the agreements that can be negotiated with subservicers, either the servicer or subservicer may be entitled to additional sources of servicing income. First, servicers are entitled to standard minimum servicing fees, which fees are based on a specified percentage of the mortgagor's interest payments actually collected by the servicer. This fee is payable on a monthly basis, by the servicer retaining a portion of the interest payment collected from the borrower as its servicing fee and forwarding the remainder to the mortgage investor. In most cases, the investor or guarantor on whose behalf the loans are being serviced has no contractual obligation to pay the servicing fee to the servicer. Rather, the fee is contingent entirely on the

ability of the servicer to collect either the borrower's monthly payment or sufficient liquidation or insurance proceeds. Mariner may share or split certain fees associated with the servicing of mortgage loans with a subservicer. Given the regulatory environment and the changes in servicing and origination laws and regulations, there can be no assurance that such sharing or splitting of fees will not be prohibited or curtailed. Changes to the negotiated fees Mariner receives may have a material adverse impact on the Mariner MSR Funds.

The scheduled amortization of principal payments on the loans will cause a corresponding reduction in the amount of the aggregate servicing fees. This is referred to as the "run-off". Similarly, full or partial prepayment of a mortgage loan results in a termination of the servicing fee with respect to the prepaid balance of that mortgage loan. This means that the perceived likelihood of prepayment is a significant factor in valuing servicing.

A second source of servicing income is fees and charges imposed on the borrower, generally by the servicer, such as late charges, assumption fees and other fees relating to the performance of specific servicing tasks either at the request of the borrower or as a result of a borrower action or omission to act. These fees may be limited by applicable state and federal law, the mortgage loan documents, the terms of the servicing agreements or the applicable servicing guides.

Third, servicers can generate interest earnings, or "float," on their maintenance of the principal and interest account and the escrow accounts between the time of the collection of payments by or on behalf of borrowers and the time of application of such funds. Many states, however, require servicers to pay interest to borrowers on their escrow accounts at a specified rate.

- Approvals and Licensing of Mortgage Loan Servicers. Mariner (or a related entity) has been approved by Fannie Mae, Freddie Mac and Ginnie Mae to own MSRs. Mariner and any of its subservicers are also subject to licensing requirements as owners of MSRs. If the number of states that require the licensing of owners of MSRs increases, or the states that require licensing impose additional obligations on the owners of MSRs, Mariner's costs could increase. Any of these outcomes may adversely affect Mariner's or any Subservicer's operations or financial conditions and result in loss to the Mariner MSR Funds.

  Unlike competitors that are banks, Mariner is subject to state licensing and operational requirements that result in substantial compliance costs. Because Mariner is not a depository institution, Mariner does not benefit from a federal preemption of certain state mortgage banking, loan servicing or debt collection licensing and regulatory requirements. Mariner must comply with state licensing requirements and varying compliance requirements in all fifty states and the District of Columbia, and it is sensitive to regulatory changes that may increase its costs through stricter licensing laws, disclosure laws or increased fees or that may impose conditions to licensing that it or its personnel are unable to meet. In addition, Mariner is subject to periodic examinations by state regulators, which can result in refunds to borrowers of certain fees earned by Mariner, and it may be required to pay substantial penalties imposed by state regulators due to compliance errors. Future state legislation and changes in existing regulation may significantly increase Mariner's compliance costs or reduce the amount of ancillary fees, including late fees that it may charge to borrowers. This could make Mariner's business cost-prohibitive in the affected state or states and could materially affect Mariner's business.

- Loss of Mariner's Licenses. Mariner's business would be adversely affected if Mariner loses certain of its licenses or registrations. Mariner's operations are subject to regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations. For example, in most states in which Mariner operates, a regulatory agency regulates and enforces laws relating to mortgage servicing companies and mortgage originations companies. Mariner or its affiliates may or may not conduct business activities in the future that become subject to such regulation. These rules and regulations generally provide for licensing as a mortgage servicing company, mortgage originations company or third party debt default specialist, requirements as to the form and content of contracts and other documentation, possible licensing of employees and employee hiring background checks, licensing of independent contractors with which the Firm contracts, restrictions on collection practices, disclosure and record-keeping requirements and enforcement of borrowers' rights. In certain states, may become subject to periodic examination by state regulatory authorities. Some states in which Mariner operates could require special licensing or provide extensive regulation of Mariner's current or future business. The states that currently do not provide extensive regulation of Mariner's business may later choose to do so, and if such states so act, Mariner may not be able to obtain or maintain all requisite licenses and permits. The failure to satisfy those and other regulatory requirements and/or maintain all requisite licenses and permits could result in a default under Mariner's servicing agreements (if any) and have a material adverse effect on Mariner's operations.

- Subservicer and Termination Risk. None of the Mariner MSR Funds, Mariner or any controlled affiliates will perform any servicing function or have the capacity to service MSRs. Mariner expects (to the extent that it may invest in whole loans or other instruments that necessitate such expertise), it will typically enter into subservicing agreements with subservicers that will undertake to subservice the mortgage loans for Mariner and the Mariner MSR Funds for a specified term (e.g., 2 or 5 years). The subservicers will be responsible for satisfying most of the legal requirements and agency and loan owner's guidelines that relate to the activities of collecting on, and enforcing the terms of, mortgage loans. Nevertheless, as Mariner will be contractually obligated to service the underlying mortgage loans, Mariner will have the ultimate responsibility to service the mortgage loans underlying the MSRs and to repurchase any loans from the underlying MSR pool in accordance with agency requirements. Therefore, a failure by a subservicer to satisfy the legal requirements or agency or mortgage investor's guidelines may lead to: (i) Mariner's loss of approved status to service loans; (ii) demands for indemnification; (iii) criminal and civil liability; (iv) fines, penalties and loss of licensing; (v) administrative enforcement actions; and (vi) loan repurchase obligations. If a servicer termination event or event of default has occurred under a pooling and servicing agreement, Mariner may be terminated as servicer without any right to compensation for the loss of such MSRs, other than the right to be reimbursed for any outstanding servicing advances as the related loans are brought current, modified, liquidated or charged off. Mariner will generally provide in its subservicing agreements that subservicers will indemnify Mariner and the Mariner MSR Funds for losses incurred from a subservicer's failure to comply with contractual or regulatory requirements. Mariner, however, may incur expenses in attempting to obtain and enforce such indemnification and, in certain circumstances (such as the bankruptcy of the subservicer), may not obtain full indemnification for its losses.

  In addition, servicing contracts may provide mortgage investors (or agencies) with the authority to terminate servicing rights without cause. In such a circumstance, Mariner may be provided the right to sell the applicable MSRs to another servicer within a certain time frame. If the mortgage investor (or agency) does not provide Mariner with such right, or

Mariner is unable to arrange a transfer of the MSRs in the time period provided, Mariner may be paid a termination fee. The termination fee may be insufficient to cover the value of the Mariner MSR Funds' investment in the MSRs. The Mariner MSR Funds' loss of the MSRs would have a material adverse impact on investors. If (i) a subservicing agreement is terminated with respect to MSRs or (ii) a subservicer is permanently suspended as a servicer of mortgage loans by a regulatory agency or mortgage investor, there is no assurance that Mariner will be able to find a suitable replacement subservicer at a cost acceptable to Mariner. Mariner believes that any contractual arrangements with any subservicers could be replicated given the competitive state of the market and the availability of qualified alternate vendors. However, the inability of the Mariner MSR Funds to procure a suitable replacement subservicer at an acceptable cost would have a materially adverse effect on MSR investments.

- Risks Associated with Mortgage Servicer Ratings. Moody's, Standard & Poor's and Fitch rate many mortgage servicers. These ratings are subject to change in the future without notice. Servicer ratings are important to any servicer's (including Mariner) ability to finance servicing advances. For example, the amount of debt that is permitted to be outstanding under any advance financing facility may decrease with downgrades in the servicer ratings of the subservicers. Downgrades in the servicer ratings of subservicers could also affect the terms of advance financing facilities that Mariner may enter into, as lenders may require higher interest rates or may limit the amount of money that Mariner can borrow to finance servicing advances if subservicers' ratings are deemed by the lenders to be too low. In addition, certain pooling and servicing agreements may also require that the servicer maintain specified servicer ratings. The failure of a subservicer to maintain the specified rating may result in Mariner's termination as servicer. Accordingly, any such downgrade could have an adverse effect on Mariner's business, financing activities, financial condition and result in losses to the Mariner MSR Funds.

- Risks Associated with Loan Origination in the Mariner MSR Funds. Mariner may be subject to liability for potential violations of various lending laws and additional costs associated with state and federal licensing in connection with loans that Mariner originates as part of its loan origination business. Residential mortgage loan originators and servicers are required to comply with various federal, state and local laws and regulations, including anti-predatory lending laws and laws and regulations imposing certain restrictions and requirements on "high cost" loans. Licensing laws may also require disclosure of certain Limited Partners' names if their beneficial ownership exceeds a certain percentage (typically 5-10% or more) of the regulated servicer. Continued changes in legislation and licensing laws may also require technology updates and additional implementation costs for loan originators. Such legislative changes will likely continue for the foreseeable future and may increase Mariner's operating expenses related to its loan origination services. Additionally, in connection with the loan origination business, Mariner may be required to repurchase loans previously originated by Mariner or by third parties or may originate loans that are not salable to the agencies. There is a risk that Mariner may be required to indemnify the agencies for loans it originates if such loans fail to meet certain criteria or characteristics. Many contracts with purchasers of whole loans (and the agencies) contain provisions that require originators to indemnify or repurchase the related loans under certain circumstances. While specific contracts will vary, they may contain provisions that will require Mariner to repurchase loans if: (i) Mariner's representations and warranties concerning loan quality and loan circumstances are inaccurate, including representations concerning the licensing of a mortgage broker; (ii) Mariner fails to secure adequate mortgage insurance within a certain period after closing; (iii) a mortgage insurance provider denies coverage; or (iv) Mariner fails

to comply, at the individual loan level or otherwise, with regulatory requirements in the current dynamic regulatory environment. The risk of Mariner's losses from representations and warranties may be mitigated if the originator or third party lender of a loan is obligated to repurchase such loan, although there can be no assurance that such mitigation will occur. Mariner may have the right to seek a repurchase or indemnity from such originator or third party lender, although there can be no assurance that Mariner will have such rights. However, to the extent Mariner is required to indemnify or repurchase loans that it originates and sells or securitizes that result in losses that exceed its projections, this could adversely affect Mariner's business operations and result in losses to the Mariner MSR Funds.

- Foreclosure and Bankruptcy. When delinquent mortgage loans are resolved through foreclosure, the unpaid balance of such loans may cease to be a part of the aggregate unpaid principal balance. Also, delinquent mortgage loans resolved through foreclosure generally require more servicing advances over a longer time horizon prior to reimbursement as compared with servicing advances made with respect to delinquent mortgage loans that are resolved through repayment or permitted loan modifications. Accordingly, foreclosures could reduce the return to Investment Advisory Accounts and amount of servicing fees to which Mariner or other controlled affiliates are entitled and increase servicing costs, which could result in losses to Mariner MSR Funds. Further, some legislatures have instituted stringent proof of ownership requirements that a servicer must satisfy before commencing a foreclosure action, which could increase costs or provide delays in foreclosure.

- Legal Proceedings. Legal proceedings, state or federal governmental examinations or enforcement actions and related costs could have a material adverse effect on Mariner and the liquidity, financial position and results of operations of an Investment Advisory Account (e.g., Mariner Fund). Mariner and/or the Investment Advisory Accounts it advices, will be routinely involved in legal proceedings concerning matters that arise in the ordinary course of its business. These legal proceedings range from actions involving a single plaintiff to class action lawsuits. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect Mariner's financial results. In addition, a number of participants in the origination and servicing industry have been the subject of purported class action lawsuits and regulatory actions by state regulators, and other industry participants have been the subject of actions by state Attorneys General. Litigation and other proceedings may require that Mariner (or more likely the Investment Advisory Accounts it advices), pay settlement costs, legal fees, damages, penalties or other charges, any or all of which could adversely affect the Investment Advisory Account's (e.g., Mariner Fund) financial results. In particular, ongoing and other legal proceedings brought under state consumer protection statutes may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages substantially in excess of the amounts a Mariner Fund earned from the underlying activities and that could have a material adverse effect on that Investment Advisory Account's liquidity, financial position and results of operations.

- Agency Compensatory Fee Risk to the Mariner MSR Funds. The agencies may impose compensatory fees if Mariner or a Mariner Fund does not complete foreclosure within prescribed time frames. The agencies require routine, uncontested foreclosure proceedings to be completed within prescribed foreclosure time frames, representing the allowable time lapses between the time the case is referred to the attorney (or trustee) to commence a foreclosure action and the completion of the foreclosure sale. These timelines are based on the agencies' interpretation of the legal requirements of the applicable jurisdiction and

presume that there are no delays outside the control of the servicer or attorney. For instance, Freddie Mac and Fannie Mae reserve the right to charge a compensatory fee for delays in completing the foreclosure process based on Freddie Mac's or Fannie Mae's, as applicable, monthly monitoring of the servicer's management of the foreclosure process. The compensatory fee is calculated based on the outstanding principal balance of the mortgage loan (regardless of the value of the property or the estimated liquidation proceeds), the applicable pass-through rate, the length of the delay, and any additional foreclosure costs that are directly attributable to the delay. In addition to proving the reason for the delay, the servicer is required to demonstrate that it diligently worked toward resolution of the delay to the extent feasible and reported the reasons for the delay in a timely and accurate manner based on delinquency status codes established by the agencies. The agencies state that they rely on the delinquent loan status data submitted by the servicer as definitively and conclusively reflecting the status of a loan for purposes of the assessment and collection of compensatory fees for delays in liquidating delinquent loans and reserve the right to reject any information provided by the servicer to support a status code that is different from the one reported, even if they were not prejudiced by the changes in information. Compensatory fees are not imposed in lieu of other remedies that the agencies retain under their contracts for servicing breaches.

The timelines established by the agencies do not necessarily represent the average time it would take a servicer to diligently pursue an uncontested foreclosure in a particular jurisdiction and there is no certainty that Mariner will meet these timelines in individual cases or report the reasons for the delay in a timely and accurate manner. Failure to meet these time frames on a regular basis likely will result in the imposition of significant compensatory fees.

It is anticipated that potential penalties will be priced into MSR acquisitions, however there can be no assurance that such anticipated penalties will be sufficient to cover the actual penalties. Even though servicing may be undertaken by subservicers, the ultimate responsibility for any penalty will be borne by Mariner, as the owner of the MSRs.

- Risk of Prepayment and Default. If a mortgage loan is prepaid, the related servicing rights will generate no further income for an MSR investor. If a mortgage loan goes into default, the servicer may not collect a servicing fee for such mortgage loan while it is in default. Following liquidation, the servicing rights on a defaulted mortgage loan will not generate further income for an MSR investor. In addition, the servicer may incur certain costs in connection with foreclosure proceedings on defaulted mortgage loans for which it may not be fully reimbursed. Rates of mortgage loan defaults and prepayments are determined by numerous factors beyond the control of the Investment Advisory Accounts, including, among others, changes in interest rates, economic trends both nationally and within particular geographical areas, changes in real estate values and changes in federal, state and local laws. The Investment Advisory Accounts may attempt to hedge against the risks involved from borrower prepayment and default by purchasing and/or selling certain financial instruments. There can be no assurance that such actions will be effective, and the Investment Advisory Accounts will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally.

- Advance and Credit Risk. Pursuant to its servicing agreements, Mariner may be obligated to make advances to pay taxes, mortgage and hazard insurance premiums, foreclosure expenses, repair and preservation expenses and other similar items. Mariner expects that the

subservicing agreements will provide that the subservicers will make all advances and receive reimbursement from the servicer only if the advances are unrecoverable. In other cases, the servicer reimburses subservicers for advances made by such subservicers on a periodic basis prior to the subservicer's attempts to recover such advances. In certain instances, the servicer of mortgage loans will have an obligation to advance funds irrespective of its expectation or ability to be reimbursed, in the case, for example, of property taxes, hazard insurance premiums and principal and interest, if applicable. With respect to certain servicing agreements, primarily relating to MSRs in which the underlying mortgage loans have been pooled and securitized, the servicer may also be required to advance all or part of the scheduled mortgage payments where loan payments are delinquent.

If a mortgagor prepays a mortgage loan, the mortgage servicer may be required to pay interest on the related securities until the end of the month to which the prepayment relates. For the most part, the servicer will have the right to be reimbursed for such advances out of any available funds subsequently collected from (i) the resumption of mortgage payments by a delinquent borrower, (ii) in the case of non-agency MSRs, liquidation proceeds realized upon the sale of a mortgaged property following foreclosure or other means of acquiring title, (iii) in the case of Ginnie Mae MSRs, insurance proceeds realized upon the submission of a claim by the servicer on insurance policies maintained on behalf of the mortgage investor, or (iv) in the case of Fannie Mae and Freddie Mac MSRs, reimbursement by the mortgage investor if the other sources prove to be insufficient. Not all advances, however, are reimbursable. Advances to securities holders for interest shortfalls on mortgage loan prepayments may not be recoverable. In the case of mortgage loans insured by the Federal Housing Administration ("FHA"), only two thirds of foreclosure related expenses, or the costs of acquiring title to the mortgaged property, are reimbursable and other fees and expenses are reimbursable only to prescribed limits. In addition, there may be deductions from the reimbursement if the foreclosure of loans in default is not conducted within prescribed time frames.

In addition, Mariner may be required to absorb the costs of funds advanced during the time an advance is outstanding. Payments to servicers generally continue during the delinquency of a mortgage loan. Therefore, while certain advances relating to foreclosure proceedings on defaulted mortgage loans may be unrecoverable, the advance risk associated with nonrecourse servicing is primarily a matter of cash flow timing rather than a credit risk. The obligation to make advances and the delay in receipt of reimbursement could have a negative impact on the Mariner MSR Funds' cash flow.

Ginnie Mae servicing, however, involves some recourse features with regard to certain U.S. Department of Veteran Affairs (the "VA") and U.S. Department of Agriculture ("USDA") loans where the servicer is required to share credit losses with the holders of the securities. For VA-guaranteed mortgage loans under the Ginnie Mae program, the servicer may be subject to a credit loss if the underlying mortgaged property is sold in foreclosure or valued by the VA at a price that is insufficient, along with VA guaranty benefits, to satisfy the outstanding indebtedness of a loan. Additionally, as part of the Ginnie Mae program, loans may be repurchased if they are delinquent or modified, which may result in Mariner owning such whole loans.

- Additional Risks Associated with Advances by Subservicers in the Mariner MSR Funds. Although Mariner will be responsible for funding servicing advances, the subservicers will be responsible for ensuring that servicing advances are made in compliance with the terms of

the pooling and servicing agreements relating to the MSRs and its stop loss policy so that the servicing advances with respect to a mortgage loan do not exceed the amount expected to be collected with respect to such mortgage loan. Servicing advances that are improperly made may not be eligible for financing under the advance financing facility relating to the MSRs and may not be reimbursable by the owner of the mortgage loan or the related securitization trust, which would reduce Mariner's liquidity and may result in losses to the Mariner MSR Funds. In the event a subservicer fails to remit advances, Mariner and Mariner would be responsible. If either Mariner or the Mariner MSR Funds are unable to make such advances, it could result in the termination or loss of MSRs and/or other material adverse consequences to the Mariner MSR Funds and their investments. Furthermore, certain interest advanced by a servicer for a FHA loan may not be fully reimbursable by the FHA under its guidelines.

- United States Military Operations may Increase Risk of Service Members Civil Relief Act Shortfalls. The U.S. Service Members Civil Relief Act provides certain relief to borrowers who enter active military service after the origination of the borrower's mortgage loan. These borrowers may not be required to pay interest in excess of 6% per annum. The note holder is also restricted from exercising certain enforcement remedies during the period of the borrower's active duty status. Several states have enacted or are considering similar laws. As a result of military operations abroad, the United States has placed a substantial number of armed forces reservists and members of the U.S. National Guard on active duty status. It is possible that the number of reservists and members of the U.S. National Guard placed on active duty status might remain at high levels for an extended time. To the extent service members are borrowers on loans underlying MSRs the Mariner MSR Funds purchase, the interest rate limitation of the U.S. Service Members Civil Relief Act, and corollary state laws, will apply to the loans. An increase in the number of borrowers taking advantage of those laws may increase servicing expenses, and may also reduce cash flow and the interest payments collected from those borrowers. In the event of default, some of these laws result in delaying or preventing the loan servicer from exercising remedies for default. If these events occur, they might result in interest shortfalls on the loans to which the MSRs relate, increase servicing costs, and reduce the value of the MSRs the Mariner MSR Funds purchase.

- Violations of Federal, State and Local Laws that may Result in Losses on Mortgage Loans, Rescission of the Loans or Penalties that may Adversely Impact the Investment Advisory Accounts ' Income. A loan seller's failure to comply with certain requirements of federal and state laws could subject the seller (and any subsequent holders of the mortgage loans) or servicer to monetary penalties or may limit the ability of the Investment Advisory Accounts to collect all or part of the principal of or interest on the mortgage loans, even if the subsequent holder or servicer was not responsible for and was unaware of those violations. These adverse consequences vary depending on the applicable law and may vary depending on the type or severity of the violation, but they can include:

  • the inability of the holder of the loan to collect all of the principal and interest otherwise due on the loan;
  • the right of the homeowner to a refund of amounts previously paid (which may include amounts financed by the loan), or to set off those amounts against his or her future loan obligations;
  • the liability of the servicer and the mortgage investor for actual damages, statutory damages and punitive damages, civil or criminal penalties, costs and attorneys' fees; and
  • in limited circumstances, the ability of the homeowner to rescind, or cancel, the loan.

The terms of the documents under which the Mariner MSR Funds intend to purchase MSRs may entitle the holders of the loans to contractual indemnification against these liabilities. For example, the sellers of loans typically represent that each mortgage loan was made in compliance with applicable federal and state laws and regulations at the time it was made. If there is a material breach of that representation, the seller may be contractually obligated to cure the breach or repurchase or replace the affected mortgage loan. If the seller is unable or otherwise fails to satisfy these obligations, the value of the MSRs might be materially and adversely affected. Due to the latest deterioration in the housing markets, many of the sellers that issued these indemnifications are no longer in business or are unable to financially respond to their indemnification obligations. Consequently, holders of interests of the MSRs might ultimately have to absorb the losses arising from the sellers' violations. While Mariner will attempt to take these factors into account in the prices to be paid for MSRs, there can be no assurances concerning the validity of the assumptions used in pricing decisions. Similar risks apply to the loans that serve as security for MBS and the documentation governing those loans and the MBS.

- Risks Associated with Assumptions in Determining Purchase Price. The success of the Mariner MSR Funds will be highly dependent upon accurate pricing of MSRs and other assets. In determining the purchase price for MSRs (and MBS in certain instances), Mariner may make assumptions regarding: the rates of prepayment and repayment of the underlying mortgage loans, the amount of future servicing advances; projected rates of delinquencies and defaults; future interest rates; and the costs associated with engaging subservicers to service the loans. If any of Mariner's assumptions regarding the MSRs or other assets acquired are inaccurate or the basis for such assumptions change, the price paid to acquire such MSRs or other assets may prove to be too high, which could result in losses to the Investment Advisory Accounts.

- Limited Investigation of MSRs. While Mariner will conduct reasonable due diligence of prospective MSRs prior to their purchase by the Mariner MSR Funds, it will not be possible to perform an investigation that is certain to identify all negative factors with respect to the seller or the MSRs due to the number of mortgage loans involved in each portfolio, the cost of conducting such an investigation and limitations on available time. Thus, various negative factors concerning the seller or the MSRs may come to light after the Mariner MSR Funds have acquired the portfolio. The acquisition agreements that the Mariner MSR Funds use when acquiring MSRs generally do not limit the Mariner MSR Funds' right to seek indemnification from the seller for defects in the MSRs that the Mariner MSR Funds either discovered or failed to discover during its investigation.

- Origination Defects. The mortgage loans acquired through TPO or underlying the Mariner MSR Funds' MSRs may have been originated by financial institutions or other entities that are insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being serviced or operated may be adversely affected.

- Successor in Interest to the Representations and Warranties of the Originator. In many instances, servicing contracts may require that the servicer assume the original sales representations and warranties relating to the mortgage loans underlying the MSRs that were made by the seller of such mortgage loans. If those representations and warranties have

been breached, Mariner may be required to repurchase such mortgage loans. Any subsequent loss on such repurchased mortgage loans on their resale or foreclosure by Mariner would be borne by the Mariner MSR Funds, subject to any indemnification rights the Mariner MSR Funds may have in its contract with the seller of the MSRs. The Mariner MSR Funds have provided, and intend to continue to provide, in their agreements relating to the acquisition of MSRs that the seller of MSRs to the Mariner MSR Funds will indemnify the Mariner MSR Funds for any losses they incur as a result of the seller's, any prior servicer's or any originator's non-compliance with contractual or regulatory requirements. Again, the Mariner MSR Funds may incur expenses in attempting to obtain indemnification and, in certain circumstances, may not obtain full indemnification for their losses. The Mariner MSR Funds have performed, and intend to continue to perform, due diligence investigations on MSRs the Mariner MSR Funds purchase, although there can be no assurance that such investigations will uncover all such breaches.

Additional Risks Related to Investments in Mortgage-Backed and Asset-Backed Securities

- Mortgage-Backed and Asset-Backed Securities Generally. The Investment Advisory Accounts may invest in MBS and asset-backed securities ("ABS"), including subordinated tranches of such securities. The value of MBS and ABS will be influenced by factors affecting the value of the underlying assets, and by the terms and payment histories of such MBS and ABS.

  Some or all of the MBS and ABS contemplated to be acquired by the Investment Advisory Accounts may not be rated, or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated MBS and ABS, or "B-pieces", in which the Investment Advisory Accounts intend to invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than "B" by the rating organizations can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect the Investment Advisory Accounts from loss. As an investor in subordinated MBS and ABS in particular, the Investment Advisory Accounts will be first in line among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral.

  The Investment Advisory Accounts may acquire subordinated tranches of MBS and ABS issuances. In general, subordinated tranches of MBS and ABS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of non-payment than are senior tranches of MBS and ABS or MBS and ABS backed by third-party credit enhancement. In addition, an active secondary market for such subordinated securities is not as well developed as the market for certain other mortgage-backed securities. Accordingly, such subordinated MBS and ABS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

  Some investment characteristics of MBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the

underlying mortgages (or other assets) generally may be prepaid at any time. The frequency with which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans and other assets underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Although ABS are generally less likely to experience substantial prepayments than are residential MBS, certain of the factors that affect the rate of prepayments on residential MBS also affect the rate of prepayments on ABS. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while the principal on most residential mortgage loans generally may be prepaid at any time without penalty. Particular investments may experience outright losses, as in the case of an interest only security in an environment of accelerated actual or anticipated prepayments. Particular investments will be affected by the credit quality of their underlying loan and the creditworthiness of the borrower. Also, particular investments may underperform relative to hedges that the Investment Advisory Accounts may have constructed in these investments, resulting in a loss.

- Residential MBS. The Investment Advisory Accounts may invest in residential MBS ("RMBS") including subordinated tranches of RMBS. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. The value of RMBS will therefore be influenced by factors affecting the value of the underlying portfolio or mortgage loans, as discussed below, and by the terms and payment histories of such RMBS. These risks, which are discussed below in the context of the underlying mortgage loans and the mortgage market in general, include, without limitation, default, delinquencies, prepayment and modification risks, as well as interest rate and general market risks.

  In addition, residential mortgage loans underlying RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, delay foreclosures or permit or encourage modifications, which could have an adverse effect on the value of a mortgage loan and the corresponding RMBS. Violation of such laws, public policies and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

  The value of RMBS and other mortgage-backed securities in which the Investment Advisory Accounts may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

  In addition, it is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

- Servicing Advances. Most RMBS transactions will have provided for the servicers to make certain monthly advances (of principal and interest) and servicing advances pursuant to the

applicable servicing agreements. As indicated above, the costs of servicing an increasingly delinquent mortgage loan portfolio may be rising without a corresponding increase in servicing compensation. Any regulatory oversight, proposed legislation and/or governmental intervention designed to protect consumers or otherwise may have an adverse impact on servicers and, as a result, may have an adverse impact on mortgage loans and on RMBS. These factors, among others, may have the overall effect of increasing costs and expenses of servicers while at the same time decreasing servicing cash flow. Such financial difficulties may have a negative effect on the ability of servicers to pursue collections on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on the sale of underlying properties following foreclosure. Increased levels of delinquencies and defaults on subprime, Alt-A, other non-prime and prime mortgage loans also have resulted in increases in the amounts of advances by servicers of pooled mortgage loans. Many servicers are experiencing advance requirements that are significantly higher in total dollar amount than was anticipated and this can create liquidity or capacity pressures for these servicers. In addition, a servicer may generally stop advancing on a mortgage loan when, in the good faith exercise of its servicing judgment, it believes the proposed advance would not ultimately be recoverable from the related mortgagor, related liquidation proceeds or other recoveries in respect of the mortgage loan. There can be no assurance as to the current or continuing financial condition of any mortgage servicer or its ability to access markets for financing such advances.

When home values depreciate, servicers have to reconsider their assumptions regarding when to make monthly advances and servicing advances to avoid making such advances beyond the time that reimbursement for such advances would be unlikely. Falling home prices result in higher loan-to-value ratios and combined loan-to-value ratios which yield lower recoveries in foreclosure, and an increase in loss severities above those that would have been realized had property values remained the same or continued to increase. If servicers make advances that are not recoverable from the proceeds of the related foreclosure, the Investment Advisory Accounts' investments in RMBS could suffer losses. In addition, in the event an RMBS servicer determines not to advance, the related RMBS trust will suffer an interest rate shortfall which may result in bond interest shortfalls and may result in lower available credit protection provided that this interest serves as a form of credit enhancement ("excess interest"). This combined with the existence of modification programs, including the Home Affordable Modification Program ("HAMP"), and potentially any bankruptcy cramdown legislation or equivalent change based on industry settlements or regulatory requirements, where the servicer can recoup prior advances upon modification and reduce the mortgage interest rate or forbear principal of the underlying mortgage loans, there is the risk that the interest available to the underlying securitization will be reduced in some instances, increasing bond interest rate shortfalls and decreasing the overall credit protection of the bond. In addition, this modification of interest rates, specifically by changing adjustable rate loans into a modified loan with a fixed rate, will potentially increase the mismatch between the bond interest adjustment features and the underlying loans. This potential decline in RMBS bond interest may increase the risk of leverage and the basis mismatch between the underling bonds and the financing.

Although RMBS transactions may provide that the loan servicer is required to make advances in respect of delinquent mortgage loans, servicers experiencing financial difficulties, including those resulting from or exacerbated by servicing-related settlements with governmental entities, regulators or as a result of various civil lawsuits, may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to

application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee. There may be contractual differences related to the requirement of the servicer to advance delinquent principal and interest.

- Commercial MBS. Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term and is instead payable at maturity. Repayment of the loan principal therefore often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Many commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related MBS. Revenues from the assets underlying such MBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

- Asset-Backed Securities. Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass through structures. The Investment Advisory Accounts may invest either directly or indirectly, through collateralized debt obligations ("CDOs"), in these and other types of ABS that may be developed in the future.

  ABS presents certain risks that are not presented by MBS. Primarily, these financial instruments do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some

cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

"Widening" Risk. For reasons not necessarily attributable to any of the risks enumerated above (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Investment Advisory Accounts invest may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.

Additional Risks Related to Investments in Commodities, Derivatives and Distressed and High-Yield Securities

- Trading in Commodities and Derivatives. Certain Investment Advisory Accounts may utilize derivative instruments such as options, futures, forward contracts, total return swaps, credit default swaps, and interest rate swaps, caps and floors, both for investment purposes and to hedge against fluctuations in the relative values of its positions. These are instruments whose values are based upon underlying assets, indices or reference rates or a combination of these, and generally represent future commitments to exchange cash flows or to purchase or sell other financial instruments (or make an equivalent cash payment) at specified future dates. Certain derivatives (options and credit default swaps in particular) may have intrinsic value separate from the value of underlying assets based upon market perception of creditworthiness or expected volatility in the value of the asset. The use of derivatives involves a variety of material risks, including the possibility of counterparty non-performance as well as of deviations between the actual and theoretical value of the derivatives. Derivatives also are inherently subject to two sources of risk: risk of loss due to adverse changes in the value of the underlying asset and risk of loss due to the insolvency or creditworthiness of the counterparty. In addition, the markets for certain derivatives may be illiquid.

  Derivatives are typically intrinsically leveraged investments that may entail investment exposures that are greater than the initial amount of collateral required to enter into the derivative, meaning that an investment in a derivative could ultimately incur losses many times greater than the initial collateral requirements and could therefore have a disproportionate effect on the performance of such Investment Advisory Accounts. Investment Advisory Accounts could also experience losses if the derivatives that are acquired or sold as a hedge are poorly correlated with the investment to be hedged, or if such Investment Advisory Accounts are unable to liquidate a position because of an illiquid secondary market. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Certain Investment Advisory Accounts may trade commodities, futures and options, and may enter into swap agreements. The prices of commodities contracts and all derivative instruments, including futures and options, may depend upon a number of factors, including the prices of the underlying assets and may be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, the Investment Advisory Accounts are subject to the risk of failure of any of the exchanges on which they trade, their clearinghouses or the clearing brokers through which their trades clear. In the case of commodity contracts traded on non-U.S. exchanges and certain derivative instruments, the Investment Advisory Accounts may be subject to the risk of the inability of, or refusal by, the counterparty to perform. In addition, profits realized in non-U.S. markets could be eliminated by adverse changes in the applicable currency exchange-rate, or the Investment Advisory Accounts could incur losses as a result of those changes.

- General Risks of CDO and CLO Investments. The value of the CDOs and CLOs owned by the Investment Advisory Accounts generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO or CLO ("CDO/CLO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs and/or CLOs must rely solely on distributions on the CDO/CLO Collateral (as applicable) or proceeds thereof for payment in respect thereof.

  CDO/CLO Collateral may consist of high yield debt securities, loans, ABS and other instruments, which often are rated below investment grade (or of equivalent credit quality). The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. In addition, the lack of an established, liquid secondary market for some CDOs and CLOs (CDO and CLO equity securities in particular) may have an adverse effect on the market value of those CDOs or CLOs (as applicable) and will in most cases make it difficult to dispose of such CDOs or CLOs at market or near-market prices.

- Total Return Swaps and Index Swaps. Certain Investment Advisory Accounts may enter into total return and index swaps. Total return and index swaps are used as substitutes for owning or shorting the physical securities that comprise a given market index, or to obtain long or short exposure in markets where no physical securities are available, such as an interest rate index. Total return refers to the payment (or receipt) of an index's total return, which is then exchanged for the receipt (or payment) of a floating interest rate. Total return swaps provide the Investment Advisory Accounts with the additional flexibility of gaining or shedding exposure to a market or sector index by using the most cost-effective vehicle available. There can be no assurance that the price relationship between the cash-market security or index and the total return or index swap will remain constant, and events unrelated to the underlying securities or index (such as those affecting availability of borrowed money and liquidity, or the creditworthiness of a counterparty) can cause the price relationship to change. This risk is known as "basis risk." Basis risk may cause the Investment Advisory Accounts to realize a greater loss on an investment in synthetic form than might otherwise

be the case with cash-market securities. To the extent the Investment Advisory Accounts use total return or index swaps to hedge risk, basis risk may cause the hedge to be less effective or ineffective.

- Structured Investment Products. Certain Investment Advisory Accounts may invest in, or otherwise participate in a variety of different structured investment products; for example, total return swaps, participating notes, options, credit default swaps and collateralized debt obligations. These structured products involve not only the risks of the underlying "reference asset," but also other risks including, without limitation, acceleration of the financing embedded in the structure, counterparty credit risk, and/or restrictions imposed on the management and nature of the permissible reference assets and costs of creating the structured products.

- Credit Default Swaps. Certain Investment Advisory Accounts may enter into credit derivative contracts such as credit default swaps ("CDS"), LCDS, CDX and LCDX contracts. The typical CDS and LCDS contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities or loans issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic and/or upfront payments equal to a fixed percentage of the notional amount of the contract. The Investment Advisory Accounts may also purchase or sell credit default swaps on a basket of reference entities or an index that is CDX and LCDX contracts. In circumstances in which the Investment Advisory Accounts do not own the debt or loans that are deliverable under a credit default swap, the Investment Advisory Accounts will be exposed to the risk that deliverable securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze". In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Investment Advisory Accounts would not be able to realize the full value of the credit default swap upon a default by the reference entity. As a seller of credit default swaps, the Investment Advisory Accounts incur leveraged exposure to the credit of the reference entity and are subject to many of the same risks they would incur if they were holding debt securities or loans issued by the reference entity. However, the Investment Advisory Accounts will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Investment Advisory Accounts following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Investment Advisory Accounts. Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Investment Advisory Accounts' ability to otherwise productively deploy any capital that is committed with respect to such contracts.

- Synthetics. The Investment Advisory Accounts may invest in various securities, derivatives, indexes and cash equivalents and related instruments both to hedge their portfolio positions and to seek to meet the Investment Advisory Accounts ' investment objectives opportunistically, including (i) futures and forward contracts; (ii) swaps, including, credit default swaps, baskets of credit default swaps, total return swaps and index swaps, interest

rate swaps; (iii) options, warrants, caps, collars, floors, swaptions and forward rate agreements; (iv) other synthetic opportunities (e.g., ABX, IOS, and CMBX); (v) other securities (including equities), indexes and exchange traded funds; and (vi) cash (including U.S. treasuries and RMBS). Investments in the agency market can take the form of derivatives such as interest only or inverse interest only securities, specified pools, TBAs, other structured bonds such as CMOs, as well as synthetic indices such as IOS, POS, and MBX. Synthetic indices can be used to express outright longs and shorts or as hedging tools against cash positions. The Investment Advisory Accounts may use such financial instruments for risk management purposes to: (i) protect against possible changes in the market value of the Investment Advisory Accounts ' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) enhance or preserve returns, spreads or gains on investments; (iii) protect against any increase in the price of any investment the Investment Advisory Accounts anticipate purchasing at a later date; or (iv) act for any other reason that the Registrant deems appropriate. The Investment Advisory Accounts will not be required to hedge any particular risk in connection with a particular transaction or their portfolio generally. While the Investment Advisory Accounts may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Investment Advisory Accounts than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that may not be hedged.

- Hedging with Derivative Instruments. The Investment Advisory Accounts intend to use derivative financial instruments, including without limitation, futures, swaps, options, floors, total return swaps, and CDS, IOS, POS, LCDS, CDX, LCDX, ABX and CMBX contracts, primarily for leveraging and hedging purposes. The use of derivative instruments involves a variety of material risks, including the high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance, as well as of material and prolonged deviations between the actual and the theoretical value of a derivative (i.e., non-conformance to anticipated or historical correlation patterns). In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult as well as costly to the Investment Advisory Accounts to close out positions in order either to realize gains or to limit losses.

  Many of the derivatives which the Investment Advisory Accounts trade in will be principal to principal or "over the counter" contracts between the Investment Advisory Accounts and third parties entered into privately, rather than on an exchange. As a result, the Investment Advisory Accounts are not afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

  Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price that the same dealers would actually be willing to pay for such derivative should the Investment Advisory Accounts wish or be forced to sell may be materially different. Such differences can result in an overstatement of the Investment Advisory Accounts' net assets and could materially adversely affect the Investment Advisory Accounts in situations in which the Investment Advisory Accounts are required to sell derivative instruments.

Interest-only securities ("IOS") may be utilized by the Investment Advisory Accounts for hedging or other investment purposes. An IOS is a synthetic total return swap index that references the interest component of various coupons of 30-year fixed rate agency pools of loans. Indices are generally categorized by net coupon and yearly vintage. IOS provide exposure to agency pool coupon cashflows via synthetic total return swap ("TRS") contracts. Net cashflow exchanges are a function of the change in market value of the reference pool interest component and standard monthly exchanges of coupon and financing. Corresponding POS tranches represent the principal component and corresponding MBX tranches represent the entire cashflow stream. The Investment Advisory Accounts may make long or short investments in various tranches for hedging or other investment purposes.

- Distressed and High-Yield Securities. The Investment Advisory Accounts may invest in securities issued by, or other indebtedness of, companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Investments of this type are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace, and further, may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers. The investments can result in significant or even total losses. In addition, the markets for distressed and high-yield securities are frequently illiquid. The market prices of distressed and high-yield assets are subject to abrupt and erratic market movements and above-average price volatility, and the spreads between the bid and asked prices of such assets may be greater than those prevailing in other markets. It may take a number of years before the market price of the assets reflects their perceived intrinsic value, if they ever do. Distressed assets also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments and lender liability, as well as bankruptcy and other judicial courts' power to disallow, reduce, subordinate or disenfranchise particular claims.

I. Concordia G-10 Fixed Income Relative Value, L.P. (master fund); Concordia G-10 Fixed Income Relative Value I, L.P., Concordia G-10 Fixed Income Relative Value, Ltd (feeder funds)

Fund Strategy and related risks: G-10 Fixed Income Relative Value

Description: Fixed income arbitrage investment involves the purchase of one asset and sale of another whose price movements have a correlation. Trades are entered when price relationships are out of line and closed when they realign. The strategy employs the purchase and sale of global fixed income securities and their derivatives as well as related foreign exchange futures and options. The strategy will not exclude any market or investment vehicle in an effort to identify the best risk-reward situations. However, it is anticipated that the majority of fixed income securities trading will involve government securities of the major industrialized nations of the world. Diversifying the investments offers a greater chance of overall success. At times, the opportunities for low risk profits may induce a high concentration of certain types of securities positions.

The following is a more detailed explanation of some of the investment techniques to be used as part of the Investment Strategy. Such explanations do not purport to be a complete explanation of such investment techniques. Other techniques may be used.

- *Cash/Futures*. Cash/future trading, also referred to as basis trading, includes the purchase or sale of a deliverable security and an opposite position in the underlying futures. This strategy generates profits if the price relationship widens when one is long cash/short futures or narrows when one is short cash/long futures. Many factors, such as yield curve changes, short-term interest rate changes, volatility changes and market level changes affect the basis.

- *Swap Spread Trading*: The spread between the yield on government bonds and interest rate swaps of similar maturities tend to trade at different levels depending upon a number of factors. Examples of these factors are the amount of government debt issued during a particular period, the activity of corporate bond issuers in the swap market, and the relationship between United States federal funds and LIBOR. The strategy employed is trying to buy government debt and pay fixed on swaps when spread are narrow and reverse these positions when spreads widen, or vice versa. Alternatively, one can structure swap spread boxes, where one goes long on the spread at one point of the curve and shorts it at another point of the curve. The box trades attempt to profit from a change in the slope of the swap spread curve without expressing an opinion on overall spread narrowing or widening.

- *Yield Curve Trading*. Changes in the slope of a yield curve rarely occur continuously along the curve, resulting in a somewhat uneven yield curve. As time passes, investors looking to optimize their risk/return patterns will buy securities at the "cheap" parts and sell securities at the "rich" parts of the curve smoothing out its slope. A butterfly trade is one that combines two offsetting yield curve trades (e.g., buy two years sell five years and sell five years buy ten years) by arbitraging the cheap parts of the yield curve against the rich parts of the yield curve while limiting risk to the overall slope of the yield curve.

- *Volatility Trading*. Volatility trading in the fixed income market takes several forms. The underlying theme is to identify situations in which one can position cheap options, then either sell a fairly priced option against the long position or look for the market to exhibit greater volatility than what was implied in the cheap option construction. The inverse of this can also be employed to create short volatility positions.

Risks

- The success of the relative value strategy will depend on Mariner's ability to identify and exploit price discrepancies in the capital markets. Identification and exploitation of market opportunities involve uncertainty. No assurance can be given that Mariner will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets. In the event that the perceived mispricings underlying the fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by Mariner, the fund may incur a loss.
- Although relative value trading strategies, which are a principal focus of the fund's strategy, may tend to incorporate investments that mitigate impact of absolute (i.e., directional) market price movements, the investments utilized in implementing such strategies will include derivatives, such as futures and options, that are themselves inherently volatile in the context of specific market movements.
- Mariner may leverage investment positions by borrowing funds, which will typically be secured by the fund's securities and other assets, from securities broker-dealers, banks, or others. Borrowing money to purchase securities may provide the fund with the opportunity for greater capital appreciation but, at the same time, will increase the exposure to capital risk and higher current expenses. Moreover, if the assets under management are not

sufficient to pay the principal of, and interest on, the debt when due, the fund could sustain a total loss of investment. Mariner anticipates utilizing leverage in the investments. As such, the fund's exposure to capital risk is increased. Accordingly, a relatively small movement in the spread relationship between the futures and securities the fund owns and those which it has sold short may result in substantial losses.

Types of investments and related risks:

- Fixed-Income Securities. The value of fixed-income securities in which the Fund invests will change in response to fluctuations in interest rates. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income securities generally can be expected to decline. The Investment Manager has no control over the future direction of interest rates and this strategy is largely independent of the Investment Manager's ability to determine accurately such interest rate movements

- Derivative Products. The Fund may utilize various derivative instruments, such as swaps (e.g., credit default swaps), futures, warrants, options and convertible securities. The use of derivative instruments involves a variety of material risks, reflecting the often extremely high degree of leverage embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative, should the Fund wish or be forced to sell such position, may be materially different. Such differences can result in an overstatement of the net asset value of the Fund, and may have a materially adverse effect on the Fund in situations in which the Fund is required to sell derivative instruments in order to raise funds for margin purposes or to pay redemptions. The pricing relationships between derivatives and the underlying instruments on which they are based may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses.

  Based upon current legislative and regulatory requirements, a substantial portion of derivatives transactions that were historically executed on a bi-lateral basis in the over-the-counter (OTC) markets are currently required to be executed through a regulated securities, futures or swap exchange or execution facility and/or to be submitted for clearing to regulated clearinghouses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although there are current limited exemptions from such clearing and margin requirements, the Master Fund will not be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Master Fund executes the majority of its OTC derivatives will also not be able to rely on such exemptions and, therefore, are also be subject to clearing and margin requirements notwithstanding the Fund's requirements. OTC derivative dealers also are or will be required to post margin to the clearinghouses through which they clear their customers' trades instead

of using such margin in their operations; as a result, this may increase the OTC derivative dealers' costs, which are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing and the possible imposition of new or increased fees.

Clearing and trading requirements may make it more difficult and costly for investment funds, including the Fund, to enter into OTC transactions. Additionally, the clearing requirement will centralize risk in a small number of clearing counterparties; while the derivatives clearing organizations' margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

The Fund may enter into one or more swap agreements which are neither executed in regulated markets nor submitted for clearing to regulated clearinghouses. These transactions are typically two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specific assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. A swap contract may not be assigned without the consent of the counter-party, may be considered illiquid, and may result in losses in the event of a default or bankruptcy of the counterparty.

- Futures Trading. Futures contracts are usually made on a futures exchange which call for the future delivery of a specified "commodity" at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making physical delivery of the "commodity" or by cash settlement or by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the end of trading in the contract month. Futures prices are highly volatile. Financial instrument and foreign currency futures prices are influenced by, among other things, interest rates, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

- Options Trading. The fund may engage in the trading of options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Mariner may buy or sell (write) both call options and put options on behalf of the Fund, and when it writes options, they may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. Mariner's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a client account or its beneficial owner (e.g., Limited Partner Capital Account)i to be subject to more frequent and wider fluctuations than would be the case if the Fund did not invest in options. Mariner could mitigate these losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options.

When the Mariner sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is covered. If it is covered, the Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Fund might suffer as a result of owning the security.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Each option on a futures contract, physical commodity, security, or foreign exchange is a right, purchased for a certain price, to either buy or sell a futures contract, physical commodity, security, swap, interest rate yield curve position or foreign exchange during a certain period of time for a fixed price. Although successful options trading requires many of the same skills as does successful futures trading, the risks involved are somewhat different. For example, if the fund buys an option (either to sell or purchase a futures contract, commodity, security or foreign exchange), it will pay a "premium" representing the market value of the option. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the fund may lose the entire amount of such premium. Conversely, if the fund sells an option, it will be credited with the premium but will have to deposit margin due to its contingent liability to take or deliver the instrument underlying the option in the event that the option is exercised. Sellers of options are subject to the entire loss which occurs in the underlying futures position or commodity, security or foreign exchange, (less any premium received). The ability to trade in or exercise options may be restricted in the event that trading on an exchange is restricted.

- Repurchase Agreements. These agreements involve the simultaneous purchase of agreement to resell government securities. At the same time the fund buys a security, it agrees to resell it to the original seller and is obligated to deliver the security to such seller at a fixed price and time, thereby determining the yield during its holding period. The agreements are either executed for a one day term or, if for a longer term, the collateral is repriced and adjusted daily. The repurchase price is in excess of the sale price and reflects an agreed upon market price unrelated to the coupon date on the purchased security. Such transactions afford an opportunity for the fund to invest temporarily available cash. There is a risk of the ability of the original seller to p*a*y the agreed upon sum on the delivery date; in the event of default the repurchase agreement provides that the fund is entitled to sell the underlying collateral and the value of the collateral at the time the transaction is entered into always exceeds the

agreed upon sum to be paid to the fund. However, if the value of the collateral declines after the agreement is entered into and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, then the fund will incur a loss. Also, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers' default or bankruptcy.

- Reverse Purchase Agreements. The entering into of reverse purchase agreements by the fund will involve certain risks. For example, if the seller of securities under a reverse purchase agreement defaults on its obligation to repurchase the underlying securities, as a result of bankruptcy or otherwise, the fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the fund's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Securities positions of the fund held by dealers on repurchase transactions can also be transferred to others by such dealers and, therefore, are subject to risk of such dealers' default or insolvency.

- Leverage. The Investment Advisor may leverage investment positions by borrowing funds, which will typically be secured by the Master Fund's securities and other assets, from securities broker-dealers, banks, or others. Borrowing money to purchase securities may provide the Master Fund with the opportunity for greater capital appreciation but, at the same time, will increase the exposure to capital risk and higher current expenses. Moreover, if the assets under management are not sufficient to pay the principal of, and interest on, the debt when due, the Interests could sustain a total loss of investment. The Investment Advisor anticipates utilizing leverage in its investments with respect to the Assets. As such, the Interests' exposure to capital risk is increased. Accordingly, a relatively small movement in the spread relationship between the futures and securities the Master Fund owns and those which it has sold short may result in substantial losses.

- Hedging Transactions. The fund may utilize a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors and forward contracts, both for investment purposes and for risk management purposes *(i.e.*, currency risk exposure). Hedging also involves special risks including the possible default by the other party to the transaction, illiquidity and, to the extent Mariner's assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. The fund is subject to the risk of the failure or default of any counterparty to its transactions. If there is a failure or default by the counterparty to such a transaction, the fund will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty). Mariner seeks to minimize the fund's counterparty risk through the selection of financial institutions and types of transactions employed.

- Short Sales. Short sales of securities may at certain times constitute a material part of the fund's strategy. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on an investment portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of a security which could result in an inability to cover a short position or a theoretically unlimited loss. There can be

no assurance that the securities necessary to cover a short position will be available for purchase.

II. Concordia Institutional Multi-Strategy Ltd.

Fund Strategy and related risks: Global Fixed Income Trading and Arbitrage Investment Strategies.

Description. This fund is a single investor investment vehicle which currently engages in a global fixed income trading and arbitrage investment strategies. More specifically, the Investment Strategy is likely to be comprised primarily of a global fixed income arbitrage strategy and a municipal bond arbitrage trading strategy. Each investment strategy is accounted for separately on the books of the fund.

- Municipal Relative Value. Please see strategies, types of investment and related risks for Concordia Municipal Opportunities Fund Series III, L.P. (Section 8-III below)

- G-10 Fixed Income Relative Value. Please see strategies, types of investment and related risks for Concordia G-10 Fixed Income Relative Value I, L.P. (Section 8-I above)

Types of investments and related risks:

- Multiple Strategies. The Fund assets will be allocated among separate accounts as described herein. Each separate account will be managed by a separate trader that will make its own trading decisions and have discretion in managing the portion of the assets allocated to that separate account. Accordingly, it is possible that one or more of the traders may, at any time, invest the assets allocated to its separate account in positions that may be opposite of positions taken by one or more other traders. It is also possible that different traders may on occasion invest the assets of their separate accounts in substantial positions in the same security or group of securities at the same time and traders may at times incorporate ideas in the investment strategy of their separate accounts from other traders. Although diversification is an objective and a component of Mariner's risk management process, Mariner is not restricted as to the percentage of any separate account assets that may be invested in any particular asset class or sector. The separate accounts themselves also generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification caused by these factors may subject the overall portfolio of the Fund to more rapid change in value than would be the case if the assets of the separate accounts were required to be more widely diversified.

III. Concordia Municipal Opportunities Master Fund, L.P. (master fund), Concordia Municipal Opportunities Fund III, L.P. (feeder fund)

Fund Strategy and related risks: Municipal Relative Value

Description: This fund's assets are primarily invested in an effort to take advantage of perceived mispricings both within the U.S. municipal and related derivative market and between the U.S. municipal and related derivative markets and other fixed income and derivative markets. The Investment thesis or strategy is designed with a view that while the long run equilibrium between

the U.S. municipal bond market and other U.S. fixed income markets is driven by marginal tax rates and credit concerns, short-term factors regularly cause the market to trade at levels which deviate significantly from equilibrium. Certain of these same short-term factors also cause dislocations within the U.S. municipal market. With respect to the methodology used to determine if a market or security is perceived to be mispriced, years of past data, patterns and relationships are analyzed and this historical research is combined with expectations of future outcomes to judge whether a repricing will achieve target returns measured against potential risks. As such, Mariner believes that profitable trade opportunities exist with favorable risk/reward characteristics

Risks:

- The fund invests in fixed income securities which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The fund will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. Investment in a debt instrument will normally involve the assumption of interest rate risk. The fund will, however, attempt to hedge such risk.
- The fund invests in municipal bonds, and changes in federal income tax policy may have an adverse effect on the price of municipal bonds which are owned if such tax changes alter the tax advantaged status of municipal bonds which the fund may own.
- The fund may take positions in municipal market related equities, options on equities, or derivatives which proxy either the equity or general credit markets as one side or a "leg" of any relative value trade. The fund will therefore be subject to general and idiosyncratic liquidity and credit risks that differ from the risks inherent solely by investing in municipal bonds.
- The fund may engage in margin borrowing. Margin borrowing increases returns to investors if the fund earns a greater return on leveraged investments than its cost of such leverage. However, the use of margin borrowing exposes the fund to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the fund not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the fund's cost of leverage related to such investments. In case of a sudden, precipitous drop in value of the fund's assets, the fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying losses.
- Two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade transaction.
- The transaction costs of "relative value" transactions can be especially significant because separate costs are incurred on each component of the transaction. Consequently, a substantial favorable price movement may be required before a profit can be realized.
- Even if a "relative value" strategy correctly identifies a mispricing, the ability of the strategy to capture such mispricing depends on Mariner's (or its affiliate's) ability to maintain the relative value position until the market returns to fair value. Mariner (or its affiliate) may not be able to do so for a number of reasons (including, without limitation, financing costs, stop-loss limits and market disruptions) and may, accordingly, incur substantial losses on a position which would otherwise have been profitable.

Types of investments and related risks:

- Debt Securities. Like all fixed income securities, municipal bonds, treasury bonds, corporate bonds and other types of fixed income securities are susceptible to fluctuations in interest rates. If interest rates rise, market prices of existing bonds will decline, despite the lack of change in both the coupon rate and maturity. Long-term bonds are generally more susceptible to this than shorter-term bonds. The fund will attempt to hedge this risk.

  There is a risk that the rate of the yield to call or maturity of the investment may not provide a positive return over the rate of inflation for the period of the investment.

  Credit risk is the risk that the issuer will default or be unable to make required principal or interest payments. Despite the fact that many municipal bonds have high credit ratings, there is a risk of default in any bond investment.

- Municipal Bonds versus Taxable Fixed Income. When the U.S. municipal bond market seems to be pricing at an unusually low implied future tax rate (i.e., municipal bonds appear "cheap"), Mariner may purchase U.S. tax-exempt assets (directly or via trust certificates commonly referred to as "inverse floaters") with the most attractive relative value relationship versus taxable markets. To hedge the interest rate risk associated with these assets, they will sell short a given taxable instrument or by entering into an interest rate derivative transaction. When the relationship returns to its normal level the trade will be reversed.

  When the U.S. tax-exempt market appears to be pricing at an unusually high implied future tax rate (municipal bonds appear "rich"), Mariner will take a short position in the municipal bond market via forward rate agreements ("Rate Locks"), municipal futures or swaps. It is not possible to "short" municipal cash bonds. In these situations, the Investment Advisor will attempt to hedge via an offsetting long position or an interest rate derivative transaction.

- Municipal Bonds versus Municipal Indices. Mariner may buy the bonds of particular states that they deem to be temporarily undervalued by the market. They will in turn hedge the interest rate risk by selling municipal bond futures or entering into rate lock agreements.

- Derivatives. The fund utilizes both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps and options, as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in

collateral recovery. The fund may also buy or sell covered and uncovered options on securities. To the extent that options are uncovered, the fund could incur an unlimited loss.

- Equities. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

  A short sale involves the sale of a borrowed security in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. When the short seller makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are affected on a foreign exchange, local law will govern such transactions. A short sale involves the risk of a theoretically unlimited increase in the market price of the security.

IV. ELM CLO 2014-1 Ltd.

Securitized Vehicle Strategy and related risks: Collateralized Loan Obligations

Description: This strategy involves assessing whether a particular security or loan will face any loss of principal or interest based on an evaluation of the creditworthiness of the borrower/issuer and the terms of the security or loan.

Risk:

- Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the underlying collateral.

Types of investments and related risks:

- Loans. The risks of loans include (among others): (i) limited liquidity and secondary market support; (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service; (iii) the declining creditworthiness and potential for insolvency of the borrower of the loan during period of economic downturn; (iv) the obligor can be a small or mid-size company representing only local or regional interests; (v) the possibility of a reduction in the spread over the applicable floating rate index if the borrower reduces its leverage; (vi) prepayment (reinvestment risk); and (vii) if subordinated, subordination to the prior claims of other loans or senior lenders. Loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and adversely affect the value of outstanding loans and the ability of the borrowers to repay principal and interest.

  The default history for loans is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations. Investments in loans are also subject to interest rate risk and reinvestment risk. Prepayments of loans in the issuer's portfolio are likely to be made during any periods of declining interest rates. Prepayments would force the issuer to replace such loans with lower-yielding

investments. Furthermore, loans typically provide that the applicable interest rate may be computed by reference to any of several base indices, at the option of the obligor. The interest rates of the secured notes generally are calculated by reference to three-month LIBOR as an index.

In addition to credit risk, corporate loans rated below investment-grade generally have greater liquidity risk and volatility than securities of higher-rated corporate issuers. Future periods of uncertainty in the U.S. economy and the possibility of increased volatility and default rates in the non-investment grade sector may further adversely affect the price and liquidity of non-investment grade loans in this market.

Loans may become non-performing for a variety of reasons. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of provisions on confidentiality of information, the unique and customized nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative to the market for corporate bonds. The unique nature of loan documentation also creates a complexity in negotiating any secondary market purchase or sale which does not exist, for example, in the corporate bond market. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying borrower. In addition, the issuer may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan.

V. Galton Agency MBS Master Fund, LP (master fund), Galton Agency MBS Offshore Fund, Ltd. (feeder fund)

Funds strategies and related risks: Agency Mortgage Backed Securities assets are expected to be the primary focus of the Fund. Non-Agency Assets are intended to be a minority of the Fund and to be used opportunistically.

Description: The Fund intends to build a cash flow generative portfolio by investing in mortgage backed securities wrapped by U.S. government agencies or sponsored entities including Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association ("FNMA"), the Federal Housing Administration (“FHA”) or other U.S. government sponsored entity (together, the “Agencies”)

Risks:

- Strategy Risks in General. The Master Fund’s investment program utilizes such investment techniques as limited diversification, distressed investments in generally illiquid securities, use of leverage, hedging, short sales and forward contracts, which practices can, in certain circumstances, increase substantially the adverse impact to which the Master Fund may be subject. All securities investments risk the loss of capital. The Investment Manager believes that the Master Fund’s investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that the Master Fund’s investment strategies will be successful, that such strategies will generate an attractive level of return, that such strategies will have low

correlation with each other or with any market, or that the Master Fund's returns will exhibit low long-term correlation with an Investor's traditional securities portfolio. Investment results will vary over time.

- Lack of Asset Diversification. The Fund is a specialized strategy fund investing primarily in agency mortgage-related assets and is therefore subject to limited diversification requirements and may invest a significant portion of its assets in the securities of a small number of issuers or indirectly in similar assets. Additionally, the underlying properties to which such mortgage-related assets relate may be in a limited number of geographical areas or may have similar characteristics, profiles and behavior. As a result, the Fund may be more susceptible to risks associated with a single economic, housing, contract law, political or regulatory occurrence than a more diversified portfolio might be.

- Quantitative Model Risks. The Investment Manager will employ quantitatively-based financial/analytical internal and third party models to aid in the selection of investments for the Master Fund, to allocate investments across various asset classes and types, including but not limited to sector, style, size and risks, and to determine the risk profile of the Master Fund. The success of the Master Fund's investment and trading activities will depend, to some degree, on the viability of these analytical models. There can be no assurance that the models are currently viable or, if the models are currently viable, that they will remain viable during the existence of the Offshore Fund or the Master Fund. In fact, these models are based upon historical performance data and there is no guarantee that this historical performance will be similar to future performance. As such, the Investment Manager utilizes this data and creates internal models based upon their best estimate of the impact of the current mortgage, macroeconomic and other market conditions. Futhermore as it relates to third party models, the Investment Manager may not have control over or complete insight into the assumption sets and underlying parameters of the model. These third party models may include models from paid vendor sources as well as models provided by broker dealers or other market participants. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture these relationships between asset classes and types and continue to do so over time or (iii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Master Fund and the Offshore Fund.

Types of investments and related risks:

- Agency MBS. The Fund will invest primarily in Agency MBS that are guaranteed or issued by the Agencies and such other U.S. governmental agencies that may issue or guarantee MBS in the future. Agency MBS are subject to all risks generally applicable to MBS, but protection from credit losses is generally subject to a guarantee from the issuing or guaranteeing Agency. Although the Agencies have, from time to time, had their liabilities implicitly or explicitly guaranteed by the U.S. government, there is no guarantee that such credit support will exist in the future. Importantly, the Agency wrap is not intended to protect against non-credit related investment losses, including but not limited to the impact of loan prepayment behavior, interest rate movements, reduction in interest proceeds, changes in the timing of principal repayment and other factors not explicitly related to a credit loss. Additionally, depending on their placement within the capital structure and the nature of specific securitization structures, certain securities issued by an Agency or backed by Agency related

collateral, may not receive a guarantee against credit losses, including but not limited to Agency credit risk transfer securitizations, certain commercial loan securitizations and other structures where the Agency wrap is either non-existent, limited in scope or is not intended to protect bond holders against the entirety of credit related losses on the underlying loans. No Agency guarantee should be viewed as a complete protection against capital depreciation.

The Fund may invest in mortgage pass-through securities representing participation interests in pools of residential mortgage loans originated or wrapped by the Agencies. Any guarantee of such securities runs only to principal and interest payments on the securities and not to the market value of such securities or the timing of principal and interest payments on the underlying mortgages. In addition, the guarantee only runs to the applicable portfolio securities held by the Fund and not to the Shares. Such securities, which are ownership interests in the underlying mortgage loans, differ from conventional debt securities, which provide for periodic payment of interest in fixed amounts (usually semi-annually) and principal payments at maturity or on specified call dates. Mortgage pass-through securities provide for monthly payments that are a "pass-through" of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans. Guaranteed mortgage pass-through securities are often sold on a to-be-announced or "TBA" basis (known as TBA securities and referred to herein as TBA). Such securities are typically sold one to three months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. In the period between trade and settlement date, the portfolio will be exposed to counterparty credit risk, fluctuations in the valuation of the TBA assets and other risk factors. Additionally, the margin and other collateral posting requirements associated with TBA assets means that investing in these assets may effectively represent substantial additional off-balance sheet leverage for the Fund exhibiting may of the increase risk factors associated with mark-to-market, recourse, non-term financial leverage.

In addition to IO and PO stripped bonds, Agency MBS may be structured in many different ways using REMIC securitizations, CMOs and other securitization vehicles. These securitization structures may result in Agency MBS assets that are highly complex, more difficult to value, demonstrate higher cash flow volatility and more highly exposed to modeling and assumption set errors. Additionally, the securitization structures may add substantial structural leverage to certain Agency MBS assets and therefore substantially increase the risk of loss to bond holders. The structure of certain Agency MBS assets and the resultant structural leverage may materially increase the risks embedded in the underlying mortgage loans and mortgage pass-through securities. Importantly, this may significantly amplify the negative impact of changes in interest rates, prepayment speeds, model error and other factors. Due to the potentially higher volatility, risk, complexity and other factors, Agency MBS may exhibit materially decreased liquidity compared to other fixed income assets and in particular compared to other interest rate sensitive and government guaranteed assets. In previous periods of market distress the combination of these factors resulted in significant realized and mark to market losses for holders of Agency MBS assets.

- Non-Agency Residential Mortgage-Backed Securities ("Non-Agency RMBS"). Non-Agency RMBS are a form of asset-backed security and are general obligations of the issuer, which are typically secured exclusively by residential mortgages or residential mortgage-backed

collateral. RMBS are not issued by U.S. government agencies or instrumentalities, but by private entities such as banks, savings and loans, mortgage bankers and other nongovernmental issuers, and are not guaranteed by the U.S. government or any Agency. Accordingly, Non-Agency RMBS are generally viewed as being subject to heightened risk of loss, including but not limited to the loss of principal or credit risk, relative to Agency MBS. Non-Agency RMBS typically represent interests in pools of residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. 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. The performance of the underlying pool of residential mortgage loans is impacted by the ability of counterparties, including the originators, servicers, bond insurers and mortgage insurers, to satisfy their contractual obligations, including repurchase requests of the originators, servicing advances, loss mitigation, mortgage insurance payments and bond insurance payments. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. Given the lack of securitization markets for legacy and new issue loans, the liquidity of the underlying loans is significantly less than historical levels. There can be no assurances that the liquidity for whole loans and as a result the value of the RMBS backed by mortgage loans will improve.

- Commercial Mortgage-Backed Securities ("CMBS"). CMBS are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, land, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. CMBS may be collateralized by one asset, a portfolio of assets, related assets or a portfolio of loans to unrelated borrowers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. CMBS securities may be fixed or floating, rated or unrated and domestic or foreign based, whether by issuer, properties, collateral or otherwise. As the total broader market is smaller than the RMBS and ABS markets, CMBS securities values may be materially influenced by changes in larger and unrelated markets.

  Risks affecting commercial real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicality and leverage associated with commercial real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt, either senior, pari passu or subordinate, that may affect the related borrower's ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hotels may present special risks to lenders and CMBS securities holders because they are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator. In addition, the transferability of a hotel's operating, liquor and other licenses upon transfer of a hotel, whether through

purchase or foreclosure, is subject to local law requirements. As another example, retail properties are affected by retail trends, including e-commerce. Multifamily properties are affected by demographic trends of new housing supply and the availability of governmental financing. Senior housing has significant governmental regulations which affects ownership, licensing, operations, maintenance and financing. These examples are illustrative of the factors and circumstances that increase the risks involved with commercial real estate investing and lending but is in no way intended to represent a complete list of risks related to commercial real estate sub-sectors or the CMBS market as a whole. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing an investor to a greater risk of loss than residential lending since it typically involves larger loans to a single borrower or related borrowers than residential lending.

- Asset-Backed Securities ("ABS"). The Fund's investment strategy may include a variety of ABS, including ABS backed by assets other than those for which risks are specific to the underlying collateral, such as credit card receivables, automobile loans, home equity loans, student loans and other asset receivables, including those that may develop in the future, with different credit risk, yield and maturity characteristics and risks corresponding to such assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Investment Manager would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of loans that underly securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

- Leverage. The Fund expects to employ financial and structural leverage throughout the life of the Fund. The amount of leverage which may be employed by the Fund at a given time will be determined by the Investment Manager.

  The rights of any lenders making loans directly to the Master Fund to receive payments of interest or repayments of principal will be senior to those of the Shareholders; in addition, credit providers will have certain enforcement rights (including compulsory prepayment in the event of default) and rights to the assets of the Fund which may negatively affect a Shareholder's interest. In addition, the lenders have no obligation to enter into new lending transactions when current transactions mature. The Master Fund has limited liquidity to meet margin calls, enter into new lending transactions and leverage interest payment shortfalls resulting from underlying bond interest shortfalls. In the event that the Master Fund is unable to meet either margin or interest payment requirements, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender-provided marks. Payments of interest and fees incurred in connection with the borrowings will reduce any income the Fund would otherwise have available, which may reduce the Fund's profitability and may prevent the Fund from taking advantage of attractive

investment opportunities. The effect of leverage will amplify the performance of the Fund on both the upside performance and downside performance. The use of leverage, combined with negative performance of the Offshore Fund, may result in a loss of principal for some or all of a Shareholder's Shares.

During market dislocations, there have been periods during which the majority of market participants have been partially or entirely unwilling to lend capital for the types of financial leverage transactions which the Fund is expected to be reliant on. During these periods, lenders may be unwilling to provide leverage on new positions, may not roll financing on existing positions and may also effectively terminate existing leverage through mark-to-market or other mechanisms inherent in financial leverage agreements. These actions may severely impact the ability of the Fund to secure and or maintain existing leverage which may force the Fund to liquidate positions during times of extreme stress and severely reduced liquidity.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. In a period of rising interest rates, interest payments by the Fund could increase while the interest earned on certain investments (e.g., fixed-rate RMBS) would not change. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short-term maturities which are secured by long-dated assets. Certain of the Fund's investments may be adjustable-rate instruments in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Fund's financings similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the Fund's investments. Many of the borrowers with respect to underlying mortgage loans which secure RMBS bonds and other securitized investments of the Fund may have fixed interest rates, or variable rates which do not adjust until the loan has been outstanding for several years. Even when rates are adjusted they may only adjust on an annual basis and increases are typically subject to a cap. The interest rates payable to the Fund on the RMBS or other securitized assets it acquires may adjust more frequently, may not be tied to the same index and may not be subject to a cap. As a result, the interest income received in respect of the underlying collateral may not be sufficient to permit the RMBS issuer to make scheduled interest payments to the Fund and in turn from the Fund to the financing counterparty thereby increasing the default risk on the lending vehicles.

  The Fund's focus on Agency MBS and the potential for concentrated exposure to Notional Bonds including IO and IIO bonds may substantially increase the Fund's exposure to interest rate risk and changes in the behavior of borrowers in the underlying loans. Changes in actual or expected interest rates may have a meaningful impact on the performance of borrowers related to underlying loans including among other impacts, changes to voluntary and involuntary prepayment speeds. These changes may have a material impact on the performance of Fund assets including changes to the timing and aggregate amount of cash flow related to specific assets. Investments in notional bonds may exacerbate the impact of such risks and changes in interest rates and borrower behavior, including the partial or complete loss of invested capital. Additionally, investments in assets whose coupons move inversely relative to prevailing market interest rates, such as IIO, non-Agency IIO and other inverse assets, may have structurally levered exposure to changes in interest rates and may

exhibit higher cash flow and price volatility as well as having complex profiles with further reduced liquidity in times of interest rate volatility.

- Derivatives Risk and Short Selling. Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund may use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit, prepayment speed, housing or other Agency and non-Agency MBS-related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, counterparty risk, liquidity and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

  Short selling may be employed as a part of the Fund's investment strategy, in particular through the use of credit default swaps and total return swaps. Synthetically-created short positions will involve both hedging situations, where the position is intended to wholly or partially offset risk associated with another position in a related security, and speculative situations, where the Investment Manager uses shorting techniques to take advantage of the decline in the price of particular assets. The Master Fund will generally realize a profit or a loss as a result of a synthetically-created short position if the value of the underlying asset decreases or increases, respectively, during the relevant term of the short position. In addition, the Master Fund will be required to post collateral on such positions as required pursuant to the agreement with the relevant transaction counterparty. The use of short selling through credit default swaps and total return swaps will subject the Fund to counterparty credit risk in the event of a default by the counterparty which could result in the loss of collateral posted with such counterparty and gains to which the Fund would otherwise be entitled absent the default of the counterparty. In addition, depending on the nature of the synthetic instrument used by the Master Fund to create short exposure, the Fund could be subject to the risk of unlimited losses and materially decreased liquidity.

- Currency Risks and Hedging: Investments in non-U.S. Dollar denominated Series will generally be exposed to a significant currency risk. Substantially all of the Master Fund's investments will be U.S. Dollar-denominated. To the extent that the operational currency in which a non-U.S. Dollar denominated Series is denominated appreciates relative to the U.S. Dollar, the value of the Master Fund's investments in the relevant operational currency will be adversely affected.

  The Investment Manager intends to employ certain currency-related transactions in connection with the Series B Shares. Hedging against a reduction in the value of the Japanese Yen resulting from a decline in the value of the U.S. Dollar relative to the Japanese Yen does not prevent losses in the value of the Fund, but it establishes other positions designed to gain from such a decline. Such hedging transactions limit the opportunity for gain if the U.S. Dollar should appreciate against the Japanese Yen. Furthermore, the Fund will be subject to the risk that the value of the Japanese Yen may depreciate against the U.S. Dollar, causing losses on

the Fund's hedging transactions. Additionally, the Investment Manager has no prior track record or experience with regard the currency hedging. As a result the Investment Manager will implement a hedging protocol consistent with the overall Fund policies and procedures that will likely establish hedging as a passive activity with a focus on hedging currency exposures infrequently and resetting these hedges only in the event of the maturity of the underlying hedges or material change in either the Series B Net Asset Value or the relationship of the currency hedge relative to the US Dollars. Accordingly, the hedging program may or may not achieve its intended results and/or materially impair and investment in the Series B Shares.

VI. Galton Mortgage Strategies Master Fund, L.P. (master fund), Galton Mortgage Strategies Onshore Fund, L.P. and Galton Mortgage Strategies Offshore Fund, Ltd. (feeder funds)

Funds Strategies and related risks: Agency and Non-Agency Mortgage Backed Securities

Description: The Funds use quantitatively-based financial/analytical models to aid in the selection of investments for the Funds, to allocate investments across various asset classes and types, including but not limited to sector, style, size and risks and to determine the risk profile of the Funds.

Risks:

- The Funds use quantitatively-based financial/analytical models to aid in the selection of investments for the Funds, to allocate investments across various asset classes and types, including but not limited to sector, style, size and risks and to determine the risk profile of the Funds. There can be no assurance that the models are currently viable, or, if the models are currently viable, that they will remain viable during the existence of the Funds.

  These models are based on historical performance data and therefore do not align precisely with the performance data in an environment similar to the current housing and mortgage environment, including credit availability conditions and governmental intervention, where deterioration has been unprecedented.

  There can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture these relationships between asset classes and types and continue to do so over time or (iii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Funds.

Types of investments and related risks:

- Residential Mortgage Backed Securities (RMBS). RMBS, including both Agency and non-Agency securities, are a form of asset-backed security and are general obligations of the issuer, which are typically secured exclusively by residential mortgages or residential mortgage-backed collateral. In addition to investing in RMBS, the Fund also may make investments in other mortgage-related products and assets that are subject to a similar set of risks as the Fund's RMBS investments. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers only and are not typically insured or guaranteed by any other person or entity. Holders of RMBS and

residential mortgage loans bear various risks, including credit, market, interest rate, structural, counterparty, and legal risks.

The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, current mortgage rates and credit availability, the borrower's "equity" in the mortgaged property and the financial circumstances and credit worthiness 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.

The performance of a pool of residential mortgage loans is impacted by the ability of counterparties, including the originators, servicers, bond insurers, and mortgage insurers, to satisfy their contractual obligations including repurchase requests of the originators, servicing advances, loss mitigation, mortgage insurance payments, and bond insurance payments.

The market for defaulted residential mortgage loans or foreclosed properties may be very limited. Given the lack of securitization markets for legacy and new issue loans, the liquidity of the underlying loans is significantly less than historical levels. There can be no assurances that the liquidity for whole loans and as a result the value of the RMBS backed by mortgage loans will improve.

The yield to maturity on RMBS can be extremely sensitive to the rate and timing of prepayments and defaults on the underlying mortgage loans. The rate and timing of prepayments and defaults on mortgage loans can be extremely volatile and difficult to predict, and are affected by a great variety of factors including, among other things, changes in prevailing interest rates, the housing market, and general economic conditions.
In addition to the above, RMBS assets and residential mortgage loans are subject to modification risk; prepayment risk; valuation risk as RMBS is not traded on an organized exchanged, they may be hard to value; credit risk; default or delinquency; and risks related to downgrades or withdrawal of ratings.

- Leverage. The Funds will employ leverage, as determined by the Investment Manager. The rights of any lenders making loans directly to the Funds to receive payments of interest or repayments of principal will be senior to those of the Funds investors; in addition, credit providers will have certain enforcement rights (including compulsory prepayment in the event of default) and rights to the assets of the Funds which may negatively affect an investor's interest.

  The Funds have limited liquidity to meet margin calls and leverage interest payment shortfalls resulting from underlying bond interest shortfalls. In the event that the Funds are unable to meet either margin or interest payment requirements, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender provided marks.

  Payments of interest and fees incurred in connection with the borrowings will reduce any income the Funds would otherwise have available, which may reduce the Fund's profitability, and may prevent the Funds from taking advantage of attractive investment opportunities.

The effect of leverage will amplify the performance of the Funds on both the upside performance and downside performance. The use of leverage, combined with negative performance of the Funds may result in a loss of principal of some or all of a Limited Partner's capital investment.

- Derivatives Risk. Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund may use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit, prepayment speed, housing or other RMBS-related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, counterparty risk and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

- Short Selling. Short selling may be employed as a part of the Funds' investment strategy, in particular through the use of credit default swaps and total return swaps. Synthetically created short positions will involve both hedging situations, where the position is intended to wholly or partially offset risk associated with another position in a related security, and speculative situations, where Mariner or its affiliate uses shorting techniques to take advantage of the decline in the price of particular assets. The Funds will generally realize a profit or a loss as a result of a synthetically created short position if the value of the underlying asset decreases or increases respectively during the relevant term of the short position. In addition, the Funds will be required to post collateral on such positions as required pursuant to the agreement with the relevant transaction counterparty.

  The use of short selling through credit default swaps and total return swaps will subject the Funds to counterparty credit risk in the event of a default by the counterparty which could result in the loss of collateral posted with such counterparty and gains to which the Funds would otherwise be entitled absent the default of the counterparty.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The primary interest rate related risks include the direct impact on the underlying mortgage rates available for borrowers, financing cost and overall interest rate expectations in the market. These rates directly impact the prepayment speeds of the underlying mortgage loans and in turn directly impact the performance of RMBS. In addition, these mortgage rates directly impact the affordability of housing and as a result housing performance that drives mortgage related asset performance specifically those with the highest exposure to housing namely the legacy assets. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short term maturities which are secured by long dated assets. Certain of the Fund's investments may be adjustable rate mortgage loans or RMBS in which interest rates vary over

time, based upon changes in an objective index (*e.g.*, LIBOR) which generally reflect short-term interest rates.

VII. Galton Mortgage Recovery Master Fund III, L.P. (master fund), Galton Onshore Mortgage Recovery Fund III, L.P. and Galton Offshore Mortgage Recovery Fund III, Ltd. (feeder funds)

Funds Strategies and related risks: New Issue Credit and Servicing

Description: The Fund uses complex proprietary investment strategies, based on quantitative analysis as well as fundamental research in mortgage assets, as it seeks to capitalize on the current market trends by focusing on newly issued and originated assets where the Fund will provide capital to both mortgage originators and servicers in the form of purchasing mortgage credit subordinates and mortgage servicing rights respectively. This approach is focused on the re-start of the mortgage securitization markets, the reform of the GSEs specifically a reduction of their market share and the associated need for a non-agency origination market re-start, and the move of servicing rights from banks to new investors. The Fund's investments will include (i) performing mortgage loans (i.e., loans with respect to which the borrower has not been 30 days or more delinquent (in the case of loans that were originated less than twenty four months prior to purchase) or has not ever been more than 60 days delinquent (in the case of loans that were originated more than twenty four months prior to purchase), (ii) "new issue" mortgage-backed securities; in this context, "new issue" generally refers to mortgage-backed securities issued after 2012 and (iii) mortgage servicing rights; in this context, "mortgage servicing rights" refers to any investment, security, participation, direct purchase, or negotiated transaction of full or partial servicing rights, including excess servicing transactions, which represent the compensation related to the servicing of a pool of domestic residential mortgage loans.

Risks:

- The Funds use quantitatively-based financial/analytical models to aid in the selection of investments for the Funds, to allocate investments across various asset classes and types, including but not limited to sector, style, size and risks and to determine the risk profile of the Funds. There can be no assurance that the models are currently viable, or, if the models are currently viable, that they will remain viable during the existence of the Funds.

  These models are based on historical performance data and therefore do not align precisely with the performance data in an environment similar to the current housing and mortgage environment, including credit availability conditions and governmental intervention, where deterioration has been unprecedented.

  There can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture these relationships between asset classes and types and continue to do so over time or (iii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Funds.

Types of investments and related risks:

- Residential Mortgage Backed Securities (RMBS) and Residential Mortgage Whole Loans. RMBS represent interests in pools of residential mortgage loans secured by one to four family

residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers only and are not typically insured or guaranteed by any other person or entity. Holders of RMBS and residential mortgage loans bear various risks, including credit, market, interest rate, structural, counterparty, and legal risks.

The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, current mortgage rates and credit availability, the borrower's "equity" in the mortgaged property and the financial circumstances and credit worthiness 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.

The performance of a pool of residential mortgage loans is impacted by the ability of counterparties, including the originators, servicers, bond insurers, and mortgage insurers, to satisfy their contractual obligations including repurchase requests of the originators, servicing advances, loss mitigation, mortgage insurance payments, and bond insurance payments.

The market for defaulted residential mortgage loans or foreclosed properties may be very limited. Given the lack of securitization markets for legacy and new issue loans, the liquidity of the underlying loans is significantly less than historical levels. There can be no assurances that the liquidity for whole loans and as a result the value of the RMBS backed by mortgage loans will improve.

The yield to maturity on RMBS can be extremely sensitive to the rate and timing of prepayments and defaults on the underlying mortgage loans. The rate and timing of prepayments and defaults on mortgage loans can be extremely volatile and difficult to predict, and are affected by a great variety of factors including, among other things, changes in prevailing interest rates, the housing market, and general economic conditions.

The Funds will be relying on the representations and warranties made by the originator or other party in interest to provide a remedy to the Funds with respect to any mortgage loans as to which there exist a material breach of such representations and warranties. Any failure by the provider of such representations and warranties to provide such remedy (or any delay in doing so) could cause a material adverse effect on the Funds' performance. Furthermore, in certain cases the Funds will be providing representations and warranties with respect to residential mortgage loans that the Funds convey to third parties (either in a securitization or as a whole loan pool). In the case of any material breach of such representations and warranties, the Funds will be required to provide a remedy, and the performance of the Funds could be negatively affected, perhaps materially.

The yield to maturity on RMBS can be extremely sensitive to the rate and timing of prepayments and defaults on the underlying mortgage loans. The rate and timing of prepayments and defaults on mortgage loans can be extremely volatile and difficult to predict, and are affected by a great variety of factors including, among other things, changes in prevailing interest rates, the housing market, and general economic conditions.

In addition to the above, RMBS assets and residential mortgage loans are subject to modification risk; prepayment risk; valuation risk as RMBS is not traded on an organized

exchanged, they may be hard to value; credit risk; default or delinquency; and risks related to downgrades or withdrawal of ratings.

- Mortgage Servicing Rights. An investment in mortgage servicing rights involves many of the same risks that are inherent in investments in RMBS and residential whole loans. Such investments can be extremely sensitive to the rate and timing of prepayments and defaults on the related mortgage loans, and in certain cases a rapid rate of prepayment and/or a high incidence of default could cause an investor in mortgage servicing rights to fail to recoup its initial investment.

  An investor in mortgage servicing rights will be dependent on the servicer of the mortgage loans to apply proper servicing procedures and comply with all applicable laws and obligations. In addition, any financial difficulty which may be experienced by the servicer could have a material adverse effect on the Funds' investments.

  MSRs are not traded on an organized exchange and may, therefore, be difficult to accurately price and value. The Fund's investments in MSRs may at any given time be illiquid such that either no market exists for them or they are restricted as to their transferability under federal and state securities laws. In addition, MSRs are subject to an uncertain regulatory climate.

- Leverage. The Funds will employ leverage, as determined by the Investment Manager. The rights of any lenders making loans directly to the Funds to receive payments of interest or repayments of principal will be senior to those of the Funds investors; in addition, credit providers will have certain enforcement rights (including compulsory prepayment in the event of default) and rights to the assets of the Funds which may negatively affect an investor's interest.

  The Funds have limited liquidity to meet margin calls and leverage interest payment shortfalls resulting from underlying bond interest shortfalls. In the event that the Funds are unable to meet either margin or interest payment requirements, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender provided marks.

  Payments of interest and fees incurred in connection with the borrowings will reduce any income the Funds would otherwise have available, which may reduce the Fund's profitability, and may prevent the Funds from taking advantage of attractive investment opportunities.

  The effect of leverage will amplify the performance of the Funds on both the upside performance and downside performance. The use of leverage, combined with negative performance of the Funds may result in a loss of principal of some or all of a Limited Partner's capital investment.

- Derivatives Risk. Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund may use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit, prepayment speed, housing or other RMBS-related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in

this section, such as interest rate risk, market risk, counterparty risk and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

- Short Selling. Short selling may be employed as a part of the Funds' investment strategy, in particular through the use of credit default swaps and total return swaps. Synthetically created short positions will involve both hedging situations, where the position is intended to wholly or partially offset risk associated with another position in a related security, and speculative situations, where Mariner or its affiliate uses shorting techniques to take advantage of the decline in the price of particular assets. The Funds will generally realize a profit or a loss as a result of a synthetically created short position if the value of the underlying asset decreases or increases respectively during the relevant term of the short position. In addition, the Funds will be required to post collateral on such positions as required pursuant to the agreement with the relevant transaction counterparty.

  The use of short selling through credit default swaps and total return swaps will subject the Funds to counterparty credit risk in the event of a default by the counterparty which could result in the loss of collateral posted with such counterparty and gains to which the Funds would otherwise be entitled absent the default of the counterparty.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The primary interest rate related risks include the direct impact on the underlying mortgage rates available for borrowers. These rates directly impact the prepayment speeds of the underlying mortgage loans and in turn directly impact the performance of MSRs, loans, and securities. In addition, these mortgage rates directly impact the affordability of housing and as a result housing performance that drives mortgage related asset performance specifically those with the highest exposure to housing namely the legacy assets. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short term maturities which are secured by long dated assets. Certain of the Fund's investments may be adjustable rate mortgage loans or RMBS in which interest rates vary over time, based upon changes in an objective index (*e.g.*, LIBOR) which generally reflect short-term interest rates.

VIII. Galton Mortgage Recovery Master Fund IV, L.P. (master fund), Galton Onshore Mortgage Recovery Fund IV, L.P. and Galton Offshore Mortgage Recovery Fund IV, Ltd. (feeder funds)

Funds Strategies and related risks: New Issue Credit and Servicing

Description: The investment objective of the Fund is to achieve an attractive risk-adjusted return primarily by purchasing a variety of residential mortgage originator-related assets. Such assets include those that the Fund Manager views as alternatives to traditional mortgage-related assets with these alternatives largely available due to the housing dislocation and the contraction in traditional non-agency mortgage credit programs and products. The Fund will focus on the wide

range of opportunities that exist within the residential mortgage originator-related sector with the core strategy ("Core Strategy") of purchasing, on a daily basis, closed non-agency mortgage loans from originators ("Core Assets") and financing these assets primarily through the securitization market and other financing alternatives in order to retain investments in non-agency mortgage credit and prepayment risk ("Core Retained Securities"). The tactical strategies ("Tactical Strategies") will opportunistically focus on investments in mortgage credit and prepayment risk issued by third parties, including Fannie Mae ("FNMA") and Freddie Mac ("FHLMC") on the agency mortgage market and non-agency issuers, as well as assets owned or originated by originators, including but not limited to non and re-performing loans, real estate owned ("REO") loans, mortgage servicing rights ("MSRs"), and newly originated loans offered by these firms, and securities or other instruments issued by third party issuers backed by similar mortgage or mortgage related underlying collateral. While the specific investment opportunities may change over time as supply/demand dynamics in the market and the origination industry evolve, the Fund Manager believes that the Fund can capitalize on many different strategies within the mortgage credit and related sectors with the originator relationship providing the Fund access to the point where the loans are originated or owned.

Types of investments and related risks:

- Sourcing of Investments: For the Core Strategy, the Fund Manager will have to source or purchase the Core Assets necessary for the successful execution of this strategy. The Fund Manager intends to provide to the originators, approved by the Fund Manager to sell non-agency mortgage loans to the Fund, on a daily basis pricing for the related Core Assets. This sourcing strategy is contingent upon a number of factors including but not limited the ability of the Fund Manager (i) to hire, pay for and manage on an ongoing basis the necessary loan sales officers whose role is to market the non-agency mortgage loan programs offered by the Fund Manager and purchased by the Fund, (ii) to hire, pay for and manage on an ongoing basis the necessary credit and operational staff to oversee the acquisition, review, closing and ongoing monitoring of the purchased Core Assets including after a longer term financing, including through securitization, (iii) to manage any Core Asset purchase related vendors, (iv) to successfully identify, approve and support the originator counterparties who decide to offer the non-agency mortgage loan products marketed by the Fund Manager through their loan officer sales force and (v) to provide competitive non-agency mortgage loan products including the credit and acquisition related requirements of the Fund Manager and the pricing of these loans in a highly competitive market for non-agency mortgage loans. For the Tactical Strategy, if the Fund Manager identifies on an opportunistic basis any Non-Core Loan Assets meet the requirements for purchase, including the ability scale, finance and retained the targeted Non-Core Retained Securities to generate a yield estimated to be similar to those related to the Core Strategy, then the Fund Manager expects to utilize its existing loan officer salesforce to source the related assets and the existing operational staff to manage and oversee the execution of this strategy. For any Third Party Securities, the Fund Manager will evaluate any securities or other instruments issued by a third party backed by Non-Core Loan Assets with no requirements related to either the loan officer or operational staff to source such investments. There can be no assurance that the Fund Manager will be able to source any asset related to the strategy of the Fund.

- Mortgage Markets in Flux; Recent Period of Substantial Turbulence; Future Conditions Difficult to Predict. The recent mortgage market dislocation was longer and more severe than any before it, with the related asset performance and governmental, regulatory, and capital charge changes broadly unexpected by market participants. The Fund is commencing

operations nearly ten years after the financial crisis with the non-agency mortgage origination and financing markets are, in the Fund Manager's opinion, still in their early stages of repair and where the regulatory environment is still in a state of flux. There remains a great deal of uncertainty regarding the direction that the mortgage markets will take, with many unresolved questions, several of which, such as the future of the GSEs, have the potential to be resolved in ways that could have enormous consequences for the mortgage market and the economy in general. The resolution of such questions could have a very substantial effect on the Fund's strategic direction and ultimate economic performance. No assurance can be given as to the timing of any reforms in the mortgage markets and the impact of any such reforms once enacted. Other factors that are often interrelated and difficult to predict, such as the availability of credit, the stability of the housing markets, interest rate movements, and governmental regulation and intervention, could have a very substantial effect on the Fund's ability to source assets and obtain satisfactory investment returns.

- Market Risk. The price of the Fund's investments may be affected by factors affecting the economy, housing, mortgage and related origination and servicing, and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for housing and mortgage performance, unemployment and income growth, the financial conditions of banks and broker-dealers (including, without limitation, the need of such institutions to deliver), government intervention, interest rates, regulatory environment, modifications to underlying borrower or securitization contracts, or adverse investor sentiment generally. Failure of a marketplace to function properly for any reason, including, without limitation, outside events impacting the marketplace or market participants, may adversely affect the Fund.
- Correlated Outcomes. Mortgage related asset performance, counterparty risk, financial condition of market participants including originators, servicers, leverage providers, hedging counterparties, vendors, and others; rating agency rating actions and requirements, and market liquidity are directly correlated to the performance of the housing market. Although the Fund Manager believes that the current market prices reflect the opportunity to invest in attractive risk adjusted spreads, it is anticipated that overall returns will be driven by ultimate home price performance and the continuing recovery of the mortgage, capital, and origination markets.

- Combination or "Layering" of Multiple Risk Factors May Significantly Increase Risk of Loss. Although the various risks discussed in this Memorandum are generally described separately, prospective Investors in the Fund should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to the Fund may be significantly increased. Each asset involves asset specific risk factors, which will involve a multiple of factors, counterparty risks, legal and regulatory considerations, and exposure to housing, interest rates, unemployment, and other macro-economic conditions.

- Real Estate Markets Difficult to Predict, Subject to Volatility. Investments in residential real estate related assets, including those related to the Non-Core Loan Assets, can be subject to high levels of volatility for a variety of reasons. In many cases, the market for residential real properties in a particular market or region will perform much differently than the overall national market. In addition, the local, regional and national housing markets are subject to numerous factors that are difficult to predict and may change rapidly without notice. This

volatility and unpredictability frequently characterizes the market for residential rental activity as well as the purchase of residential properties.

- Governmental Actions May Reduce Recoveries on Defaulted Mortgage Loans or Increase the Level of Defaults on Mortgage Loans. Numerous laws, regulations, settlements with state attorneys general and federal regulators and rules related to the servicing of residential mortgage and other loans, including efforts to delay foreclosure or loss mitigation related actions, have been proposed relatively recently by federal, state and local governmental authorities. If enacted, these laws, regulations and rules may result in delays in the foreclosure or loss mitigation related process, reduced payments by borrowers or increased reimbursable servicing expenses, which could result in delays and reductions in the distributions to be made to holders of whole loans and related securities. Any of these laws, regulations and rules may provide new defenses to foreclosure, insulate the servicers from liability for modification of loans without regard to the terms of the transaction servicing agreements or result in limitations on upward adjustment of interest rates, reduced payments by borrowers, permanent forgiveness of debt, increased prepayments due to the availability of government-sponsored refinancing initiatives and/or increased reimbursable servicing expenses, all of which are likely to result in delays in collections received on mortgage loans and may result in reductions in the distributions to be made on the related securities.

  Several courts and state and local governments and their elected or appointed officials also have taken unprecedented steps to slow the foreclosure process or prevent foreclosures altogether. Efforts to date have had the effect of significantly slowing down the resolution of foreclosures, thereby delaying potential distressed home sales further into the future, potentially negatively impacting any housing recovery. Any such delays have slowed the mortgage loan cash flows related to liquidations which, in turn, has impacted whole loan and RMBS cash flows. Holders of whole loans and RMBS will continue to bear the risk that these regulatory developments may adversely impact yields, whether due to delayed or reduced distributions or reduced market value.

  Additionally, proposed federal legislation would permit borrowers in bankruptcy to restructure mortgage loans secured by primary residences. Bankruptcy courts could, if this legislation is enacted, reduce the principal balance of a mortgage loan that is secured by a lien on the mortgaged property, reduce the mortgage interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's mortgage loan.

  Furthermore, recent or future legislative or regulatory action at the local or state level could have a material adverse effect on the market value of any of the assets the Fund will invest in. Given the recent legislative and regulatory response to the housing and mortgage market dislocations, legislative and regulatory actions will be difficult to predict with the recent past pointing towards borrowers and renters being favored relative to originators, servicers, and investors.

- Strategy Risks in General. The Fund's investment program utilizes investment techniques such as limited diversification, distressed investments in generally illiquid securities and other mortgage Non-Core Loan Assets, use of leverage, hedging, short sales, and forward contracts, which practices can, in certain circumstances, increase substantially the adverse impact to which the Fund may be subject. All investments risk the loss of capital. The Fund Manager believes that the Fund's investment program, asset acquisition practices including

due diligence and rep and warranty enforcement, and research techniques moderate this risk through a careful selection and surveillance of securities and other assets. No guarantee or representation is made that the Fund's investment strategies will be successful, that such strategies will have low correlation with each other or with any market, or that the Fund's returns will exhibit low long-term correlation with an Investor's traditional securities portfolio. Investment results will vary over time.

- Lack of Asset Diversification. The Fund is a single strategy fund investing in mortgage originator-related assets and is therefore subject to limited diversification requirements. The Fund may invest a significant portion of its assets in a relatively small number of investment assets (e.g., loans, securities and servicing rights). As a result, the Fund may be more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

- Quantitative Model Risks. The Fund Manager will employ quantitatively-based financial/analytical models to aid in the selection of investments and pricing of Core Assets and Non-Core Loan Assets for the Fund. The success of the Fund's investment and trading activities will depend, to some degree, on the viability of these analytical models. There can be no assurance that the models are currently viable or, if the models are currently viable, that they will remain viable during the term of the Fund. These models are based upon historical performance data and there is no relevant data set to provide performance data in an environment similar to the current housing and mortgage environment, including credit availability conditions and governmental intervention, where deterioration has been unprecedented. In particular, given the unprecedented housing decline, counterparty failures, mergers and acquisitions, governmental, regulatory, and capital charge changes, increase in moral hazard, artificial slowdown in servicing delinquent pipeline management timelines, substantial and ongoing reduction in credit availability and the associated reduction or closure of origination channels by the remaining originators, and the lack of useable current and historical databases with similar impacts, the Fund Manager believes the ability to accurately predict actual asset performance is limited, especially when such predictions seek to anticipate aggregate default levels, prepayment speeds, and housing performance. As such, the Fund Manager utilizes this data and creates models based upon its best estimate of the impact of these performance drivers and stress tests around these estimates. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable, or not completely viable, (ii) ensure that the models will accurately capture the relationships between asset classes and types and continue to do so over time, (iii) notice, predict or adequately react to any change in the viability of a model or (iv) fully appreciate the bias in any particular model or scenario that may drive negative results for either the long or short positions held by the Fund. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Fund.

- Securitization and other Financing Alternatives. For the Core Strategy and the Tactical Strategies related to the purchase of Non-Core Loan Assets, the ability to finance the assets is required in order to implement such investment strategies and generate the targeted returns of the Fund. Both the aggregation and securitization related markets have been slow to emerge following the financial crisis, are reasonably small compared to the market sizes prior to the financial crisis and feature substantially expanded deal related requirements that increase the due diligence, time, costs and risks. Brokerage dealers and banks have been slow to offer aggregation, or warehouse lines, and the rating agencies, investors and underwriters

have only recently participated in the related securitization and longer term financing markets. Although the Fund Manager has successfully executed warehouse lines and securitizations in the past, there can be no assurance that these financing options will be available and that the terms and conditions will allow for the successful execution of the Core Strategy or Tactical Strategies. In the event that the Fund seeks to execute a securitization or longer term financing and fails to do so, whether due to, for example, market disruption, lack of demand or regulatory changes, such failure may have a material adverse effect on the Fund's assets.

- Leverage. The Fund Manager may, in its sole and absolute discretion, lever the Fund's assets through various types of financings and various types of securitization vehicles. The amount of leverage which may be employed by the Fund at a given time will be determined by the Fund Manager.

  The rights of any lenders making loans directly to the Fund to receive payments of interest or repayments of principal will be senior to those of the Limited Partners; in addition, credit providers will have certain enforcement rights (including, without limitation, compulsory prepayment in the event of default) and rights to the assets of the Fund which may negatively affect a Limited Partner's interest. The Fund has limited liquidity to meet margin calls. In addition, at the maturity of the financing vehicle, the lenders may decline to offer a similar investment vehicle for a subsequent period. Furthermore, some financing lines may have seasoning requirements that in the event that the underlying assets are not sold to a third party buyer or into a securitization, that the advance rates on the underlying assets will decline resulting in a margin call. In the event that the Fund is unable to meet either margin or interest payment requirements or satisfy the requirements of the lenders' vehicle at maturity, the credit providers will be able to force the sale of underlying assets or have the ability to seize the assets at the current lender-provided marks. Payments of interest and fees incurred in connection with the borrowings will reduce any income the Fund would otherwise have available, which may reduce the Fund's profitability, and may prevent the Fund from taking advantage of attractive investment opportunities. The effect of leverage will amplify the performance of the Fund with respect to both the upside performance and downside performance. The use of leverage, combined with negative performance of the Fund, may result in a loss of principal of some or all of a Limited Partner's capital investment.

  In addition, the Fund may invest in equity and subordinated debt investments of securitization vehicles, which by their nature exhibit a high degree of structural leverage inherent in their respective deal structures.

- Hedging Transactions. The Fund may, but is not required to, engage in interest rate, credit or other hedging transactions to the extent the Fund Manager deems advisable in connection with the Fund's investments. In particular, the Fund may utilize a variety of financial instruments, such as options, interest rate swaps, caps and floors, futures and forward contracts, newly developed instruments, negotiated structures, and other derivatives, for risk management purposes in order to, among other things: (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from changes in interest rates and market fluctuations, (ii) protect the unrealized gains in the value of the Fund's investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio, (v) hedge the interest rate or credit performance on any of the Fund's liabilities or assets, (vi) protect against any increase in the price of any investments the Fund anticipates purchasing at a later date, (vii)

hedge one or more scenarios that the Fund Manager deems advisable and (viii) for any other reason that the Fund Manager deems appropriate in its sole and absolute discretion. However, the Fund Manager may not anticipate a particular risk so as to hedge against it and/or may choose not to hedge against a particular risk. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transaction. For a variety of reasons, the Fund Manager may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. The success of the Fund's hedging strategies is subject to the Fund Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Because the characteristics of many investments change as markets change or time passes, the success of the Fund's hedging strategy is also subject to the Fund Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

- IO and PO Hedge Ratio. On the Core Strategy and Tactical Strategies, the Fund Manager targets, when possible, a combination of interest only strips or investments with subordinated bonds that trade at a discount backed by the same underlying pool of assets attributable to the Core Strategy and Tactical Strategies as to match the prepayment and credit risks to same loans. If the Fund Manager is able to achieve this combination, faster prepayments will likely negatively impact the value of the IO strips and likely positively impact the value of the subordinated bonds that trade at a discount provided the prepayment speed increase was not credit related. The ability of the Fund Manager to accurately assess and size the ratio of the IO to the PO investments is a complex process subject to material limitations, including the availability of the investments necessary to create the targeted IO and PO combination. The Fund Manager will evaluate or estimate on an ongoing basis the exposure to a variety of risks, including but not limited to prepayment and credit risk in part driven by interest rates, housing values and economic conditions, for hedging purposes but there is no assurance that the Fund Manager will be able to successfully identify and hedge all of the attendant risks of the Fund strategies.

- Derivatives Risk and Short Selling. Derivatives are financial contracts in which the value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Fund may use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate risk, credit risk, prepayment speed risk, housing market-related risks, or other mortgage related risks. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in whole loans, securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, counterparty risk, illiquidity, ability to mark to market versus mark to model, and credit risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

- Other Derivative Instruments. The Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund and legally permissible. Special risks may apply to instruments that are invested in by the Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Fund. Certain swaps, options and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

- Repurchase Agreements. The use of repurchase agreements by the Fund involves certain risks. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will generally seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the Fund may suffer a loss to the extent proceeds from the sale of the underlying securities is less than the repurchase price. It is possible that the Fund may not be able to substantiate its interest in the underlying securities. Additionally, where the Fund is a buyer or guarantor under a repurchase agreement, its counterparty(ies) may restrict the Fund Manager's implementation of the Fund strategies, by, for example, limiting the Fund's indebtedness.

- Risk of Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forwards and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Fund Manager will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, reverse repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Fund Manager will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs, which could result in losses to the Fund.

  In addition, the Fund may invest in originator related loans (or securities backed by the related loans) and related servicing that were originated by a mortgage originator, are serviced by a servicer, and may be insured by a mortgage insurer. The Fund may invest in securities that have been insured for timely interest and ultimate principal by a bond insurer. These entities have recently experienced substantial financial difficulties, including, without limitation, insolvencies. In the event of a financial default by or bankruptcy of an originator, the ability of the originator to satisfy its obligations, including the ability to repurchase loans from a securitization where a representation and warranty was breached, will be seriously impaired if not deemed impossible to satisfy. In the event of a financial default by or bankruptcy of a mortgage servicer, the ability of the servicer to satisfy its obligations, including daily servicing requirements, servicing advances, and loan level loss mitigation efforts, will be seriously impaired. In addition, upon a servicer default, as defined by the securitization contract between the servicer and the trust, the trust will determine whether it is in the best interest of the trust to transfer servicing to a successor servicer. There can be no assurances that this transfer or maintenance of servicing with the current servicer will be

at the same terms, specifically as it relates to servicer compensation and servicer advance requirements and that this transfer may adversely impact the Fund including but not limited to the impact on the value of any retained servicing assets by the Fund. There is a particular risk that counterparties that are originators or servicers may suffer additional difficulties as a result of potentially damaging settlements or other liability related to legal and regulatory actions by state attorneys general or comparable federal or local authorities. As described herein, certain types of MSR investments may lose all of their value if the related servicer defaults or is otherwise terminated as servicer of the related mortgage loans. In the event of a financial default by, or bankruptcy of, a mortgage insurer, the ability of the insurer to satisfy its obligations, including payment of mortgage insurance claims, will be seriously impaired. In addition, in the event of financial difficulty of a mortgage insurer, its willingness to pay a mortgage insurance claim may decline or its willingness to claim breaches of the underlying loan mortgage insurance contract may increase. In the event of a financial default by or bankruptcy of a bond insurer, the ability of the bond insurer to satisfy its obligations, including payment of timely interest and ultimate principal on the underlying securities, will be seriously impaired. Furthermore, the Fund will in many cases be relying on originators and/or sellers to provide a remedy for breaches of loan level representations and warranties. In the event that any such originator or seller defaults on its obligations to provide the required remedy, the Fund may suffer a loss. In addition, in certain cases the Fund may be required to "backstop" representations and warranties made by another party; failure by any such party to honor its obligations could cause substantial financial harm to the Fund. Similarly, with respect to the Fund's investments in servicing rights, the Fund could lose its right to receive payments associated with its IO strip in the event that the related servicer is terminated under its servicing contract.

- Liquidity Risk. The Fund's investments may at any given time be illiquid, either because no market exists for them and/or because they are restricted as to their transferability under federal and state securities laws. Thus, the sale of these investments may be made at substantial discounts, delayed or impossible. In addition, the illiquidity of such investments may also make it difficult for the Fund Manager to value such investments. During the real estate market dislocation, there have been periods during which the majority of market participants have not provided mark to market quotes, engaged in active market making, or maintained traditional inventory levels, and have effectively charged wide bid ask spreads for clearing bond and other mortgage market asset purchases and sales between investors. During these periods, the ability to receive reliable, independent third party mark to market quotes on assets and the ability to either buy or sell in a short period, if at all, at reasonable execution costs has been severely challenged. With respect to whole loans and servicing rights, the Fund Manager does not expect any mark to market quotes or anticipates using mark to model to value such assets. If securitization is used to finance whole loan or servicing rights investments, then the Fund Manager may, in its sole and absolute discretion, retain certain of the resulting newly-issues securities, including, without limitation, any resulting subordinated certificates or economic residual certificates. Any such securities may be highly illiquid and, as a result, may be purchased with the expectation that they will be held to maturity, including any Risk Retention Interests.

- Interest Rate Risk. The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The primary interest rate related risks include the direct impact on the underlying mortgage and other loan rates available for borrowers. These rates directly impact the prepayment speeds of the underlying mortgage loans and in turn directly impact the performance of MSRs, loans, and

securities. In addition, these mortgage rates directly impact the affordability of housing and as a result housing performance that drives mortgage related asset performance specifically those with the highest exposure to housing namely the legacy assets. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. In a period of rising interest rates, interest payments by the Fund could increase while the interest earned on certain investments would not change. In addition, depending upon a number of factors, including, without limitation, the servicing advance and loan modification practices of the mortgage servicers, there can be no assurance that the financed mortgage loans or RMBS will generate enough interest to cover the cost of the financings. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short term maturities which are secured by long dated assets. Certain of the Fund's investments may be adjustable rate mortgage loans or RMBS in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Fund's financings are expected to similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the mortgage loans or RMBS purchase by the Fund. Many of the borrowers with respect to mortgage loans may have fixed interest rates, or variable rates which do not adjust until the loan has been outstanding for several years. Even when rates are adjusted, they may only adjust on an annual basis and increases are typically subject to a cap. With respect to some of the Fund's RMBS investments, "excess spread" may be an important component of the credit enhancement supporting such RMBS. Excess spread is generally defined as the excess of (i) the weighted average coupon of the underlying mortgage loans (net of servicing fees and any reductions due to modifications) over (ii) the weighted average interest rate on the securities. As a result, changes in interest rates can materially reduce the amount of credit enhancement available with respect to the Fund's RMBS investments. The interest rates payable to the Fund on the whole loans it acquires may adjust more frequently, may not be tied to the same index, and may not be subject to a cap. As a result, the interest income received in respect of the underlying collateral may not be sufficient to permit the mortgage loan borrower to make scheduled interest payments to the Fund and in turn from the Fund to the financing counterparty, thereby increasing the default risk on the lending vehicles.

- Character and Timing of Taxable Income or Loss. As partnerships, the Onshore Fund and Master Fund will allocate their items of income, gain, loss, deduction and credit among their partners for U.S. federal income tax purposes. For this purpose, the character of certain items will be determined at the Master Fund level, rather than at the investor level. For example, the characterization of any gain resulting from the sale or other disposition by the Master Fund of an asset as capital gain or as ordinary income will generally be determined by an analysis of the facts regarding the Master Fund's manner of holding and disposing of such asset.

  As a general matter, property sold or disposed of by the Master Fund will give rise to capital gain or loss if the property was held by the Master Fund acting as an investor or as a trader and not as "inventory" property or "property held for sale to customers in the ordinary course of a trade or business". Holding such property in another capacity, such as that of a dealer, however, would generally cause such gain to be ordinary. In addition, certain provisions of the Code may provide for specific treatment of any gain or loss as either capital or ordinary with respect to particular transactions.

In addition to the character of any income or loss resulting from a transaction, the timing of the recognition of such income or loss will be influenced by the manner in which the Master Fund structures its transactions, particularly the disposition of an investment. For example, the Master Fund generally will not trigger the recognition of gain or loss with respect to an asset if it merely issues debt secured by such asset, but financing that asset through a REMIC securitization may well result in the recognition of at least some of the gain or loss inherent in that asset.

In light of the foregoing, the character and timing of income or loss to be allocated to a Limited Partner might not be known until the particular facts giving rise to such income or loss are known and analyzed.

IX. International Infrastructure Finance Company Fund, L.P. (master fund), International Infrastructure Finance Company Feeder, L.P (feeder fund)

Fund Strategy and related risks: Project Finance

Description: The Funds will seek to achieve their primary investment objective through the acquisition of credit assets such as loan portfolios or the provision of credit loss protection to owners of exposure to such portfolios, often in the form of credit default swaps or credit-linked notes. The Funds primarily focus on investments related to loans, bonds, and other debt instruments associated with infrastructure projects located primarily in OECD countries.

The Funds' investments are designed to assist project finance banks in the management of their regulatory capital, economic capital, and liquidity exposure within the architecture of the international banking regulatory environment. The investment strategy is designed to assist bank counterparties in the management of their regulatory capital and liquidity exposure against existing portfolios of project finance assets, primarily through the provision of credit protection. These investments may carry embedded leverage through forms of credit enhancement or cash leverage through external credit facilities.

Risks:

- Regulatory and Governmental Risk. The investment strategy of the Funds is reliant on national and international regulatory rules and restrictions relating to the banking industry, over which neither the General Partner, the Investment Manager, nor the Funds have any control. The primary investment strategy of the Funds is developed to operate in the context of a specific set of international financial rules and regulations, including Basel III, and such rules may change. The repealing, amending, or enacting of new laws or regulations (or a new interpretation of such laws and regulations) can have a material adverse effect on the results of operations, financial condition, liquidity, and prospects of an infrastructure project's ability to generate cash would that will be used, in part, to meet its debt service obligations.
- Investments Longer than Term. The Funds may invest in investments, which may not be advantageously disposed of prior to the expiration of the term. Although the Investment Manager expects that the investments will be disposed of prior to the expiration of the term, the Funds may take a reasonable period of time from the expiration of the term to wind up the Funds' affairs and dispose of assets, in accordance with the terms of the Funds' documents. In light of the foregoing, prospective investors should note that the Funds may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time.
- Leverage, Risk of Borrowing. The Funds may utilize a variety of financing strategies to achieve their investment objectives, including embedded leverage through forms of credit

enhancement or cash leverage through external credit facilities to acquire portfolios of its target assets. In respect of investments that employ embedded leverage, the Funds' investments are expected to be fully collateralized, and the Funds will not generally employ additional leverage on such investments.

X. International Infrastructure Finance Company Fund II, L.P. (master fund), International Infrastructure Finance Company Feeder II, L.P (feeder fund)

Please see strategies, types of investment and related risks for International Infrastructure Finance Company Fund, L.P. and International Infrastructure Finance Company Feeder, L.P. (Section 8-IX above).

XI. Mariner LDC (master fund), Mariner Atlantic, Ltd. and Mariner Partners, L.P. (feeders)

Fund Strategies and related risks: Multi-Strategy Relative Value

Description: The Fund is strategically positions as a "barbell" of uncorrelated strategies broadly categorized as Credit Arbitrage and Rates and Opportunistic.

- Credit Arbitrage. Credit arbitrage represents a multi-strategy credit approach in securitization and corporate credit with a focus on: single name corporate credit; corporate structured credit; financials; distressed and special situations; closed-end fund arbitrage. This investment strategy attempts to generate returns independent of correlation with the credit markets. For example, capital structure arbitrage exploits pricing inefficiencies and informational asymmetries within the capital structures of specific companies; included in this strategy are stressed and distressed positions, which include bank debt, bonds and equities of companies undervalued relative to their financial condition, or in some stage of bankruptcy. Closed-end fund arbitrage attempts to capitalize on pricing discrepancies resulting from supply/demand imbalances that cause these securities to trade at market prices that deviate from intrinsic value.

- Rates and Opportunistic driven strategies. Generally attempt to capitalize on anomalous relationships among highly liquid instruments and includes G-10 Government Arbitrage, Mortgage-Backed Securities (MBS) Arbitrage and Opportunistic Trading.

    a. G-10 Government Arbitrage trades exclusively in sovereign debt markets, employing both relative value and opportunistic strategies to benefit from mispricings associated with relationships in the yield curve, volatility, duration and spreads.

- MBS Arbitrage trades U.S. residential mortgage market securities and their derivatives, including agencies and collateralized mortgage obligations structured ("CMOs") securities, seeking to create positions that in aggregate have favorable prepayment characteristics while actively hedging interest rate and yield curve risk. The Mortgage arbitrage strategy attempts to hedge market exposure by using Treasuries, swaps, agency debentures, and other mortgage instruments and options. Mortgage-backed securities are securities that, directly or indirectly, represent a participation in, or are secured by and payable from, loans secured by real property. The fund may acquire the following mortgage backed-securities: guaranteed mortgage pass-through securities, private label mortgage securities, collateralized mortgage obligations (CMOs) and multi-class pass-through securities, stripped

mortgage-based securities, adjustable rate mortgage-backed securities, interest only (IOs), principal only (POs), and floater and inverse floater bonds.

b. Opportunistic Trading utilizes an array of instruments to express tactical trades that seek to take advantage of relative mispricings or current opportunities, allowing the Fund to dynamically allocate risk given perceived changes in the market environment

Risks:

- Multiple Strategies. The Fund assets will be allocated among separate accounts as described herein. Each separate account will be managed by a separate trader that will make its own trading decisions and have discretion in managing the portion of the assets allocated to that separate account. Accordingly, it is possible that one or more of the traders may, at any time, invest the assets allocated to its separate account in positions that may be opposite of positions taken by one or more other traders. It is also possible that different traders may on occasion invest the assets of their separate accounts in substantial positions in the same security or group of securities at the same time and traders may at times incorporate ideas in the investment strategy of their separate accounts from other traders. Although diversification is an objective and a component of Mariner's risk management process, Mariner is not restricted as to the percentage of any separate account assets that may be invested in any particular asset class or sector. The separate accounts themselves also generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification caused by these factors may subject the overall portfolio of the Fund to more rapid change in value than would be the case if the assets of the separate accounts were required to be more widely diversified.

- Credit Arbitrage. Leveraging resulting from borrowing will magnify losses. Assets may fluctuate in value during the time a borrowing is outstanding, increasing exposure to capital risk. To the extent the income from the assets obtained with borrowed funds exceeds the interest and other expenses that a Fund will have to pay, the Fund's net income will be greater than if the borrowing were not used. However, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the Fund will be less than if borrowings were not used, and therefore the amounts available for distribution to the limited partners will be reduced.

  If the securities pledged to brokers to secure a Fund's margin accounts decline in value, the Fund could be subject to a "margin call," and the Fund must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

  Market movements are unpredictable and often path dependent with large relative price fluctuations. Because the price paths of the securities are highly sensitive to changing default probabilities, prospective valuations and, therefore, price expectations, can be widely divergent. Not only miscalculating the likely outcome of a company can be costly but also miscalculating the hedge can exacerbate potential losses.

- Rates and Opportunistic drive strategies. The value of the fixed-rate securities in which a Fund invests generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities may decline. In addition, to the extent that the

receivables or loans underlying specific securities are prepayable, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

Hedging techniques may employ involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Fund's securities or other objectives of traders; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the traders; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen traders' position; and (v) default or refusal to perform on the part of the counterparty with which traders trade.

Types of investments and related risks:

- Leverage. The Fund invests on a highly leveraged basis. The Investment Manager may borrow funds on behalf of the Fund, and also may cause the Fund to issue debt securities, in order to be able to increase the amount of capital available for marketable securities investments. In addition, the Fund may in effect borrow funds through entering into repurchase agreements, and may "leverage" its investment return with options, commodity futures contracts, swaps, forwards and other derivative instruments. The amount of borrowings which the Fund may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates, generally, and the rates at which the Fund can borrow, in particular, will affect the operating results of the Fund. In general, the Fund's anticipated use of short-term margin borrowings results in certain additional risks to the Fund.

  While leverage presents opportunities for increasing the Fund's total return, it has the effect of potentially increasing losses as well. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund will result in a substantial loss to the Fund which would be greater than if the Fund had not used leverage in its investment program.

- Agency and Non-Agency RMBS. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. These loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed.

  The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

- Bankruptcy and Workouts. Many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Following a

bankruptcy filing, a company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. In a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.

The duration of a bankruptcy proceeding is difficult to predict and a creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors

Creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings; and certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors.

- Structured Credit and Asset Backed Securities ("ABS"). Credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support ABS. However, there can be no assurance that innovation in the relevant markets will not transform ABS by adding new classes of assets, new structures or other features not now familiar in the asset-backed markets.

  ABS securities do not have the benefit of the same security interest in the related collateral. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

  The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. ABS are often backed by a pool of assets representing the obligations of a number of different parties and may use credit enhancement techniques such as letters of credit, guarantees or preference rights.

  The value of an asset-backed security is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

  In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many ABS will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these ABS may be adversely affected by changes in prepayments in any interest rate environment.

- Leveraged Loans. The value of fixed-income securities will change in response to fluctuations in interest rates. Except to the extent that values are independently affected by currency

exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income securities generally can be expected to decline. This strategy is largely dependent upon the manager's ability to determine accurately interest rate movements.

Leverage has the effect of potentially increasing losses. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the fund will decrease. Additionally, any event that adversely affects the value of an investment by a fund would be magnified to the extent such fund is leveraged.

- Investment Grade and High Yield Corporate Debt. Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

  The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

  Adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

  Debt securities that are rated investment grade (such as bonds and notes rated in the BBB or equivalent category) may have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case with higher grade bonds.

- Commercial Real Estate Debt. Income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of commercial mortgage-backed securities ("CMBS") could result in cash flow delays and losses on the related issue of CMBS.

  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, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest and insurance coverage are among the factors that may impact both performance and market value.

  At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to those areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Commercial mortgage loans underlying the collateral debt securities may bear interest at adjustable rates based on LIBOR for one-month U.S. dollar deposits or other established interest indices. Accordingly, debt service for any such commercial mortgage loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial mortgage loans generally will be adversely affected by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

- Municipal Bonds. Like all fixed income securities, municipal bonds are susceptible to fluctuations in interest rates. If interest rates rise, market prices of existing bonds will decline, despite the lack of change in both the coupon rate and maturity. Long-term bonds are generally more susceptible to this than shorter-term bonds.

  There is a risk that the rate of the yield to call or maturity of the investment may not provide a positive return over the rate of inflation for the period of the investment.

  Credit risk is the risk that the issuer will default or be unable to make required principal or interest payments. Despite the fact that most municipal bonds have high credit ratings, there is a risk of default in any bond investment.

- U.S. Treasury and Sovereign Debt. Arbitrage in the U.S. Treasury securities market is an investment discipline that intends to take advantage of price discrepancies among and between various U.S. Treasury Securities markets (such as the cash vs. futures markets) and securities of varying maturities and duration. U.S. Treasury Securities arbitrage often involves derivative securities including futures, forwards, swaps and options and the strategy involves significant use of leverage. Arbitrage in Non-U.S. Government Securities of G-10 countries in addition to having the foregoing risks also involve currency risk and may involve higher credit risk.

- Repurchase Agreements. These agreements involve the simultaneous purchase of agreement to resell government securities. At the same time the fund buys a security, it agrees to resell it to the original seller and is obligated to deliver the security to such seller at a fixed price and time, thereby determining the yield during its holding period. The agreements are either executed for a one day term or, if for a longer term, the collateral is repriced and adjusted daily. The repurchase price is in excess of the sale price and reflects an agreed upon market price unrelated to the coupon date on the purchased security. Such transactions afford an opportunity for the fund to invest temporarily available cash. There is a risk of the ability of the original seller to p*a*y the agreed upon sum on the delivery date; in the event of default the repurchase agreement provides that the fund is entitled to sell the underlying collateral and the value of the collateral at the time the transaction is entered into always exceeds the agreed upon sum to be paid to the fund. However, if the value of the collateral declines after the agreement is entered into and if the seller defaults under a repurchase agreement when

the value of the underlying collateral is less than the repurchase price, then the fund will incur a loss. Also, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers' default or bankruptcy.

- Reverse Purchase Agreements. The entering into of reverse purchase agreements by the fund will involve certain risks. For example, if the seller of securities under a reverse purchase agreement defaults on its obligation to repurchase the underlying securities, as a result of bankruptcy or otherwise, the fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the fund's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, the fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Securities positions of the fund held by dealers on repurchase transactions can also be transferred to others by such dealers and, therefore, are subject to risk of such dealers' default or insolvency.

- Derivatives. The use of derivative instruments involves a variety of risks, including the extremely high degree of leverage often embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses.

  The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

  Certain of the derivatives that may be traded by a Fund may be principal-to-principal or "over-the-counter" contracts between the fund and third parties entered into privately, rather than on an established exchange. The risk of counterparty nonperformance can be significant in the case of these over-the-counter instruments, and "bid-ask" spreads may be unusually wide in these substantially unregulated markets.

- Derivative Products. Based upon current legislative and regulatory requirements, a substantial portion of derivatives transactions that were historically executed on a bi-lateral basis in the over-the-counter (OTC) markets are currently required to be executed through a regulated securities, futures or swap exchange or execution facility and/or to be submitted for clearing to regulated clearinghouses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although there are current limited exemptions from such clearing and margin requirements, the Master Fund will not be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Master Fund executes the majority of its OTC derivatives will also not be able to rely on such exemptions and, therefore, are also be subject to clearing and margin requirements notwithstanding the Fund's requirements. OTC derivative dealers also are or will be required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations; as a result, this may increase the OTC derivative dealers' costs, which are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing and the possible imposition of new or increased fees.

Clearing and trading requirements may make it more difficult and costly for investment funds, including the Fund, to enter into OTC transactions. Additionally, the clearing requirement will centralize risk in a small number of clearing counterparties; while the derivatives clearing organizations' margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

The Fund may enter into one or more swap agreements which are neither executed in regulated markets nor submitted for clearing to regulated clearinghouses. These transactions are typically two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specific assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. A swap contract may not be assigned without the consent of the counter-party, may be considered illiquid, and may result in losses in the event of a default or bankruptcy of the counterparty.

- Options Trading. The fund may engage in the trading of options. Each option on a futures contract, physical commodity, security, or foreign exchange is a right, purchased for a certain price, to either buy or sell a futures contract, physical commodity, security, swap, interest rate yield curve position or foreign exchange during a certain period of time for a fixed price. Although successful options trading requires many of the same skills as does successful futures trading, the risks involved are somewhat different. For example, if the fund buys an option (either to sell or purchase a futures contract, commodity, security or foreign exchange), it will pay a "premium" representing the market value of the option. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the fund may lose the entire amount of such premium. Conversely, if the fund sells an option, it will be credited with the premium but will have to deposit margin due to its contingent liability to take or deliver the instrument underlying the option in the event that the option is exercised. Sellers of options are subject to the entire loss which occurs in the underlying futures position or commodity, security or foreign exchange, (less any premium received). The ability to trade in or exercise options may be restricted in the event that trading on an exchange is restricted.

- Guaranteed Mortgage Pass-Through Securities. Mortgage pass-through securities represent participation interests in pools of residential mortgage loans originated by U.S. governmental or private lenders and guaranteed, to the extent provided in such securities, by the U.S. government or one of its agencies or instrumentalities. Any guarantee of such securities runs only to principal and interest payments on the securities and not to the market value of such securities or the principal and interest payments on the underlying mortgages. Such securities, which are ownership interests in the underlying mortgage loans, differ from conventional debt securities, which provide for periodic payment of interest in fixed amounts (usually semi-annually) and principal payments at maturity or on specified call dates. Mortgage pass-through securities provide for monthly payments that are a "pass-through" of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans. Guaranteed mortgage pass-through securities are often sold on a to-be-acquired or "TBA" basis. Such securities are typically sold one to three months in advance of issuance, prior to the identification of the

underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. The guaranteed mortgage pass-through securities in which the Fund may invest may include those issued or guaranteed by the Government National Mortgage Association ("Ginnie Mae," and such securities, "Ginnie Mae Certificates"), Fannie Mae ("Fannie Mae Certificates") and Freddie Mac ("Freddie Mac Certificates").

- Private Label Mortgage Securities. Mortgage-backed securities issued by private issuers may entail greater risk than mortgage-backed securities that are guaranteed by the U.S. government, its agencies or instrumentalities. Private label mortgage securities are issued by private originators of, or investors in, mortgage loans, including mortgage bankers, commercial banks, investment banks, savings and loan associations and special purpose subsidiaries of the foregoing. Since private label mortgage certificates are not guaranteed by an entity having the credit status of Ginnie Mae or Freddie Mac, such securities generally are structured with one or more types of credit enhancement. Such credit support falls into two categories: (i) liquidity protection and (ii) protection against losses resulting from ultimate default by an obligor on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that the pass-through of payments due on the underlying pool occurs in a timely fashion. Protection against losses resulting from ultimate default enhances the likelihood of ultimate payment of the obligations on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained by the issuer or sponsor from third parties, through various means of structuring the transaction or through a combination of such approaches.

  The ratings of mortgage securities for which third-party credit enhancement provides liquidity protection or protection against losses from default are generally dependent upon the continued creditworthiness of the provider of the credit enhancement. The ratings of such securities could be subject to reduction in the event of deterioration in the creditworthiness of the credit enhancement provider even in cases where the delinquency and loss experience on the underlying pool of assets is better than expected. There can be no assurance that the private issuers or credit enhancers of mortgage-backed securities can meet their obligations under the relevant policies or other forms of credit enhancement.

- Collateralized Mortgage Obligations and Multi-Class Pass-Through Securities. CMOs are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac Certificates, but also may be collateralized by Mortgage Assets. Multiclass pass-through securities are interests in a trust composed of Mortgage Assets. Unless the context indicates otherwise, all references herein to CMOs include multiclass pass-through securities. Payments of principal and of interest on the Mortgage Assets, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs or make scheduled distributions on the multiclass pass-through securities. CMOs may be issued by agencies or instrumentalities of the U.S. government, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing.

  In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a "tranche," is issued at a specified fixed or floating coupon rate and has a stated maturity or final distribution date. Principal prepayments on the Mortgage Assets

may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates. Interest is paid or accrues on all classes of the CMOs on a monthly, quarterly or semi-annual basis. The principal of and interest on the Mortgage Assets may be allocated among the several classes of a series of a CMO in innumerable ways. In one structure, payments of principal, including any principal prepayments, on the Mortgage Assets are applied to the classes of a CMO in the order of their respective stated maturities or final distribution dates, so that no payment of principal will be made on any class of CMOs until all other classes having an earlier stated maturity or final distribution date have been paid in full. As market conditions change, and particularly during periods of rapid or unanticipated changes in market interest rates, the attractiveness of the CMO classes and the ability of the structure to provide the anticipated investment characteristics may be significantly reduced. Such changes can result in volatility in the market value, and in some instances reduced liquidity, of the CMO class.

Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO structures, must be retired by its stated maturity date or a final distribution date but may be retired earlier. Planned amortization class bonds ("PAC Bonds") are a type of CMO tranche or series designed to provide relatively predictable payments of principal provided that, among other things, the actual prepayment experience on the underlying mortgage loans falls within a predefined range. If the actual prepayment experience on the underlying mortgage loans is at a rate faster or slower than the predefined range or if deviations from other assumptions occur, principal payments on the PAC Bond may be earlier or later than predicted. The magnitude of the predefined range varies from one PAC Bond to another; a narrower range increases the risk that prepayments on the PAC Bond will be greater or smaller than predicted. Because of these features, PAC Bonds generally are less subject to the risks of prepayment than are other types of mortgage-backed securities.

- Stripped Mortgage Securities. The Fund may invest in stripped mortgage securities. Stripped mortgage securities are structured with two or more classes of securities that receive different proportions of the interest and principal distributions on a pool of mortgage assets. In the most extreme case, one class will receive all of the interest, while the other class will receive all of the principal. The yield to maturity on IOs, POs and other mortgage-backed securities that are purchased at a substantial premium or discount generally are extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on such securities' yield to maturity.

  Stripped mortgage securities may be issued by agencies or instrumentalities of the U.S. government, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing. Stripped mortgage securities have greater volatility than other types of mortgage securities. Although stripped mortgage securities are purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers, the market for such securities has not yet been fully developed. Accordingly, stripped mortgage securities are generally illiquid.

In addition to the stripped mortgage securities described above, the Fund may invest in similar securities such as Super POs, Levered IOs and IOettes which are more volatile than POs and IOs. Risks associated with instruments such as Super POs are similar in nature to those risks related to investments in POs. Risks connected with Levered IOs and IOettes are similar in nature to those associated with IOs. The Fund may also invest in other similar instruments developed in the future that are deemed consistent with its investment objective, policies and restrictions. POs may generate taxable income from the current accrual of original issue discount, without a corresponding distribution of cash.

The Fund will trade IOs, including but not limited to agency IOs, non-agency IOs, agency Inverse IOs and non-agency Inverse IOs. The Inverse IOs invested in by the Fund may be issued as separate classes or tranches of securities of collateralized mortgage obligation vehicles organized by private institutions or by government-sponsored agencies. The Fund may consider all categories of IOs, including both agency (e.g., IOs issued by Ginnie Mae, Fannie Mae, or Freddie Mac) and non-agency (e.g., IOs issued by private institutions), in an attempt to achieve maximum returns. Inverse IOs are securities that only pay interest. The coupon adjusts inversely with an index rate, most often the LIBOR. This class of securities produces volatile income streams whose interest coupon can go to zero. Yields will be determined by both the level of principal redemptions of the underlying mortgage pool and the level of the index on which its coupon is based. Cash flows lengthen as prepayment speeds slow (increasing returns) and cash flows shorten as prepayment speeds increase (decreasing returns). The coupon rate will adjust lower with higher levels of the referenced index (decreasing yields) and conversely, the coupon rate will adjust higher with lower levels of the referenced index (increasing yields). It is important to recognize that in certain high interest rate and fast prepayment scenarios these securities can generate negative yields (i.e., losses of the principal amount invested).

- Adjustable Rate Mortgage Securities. Unlike fixed rate mortgage securities, adjustable rate mortgage securities are collateralized by or represent interests in mortgage loans with variable rates of interest. These variable rates of interest reset periodically to align themselves with market rates. An investor in these securities will not benefit from increases in interest rates to the extent that interest rates rise to the point where they cause the current coupon of the underlying adjustable rate mortgages to exceed any maximum allowable annual or lifetime reset limits (or "cap rates") for a particular mortgage. In this event, the value of the mortgage securities would likely decrease. Also, the value of the adjustable rate mortgage securities could vary to the extent that current yields on adjustable rate mortgage securities are different than market yields during interim periods between coupon reset dates or if the timing of changes to the index upon which the rate for the underlying mortgages is based lags behind changes in market rates. During periods of declining interest rates, income derived from adjustable rate mortgages which remain in a mortgage pool will decrease in contrast to the income on fixed rate mortgages, which will remain constant. Adjustable rate mortgages also have less potential for appreciation in value as interest rates decline than do fixed rate investments.

- Synthetic Securities. The Fund may invest in Synthetic Securities or investments that derive their value from Synthetic Securities, including synthetic indices such as IOS that reference pools of bonds where the pools of bonds themselves reference a pool of mortgages. Investments in mortgage-backed securities through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such reference obligations. Under a Synthetic Security, the Fund will usually have a contractual relationship

only with the counterparty of such Synthetic Security, and not the reference obligor on the reference obligation. The Fund generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation or any rights of set off against the reference obligor, nor will the Fund generally have any voting or other consensual rights of ownership with respect to the reference obligation. The Fund will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of a reference obligation. In addition, in the event of the insolvency of the counterparty of such Synthetic Security, the Fund will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the reference obligation. Consequently, the Fund will be subject to the credit risk of such counterparty as well as that of the reference obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Fund to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

- Prepayment Risk. The mortgage loans underlying a mortgage-backed security generally may be prepaid at any time by the related borrowers. The principal prepayments will be used to prepay the principal balance (and, in the case of interest only certificates, may reduce the notional amount) of one or more classes of the certificates backed by such mortgage loans. As a result, the yield to maturity and market value of most mortgage-backed securities are affected, to varying degrees, by the rate of prepayments of the underlying mortgage loans. Mortgage loan prepayment rates are influenced by a variety of economic, tax, geographic, demographic, social, legal and other factors and have fluctuated considerably in recent years.

- Interest Rate Risk. Like other fixed income securities, the value of certain fixed-rate mortgage-backed securities will vary inversely with the level of interest rates. However, because mortgage prepayments tend to increase when interest rates drop, fixed-rate mortgage-backed securities may benefit less from a drop in interest rates than bonds of a comparable maturity. In addition, rising interest rates tend to have a slowing effect on mortgage prepayments, thereby lengthening the weighted average lives of certain types of mortgage-backed securities and making such securities more sensitive to a rise in interest rates. The Fund may also invest in floating rate securities and inverse floating rate securities. Since the market values and yield to maturity of these securities will respond differently to changes in interest rates, it is impossible to predict what effect a change in interest rates will have on the value of an investment in the Fund.

  The Fund is subject to several risks associated with changes in interest rates on its financings and investments which may affect profitability. The interest payments on the Fund's financings may increase relative to the interest earned on the Fund's investments. In a period of rising interest rates, interest payments by the Fund could increase while the interest earned on certain investments (e.g., fixed-rate mortgage-backed securities) would not change. In addition, depending upon the servicing advance and loan modification practices of the mortgage servicers, there can be no assurance that the financed bonds will generate enough interest to cover the cost of the financings. The Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Fund may acquire investments with short-term maturities which are secured by long-dated assets. Certain of the Fund's investments may be adjustable-rate instruments in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Fund's financings similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the Fund's

investments. Many of the borrowers with respect to underlying mortgage loans which secure mortgage-backed securities may have fixed interest rates, or variable rates which do not adjust until the loan has been outstanding for several years. Even when rates are adjusted they may only adjust on an annual basis and increases are typically subject to a cap. The interest rates payable to the Fund on the mortgage-backed securities it acquires may adjust more frequently, may not be tied to the same index and may not be subject to a cap. As a result, the interest income received in respect of the underlying collateral may not be sufficient to permit the mortgage-backed securities issuer to make scheduled interest payments to the Fund and in turn from the Fund to the financing counterparty thereby increasing the default risk on the lending vehicles.

Illiquid Markets. While the mortgage-backed securities market is very large, the market for any particular issuance of mortgage-backed securities may be highly illiquid.

XII. Mariner Breakwater, L.P.

Please see strategies, types of investment and related risks for International Infrastructure Finance Company Fund, L.P. and International Infrastructure Finance Company Feeder, L.P. (Section 8-IX above).

XIII. Mariner CLO 2015-1 LLC

Please see strategies, types of investment and related risks for ELM CLO 2014-1 Ltd. (Section 8-IV above).

XIV. Mariner CLO 2016-3, Ltd.

Please see strategies, types of investment and related risks for ELM CLO 2014-1 Ltd. (Section 8-IV above).

XV. Mariner CLO 2017-4, Ltd.

Please see strategies, types of investment and related risks for ELM CLO 2014-1 Ltd. (Section 8-IV above).

XVI. Mariner CLO 5, Ltd.

Please see strategies, types of investment and related risks for ELM CLO 2014-1 Ltd. (Section 8-IV above).

XVII. Mariner CLO 6, Ltd.

Please see strategies, types of investment and related risks for ELM CLO 2014-1 Ltd. (Section 8-IV above).

XVIII. Mariner CLO Opportunities Fund, L.P.

Fund Strategy and related risks: Collateralized Loan Obligations Liabilities (CLO Liabilities) and Residual Notes (CLO Equity) (together CLO Tranches)

Description: This strategy is an opportunistic, single strategy fund that invests in CLO Tranches.

Risk:

- Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the underlying collateral.

Types of investments and related risks:

- Risks of Investment Focus. The value of CLO Tranches generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLO Tranches are issued on a non-recourse basis and holders of CLO Tranches must rely solely on distributions from the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions from the CLO Collateral are insufficient to make payments on the CLO Tranches, no other assets will be available for payment of the deficiency and following liquidation of the CLO Tranches, the obligations of such issuer to pay such deficiency will be extinguished.

- Leveraged Loans. CLO Collateral generally consists of leveraged loans. The loans included as collateral may be subordinated to certain other obligations of the issuer thereof. The lower ratings of below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer, or in general economic conditions, or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative.

- Leverage. CLOs involve significant leverage. Leverage is embedded in all classes of a CLO other than the most senior tranche. While the leverage presents opportunities for increasing investors' total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment in a CLO would be magnified to the extent such CLO is leveraged. The cumulative effect of the use of leverage by a CLO in a market that moves adversely to the CLO's investments could result in a substantial loss to the CLO, which would be greater than if the CLO were not leveraged.

- Diversification. CLOs may invest in portfolios of assets with limited industry or issuer diversification. The concentration of an underlying portfolio in any one obligor or industry would subject the holder of the related CLO Tranches to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the holder of the related CLOs to a greater degree of risk with respect to economic downturns relating to such industry or region.

- Interest Rate Mismatch. CLOs may be subject to interest rate risk. Some of the CLO Collateral of an issuer of a CLO may bear a floating rate with a LIBOR floor (i.e. a fixed rate until the floor is breached), while the CLO Liability typically bears interest at a floating rate with no LIBOR floor. As a result, there could be a floating/fixed rate mismatch between such CLO Tranches and the CLO Collateral. As a result of such mismatches, an increase or decrease in the level of

the floating rate indices could adversely impact the ability of the CLO to make payments on such CLO Tranche.

- Liquidity. At times, the fixed income markets have experienced significant bouts of illiquidity. While such events may sometimes be attributable to changes in interest rates, credit cycles, or other factors, the cause is not always apparent. CLO Tranches trade infrequently, which may make it difficult to sell them quickly without incurring significant losses. Because CLO Tranches are illiquid, they can be difficult to value and the valuations are often based on models or an indicative price from a dealer, rather than on prices at which the security was actually sold. As a result, a CLO Tranche may experience large movements in prices that may not reflect the actual sales prices of the security. If holders of CLO Tranches attempt to liquidate large portfolios of such securities over a short period of time, difficulties in the market for such securities may be exacerbated, resulting in further decreased liquidity and pricing.

XIX. Mariner Fairwind Unit Trust

Fund Strategy and related risks: Multi-Strategy Fund-of-Funds

Description: This is single investor Trust with a multi-strategy focus. A multi-strategy portfolio may not necessarily diversify its allocations of risk capital amongst the investment strategies. The Trusts investment are primarily concentrated in Mariner Funds.

- G-10 Fixed Income Relative Value. Please see strategies, types of investment and related risks for Concordia G-10 Fixed Income Relative Value I, Ltd. (Section 8-I above).

- Multi-Strategy Relative Value. Please see strategies, types of investment and related risks for Mariner Atlantic, Ltd. (Section 8-XI above).

- The primary strategies employed by the underlying hedge fund investments are systematic global macro, discretionary global macro, diversified fixed income arbitrage and market neutral equity

XX. Mariner Falcon CLO Fund, L.P.

Fund Strategy and related risks: Collateralized Loan Obligations Liabilities (CLO Liabilities) and Residual Notes (CLO Equity) (together CLO Tranches)

Description: This fund is single investor investment vehicle fund with a primary investment objective of creating and maintaining a portfolio of debt and equity investments in Collateralized Loan Obligations ("CLOs") and certain other structured product assets. Please see strategies, types of investment and related risks for Mariner CLO 2017-4 Ltd. (Section 8-XV above) and Mariner CLO Opportunities Fund, L.P. (Section 8-XVII above).

XXI. Mariner Frontier Fund, L.P.

Fund Strategy and related risks: Multi-Strategy Fund-of-Funds

Description: This is a single investor fund-of-funds investment vehicle with a multi-strategy focus.

A multi-strategy portfolio may not necessarily diversify its allocations of risk capital amongst the investment strategies.

- Event Driven Credit. Please see strategies, types of investment and related risks for Mariner Glen Oaks Fund, L.P. (Section 8-XXII below).

- The primary strategies employed by the underlying hedge fund investments are multi-strategy, distressed securities, capital structure arbitrage, event driven, diversified fixed income arbitrage, and macro.

XXII. Mariner Glen Oaks Master Fund, L.P. (master fund), Mariner Glen Oaks Fund, L.P., Mariner Glen Oaks Offshore Fund, L.P. (feeder funds)

Fund Strategy and related risks: Event driven, long/short credit

Description: Event-driven, long/short credit strategy with an opportunistic, fundamental value-oriented approach to investing in the securities and loans of developed-market companies experiencing some degree of financial stress or distress, often where a pending discrete catalyst or specific event may serve to impact the value of the company and its credit securities. Such potential event catalysts may serve to realize underlying value through an early return of principal, enhancement of debt terms, or changes in the financial structure, ownership, or capitalization of a company or its securities.

Risks:

- Event Strategies. The Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Master Fund of its investment in such companies.

Types of investments and related risks:

- Loans and Debt Instruments. The Fund may invest in a variety of loans and debt instruments. The risks of loans and debt instruments include, but are not limited to: (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local or regional interests and (v) if the investment is subordinated, subordination to the prior claims of other loans or senior lenders. Loans and debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times.

- Bank Loans and Participations. The Investment Manager may invest the Fund's assets in bank loans and participations. The special risks associated with these obligations include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations.

- Distressed Securities. The Fund expects to invest in distressed investments. Distressed investment strategies generally involve investing in the securities and other assets of U.S. and non-U.S. issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses.

  The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

  Employees of the Investment Manager or an affiliate, on behalf of the Fund, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of the Master Fund's position as a creditor.

- Bankruptcy Process. Many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Following a bankruptcy filing, a company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. In a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.

  The duration of a bankruptcy proceeding is difficult to predict and a creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court.

  The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings; and certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors

- Non-U.S. Investments and Emerging Markets. The Fund will invest a portion of its assets in the debt or other securities and instruments of issuers located outside of the U.S. and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends,

interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund's investment opportunities.

XXIII. Mariner Alternative Relative Value Master Fund, L.P. (master fund), Mariner Alternative Relative Value Fund I, LTD. (feeder fund)

Fund Strategy and related risks: Global Fixed Income Trading and Arbitrage Investment Strategies.

Description. This fund is a single investor investment vehicle which currently engages in a global fixed income trading and arbitrage investment strategies.

- G-10 Fixed Income Relative Value. Please see strategies, types of investment and related risks for Concordia G-10 Fixed Income Relative Value I, L.P. (Section 8-I above)

XXIV. Special Status Mariner Funds

Mariner Select, L.P., Mariner Opportunities Fund, L.P., Mariner Voyager Fund, L.P.

Description: These funds have "wound down" ongoing operations and are currently in the process of liquidation. The advisory activity for these Mariner Funds is primarily limited to the preservation of existing positions (e.g., taking steps the designated investment professionals believe in their professional opinion are necessary and/or appropriate in an effort to achieve the best possible results for the remaining illiquid positions) or sale of highly illiquid positions once possible or deemed practicable (e.g., following position maturity or other realization events).

Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers such as Mariner to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to your evaluation of its advisory business or the integrity of its management. At this time, Mariner has no information to report that is applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

Pembrook

Mariner has a registered investment adviser affiliated party, Pembrook Capital Management, LLC ("Pembrook")(by virtue of the fact that a control affiliate of Mariner has a greater than 25% direct or indirect equity ownership interest in Pembrook). Pembrook is separately registered with the SEC under file number 801-73481. Mariner also has several relying advisers whose information is available through Pembrook's SEC filings.

Pembrook provides investment management services to a variety of clients and, in some cases, Mariner and pooled investment vehicles that are not listed in Section 7.B of Schedule D, however, complete and accurate information pertaining to those limited partnerships and/or limited liability companies is available in Section 7.B of Schedule D of the Form ADV's of Pembrook. .As part of a long-term venture relationship, Mariner has certain transparency rights and provides various services and support to third party investment advisers, including Pembrook. For example, support services may include infrastructure, legal and compliance support, back office services, investor relations and marketing support. In return for those services, Mariner has negotiated an economic and in certain cases (e.g., Pembrook) limited control interest (including contractual oversight rights but not supervisory obligations, limited policy approval or indirect control share rights). Mariner's clients may be solicited to invest in these limited partnerships and/or limited liability companies

Conflicts

See "Pooled Investment Vehicles- Conflicts" below.

Mariner Group Capital Markets and Mariner Investment (Europe)

Mariner Group Capital Markets, LLC ("MGCM"), an affiliated broker-dealer registered with the SEC and a FINRA member. MGCM is a limited purpose broker-dealer and generally serves as placement agent in private offerings (for example, interests in the Mariner Funds). MGCM does not maintain client accounts or execute securities transactions on behalf of clients and Mariner does not execute trades on behalf of its investment advisory clients through MGCM.

Mariner Investment (Europe) LLP ("Mariner Europe"), a Mariner affiliate and relying adviser located in London, is registered with the United Kingdom Financial Conduct Authority. Mariner and/or certain Mariner Funds have entered into sub-advisory agreements with Mariner Europe. Mariner Europe may have full discretionary investment authority over a portion of the Mariner Fund's investments subadvised by Mariner Europe, subject to the oversight of the Mariner and the Mariner Fund's investment objectives and strategies. In addition, individuals hired or otherwise associated with Mariner Europe may serve as placement agents in private offerings (for example, interests in collective investment vehicles such as Mariner Funds). Investors in Mariner Funds will not be subject to any separate or additional fees in connection with Mariner's retention of Mariner Europe.

Conflicts

Compensation provides an incentive to recommend Mariner products

To the extent that MGCM and Mariner Europe personnel receive compensation for selling Mariner products, they have a conflict of interest in consulting with prospective clients and investors as to the opening and closing of an Account (for clients) and the purchase and sale of interests in the Mariner Funds (for investors). As described further in Item 14 below, Mariner pays that compensation only if the client or investor is aware of the fee arrangement and the arrangement otherwise complies with applicable rules and regulations (for example, the requirements of Rule 206(4)-3 under the Advisers Act for separately managed accounts and general disclosures concerning affiliated employee financial incentives for pooled investment vehicles).

ORIX Mariner Holdings, LLC

Mariner is wholly-owned by its parent company, MIG Holdings, LLC ("MIG Holdings"), which in turn is majority owned by ORIX Mariner Holdings, LLC ("ORIX") (which in turn is majority owned by ORIX Global Asset Management LLC, which in turn is an indirect wholly-owned subsidiary of ORIX Corporation USA) and current and former Mariner employees (the "Mariner Partners"). ORIX Corporation USA is a diversified financial services company and wholly-owned subsidiary of ORIX Corporation (NYSE: IX; TSE: 8591). The equity of MIG Holdings is held 70% by ORIX and 30% by Mariner Partners.

MIG Holdings is managed by a Board of Managers that is comprised of 5 members, the majority of which are appointed by ORIX. The Board of Managers has responsibility for the oversight of all Mariner operations, however, the day-to-day operation and supervision of the investment advisory function of Mariner is delegated to Mariner's senior investment professionals, some of which are members of Mariner's Investment and Risk Committees. More specifically, neither ORIX nor any of its affiliates participate directly or indirectly in any investment related decision making by Mariner on behalf of its clients (e.g., Investment Advisory Accounts).

Conflicts as to ORIX

Preferential treatment for ORIX as an investor in the Mariner Funds

ORIX is currently, and will likely remain, an investor in certain of the Mariner Funds (and other products advised by Mariner and/or certain of its affiliates (together with the Mariner Funds, the "Mariner Products")). As noted above, ORIX owns a majority interest in MIG Holdings (the "ORIX Interest"), is an investor in Mariner Products and has the right (but not the obligation) to provide additional financing to MIG Holdings and/or contribute additional funds to Mariner Products, numerous conflicts of interest exist (or may in the future exist). For example, Mariner may feel obligated to permit ORIX to invest in Mariner Products on terms (for example, preferential investment, withdrawal and distribution rights, favorable trade allocations and pricing, lower fees and transparency) that are better than those available to other unaffiliated investors (or alternatively, to favor the Mariner Products in which ORIX invests over other Mariner Products).

Please see below for information regarding Mariner's trade allocation and aggregation of trade policies, and Item 11 for information regarding Mariner's Code of Ethics. In addition to those measures, Mariner has adopted other policies and procedures in an effort to further address or mitigate these and other actual or apparent conflicts of interest.

As a result of the ORIX Interest, ORIX receives a portion of the revenues MIG Holdings receives from Mariner (based on all of Mariner's investment advisory activities and agreements), its affiliates and Associated Advisers (such as Tricadia Capital Management, LLC, Tiptree Asset Management Company, LLC and Pembrook) and BOSG. As a result of the ORIX Interest, ORIX may also "seed" investment in new products (for example, new Hedge Funds) advised by Mariner, support investments with new trading teams (both internal and external), help to expand current Mariner internal trading teams and further enhance Mariner's infrastructure and operations.

Incentive to retain ORIX and/or its affiliates as service providers

With very limited exception neither ORIX nor its affiliates act as service providers to Mariner or its clients (.e.g., Mariner Funds), in the event that ORIX and/or its affiliates now (albeit very limited) or in the future act as service providers (for example, as a broker-dealer or lender) to Mariner and/or its clients, ORIX and/or its affiliates (as applicable) will receive compensation for such services provided to Mariner and/or its clients (as applicable). Mariner may feel obligated to select and retain ORIX and/or its affiliates as service providers for Mariner and/or its clients, regardless of whether ORIX and/or its affiliates may be more costly than and/or provide lesser quality services to Mariner and/or its clients (as compared to non-ORIX affiliated service providers). A complete list of ORIX affiliates is available upon written request.

Conflicts of Interests as to Mariner

Mariner may be incentivized to provide favorable treatment to ORIX

While Mariner believes that having certain limited service and infrastructure support arrangements with ORIX (collectively, "ORIX Services Agreement") has the potential to be of material and continuous benefit to Mariner and its clients and Mariner Fund investors, specific aspects of the ORIX Services Agreement may result in potentially material conflicts of interest, as noted above, and Mariner's client and Mariner Fund investors will not necessarily be in a position to evaluate whether those conflicts are being equitably mitigated and/or resolved.

The Back Office Services Group, LLC ("BOSG")

General

In addition to its investment advisory services, Mariner, through its affiliate, BOSG (and other affiliates such as ORIX), provides accounting, administration and other back office services to clients (including Mariner Funds). These services are not a primary part of Mariner's business activities in return for such services, BOSG receives a fee from Mariner and/or its clients.

Conflicts

Mariner may be incentivized to benefit financially BOSG as its affiliate

Mariner may be incentivized to retain BOSG, an affiliate, on behalf of its Investment Advisory Accounts, and Mariner's desire to benefit its affiliate financially may conflict with Mariner's duty to act in the best interest of its advisory clients.

Although BOSG's fees for its services to Mariner clients are not negotiated at arm's-length, Mariner believes those fees to be reasonable in relation to the services provided and consistent with prevailing charges from third party providers of the same services. Generally, in the discretion of a Mariner Fund's manager or general partner (as applicable), the Mariner Fund may terminate its relationship with BOSG as necessary and employ another affiliated or unaffiliated entity to perform those services.

Other Affiliates

Mariner and its affiliate ORIX Capital Partners, LLC (“OCP”) have a supplementary list of related persons who are not listed in section 7.A of ADV Part 1 due to the fact that such affiliated or otherwise associated entities are deemed to be 'operationally independent' in accordance with applicable federal securities laws and we have no reason to believe that our relationship with such related persons creates a conflict of interest for our clients.

Disclosure concerning “certain” affiliated and associated entities:

Pembrook Capital Management, LLC (“Pembrook”) (see above as well)

Associated Entities

Mariner also has certain “associated” or otherwise “related” (but not affiliated) SEC registered investment advisers (collectively, the “Associated Advisers”), Tricadia Capital Management, LLC ("TCM") and Tiptree Asset Management Company, LLC ("TAMCO"). The Associated advisers are related by virtue of the fact that Mariner (or another control affiliate) have an economic interest in one or more of these entities by contract or otherwise (but in no case a 25% voting equity or control interest). These Associated Advisers manage limited partnerships and/or limited liability companies that are not listed in Section 7.B of Schedule D, however, complete and accurate information pertaining to those limited partnerships and/or limited liability companies is available in Section 7.B of Schedule D of the Form ADV'S of such Associated Advisers. Mariner's clients may be solicited to invest in these limited partnerships and/or limited liability companies and an affiliate of Mariner may market or otherwise solicit investment of these Associated Advisers products or services.

Mariner and OCP

As noted above, Mariner and OCP have other related persons who are not listed in section 7.A of Schedule D (i.e., other affiliates of ORIX who do not do business with or are otherwise associated with MIG and OCP, including a municipal advisor)(the "other ORIX related persons"). More specifically, Mariner and OCP have not listed the other ORIX related persons in section 7.A of Schedule D primarily because Mariner and OCP: (1) have no business dealings with the other ORIX related persons in connection with the advisory services Mariner and OCP provide to their clients; (2) with limited exception (e.g., the ORIX Services Agreement) Mariner and OCP do not conduct relevant shared operations with the other ORIX related persons; (3) Mariner and OCP do not refer clients or business to the other ORIX related persons, and the other ORIX related persons do not refer prospective clients or business to Mariner or OCP; (4) Mariner and OCP do not share supervised persons and with limited and what we believe are immaterial and irrelevant exceptions (e.g., a dedicated and formally segregated office space which MIG sub-leases from ORIX USA in Dallas, Texas and a dedicated and formally segregated office space sub-leased from ORIX USA in Manhattan, New York), Mariner and OCP do not share premises with the other ORIX related persons; and (5) Mariner and OCP have no reason to believe that their respective relationships with the other ORIX related persons otherwise create a conflict of interest with Mariner or OCP clients. Notwithstanding the above, a complete list of the other ORIX related persons is available upon request.

Board/Creditor Committee Representation

Employees of Mariner or its affiliates may serve as members of the board of directors or the bondholder's creditors' committee of a company the securities of which may be held in client accounts. This is typically the result of a subject issuer filing bankruptcy or for entering reorganization proceedings. As a general matter, employee membership on the board of a publicly traded company requires pre-clearance from Mariner's Legal/Compliance Department (that is, Mariner's Chief Compliance Officer or General Counsel), and may be permitted by Mariner's Chief Compliance Officer or General Counsel when it is deemed to be in the best interest of Mariner and/or its clients or in their respective or collective opinion does not otherwise present an unreasonable risk.

Conflicts

Mariner may not be permitted to disclose certain information

As a member of such a committee, employees of Mariner or its affiliates may acquire material non-public information about corporations or other entities or their securities. Mariner and its affiliates are not obligated, and may not be permitted, to disclose any of that information to or for the benefit of their clients, or otherwise act on the basis of that information in providing services to its clients. This may cause a conflict of interest between Mariner's (or its affiliate's) legal and/or contractual duty not to disclose material non-public information and its duty to act in the best interest of its advisory clients.

Mariner seeks to limit these types of memberships and service arrangements and gives careful consideration to the pros and cons (as to Mariner) associated with personnel serving as a member of the board of directors or a bondholder's creditors' committee. Whenever practicable and appropriate, Mariner seeks to limit the application of contractual restrictions (for example, through negotiations). These types of restrictions are an inherent risk associated with the active management of certain types of assets (for example, bank debt, distressed corporate bonds) and cannot be mitigated in all cases.

Pooled Investment Vehicles

Mariner currently advises the Hedge Funds, Private Equity Funds, Multi-Strategy Funds, Fund-of-Funds and Securitized Vehicles as described in Item 4 above.

Conflicts

Mariner may engage in activities (on behalf of itself or other clients) which may conflict with its activities on behalf of a client

Subject to Mariner's Code of Ethics and other conflict mitigation policies and procedures implemented by Mariner or its affiliates (as applicable), Mariner, its affiliates or Associated Advisers, and any of their respective partners, directors, members, officers and employees, may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own

accounts, for the accounts of family members, for the accounts of any funds and for the accounts of individual and institutional clients.

Mariner and its affiliates may give advice and take action in the performance of their duties to one account which may differ from the timing and nature of action taken with respect to another account. For example, Mariner may recommend that a client purchase or sell an investment that is being sold or purchased, respectively, at the same time by Mariner, an affiliate, an Associated Adviser or their respective advisory clients. Therefore, the investment strategies and techniques that Mariner, its affiliates or Associated Advisers use for one account could conflict with the transactions and strategies Mariner employs in managing another Investment Advisory Accounts and may affect the prices and availability of the securities and other financial instruments in which its clients invest.

Mariner does not have an obligation to purchase or sell for any Investment Advisory Account any investment which Mariner or its affiliates, as applicable, may purchase or sell, or recommend for purchase or sale, for its or their own accounts, or for any other client account.

Mariner may have an incentive to favor certain clients (or itself) over others

Some of the Investment Advisory Accounts sponsored and/or managed by Mariner and its affiliates have overlapping objectives and strategies. Additionally, Mariner and its affiliates may own interests in those Investment Advisory Accounts. In various circumstances, particularly when Mariner and its affiliates sponsors a new Fund, if Mariner and its affiliates provide most of the initial seed money, the Fund may be wholly or principally owned by Mariner and, its affiliates (as applicable). Mariner's (or its affiliate's) ownership interest in these Investment Advisory Accounts may give Mariner an incentive to favor these Investment Advisory Accounts over other Investment Advisory Accounts. However, as discussed below, this generally means that all Investment Advisory Accounts managed using the same investment strategy will participate *pro rata* (or some other objective and predetermined criteria) in all investment opportunities that Mariner allocates to any other Investment Advisory Account using that strategy.

Trade Aggregation

If Mariner (or its affiliates) believes that the purchase or sale of a security is in the best interest of more than one of their respective clients, it may (but is not obligated to) aggregate the orders to be purchased or sold to seek favorable execution or lower brokerage commissions, to the extent permitted by applicable regulation or law. However, Mariner (or its affiliates) are not required to bunch or aggregate orders of their respective portfolio managers to the extent that portfolio management decisions are made separately or if Mariner (or its affiliates) (as applicable) determines it would not be consistent with its investment management duties to do so. Aggregation of orders under these circumstances should, on average, decrease the cost of execution.

Due to prevailing trading activity, it is frequently not possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in Mariner's sole discretion, be averaged and participating client accounts will be charged or credited with the average price. In such cases, each client that participates in the aggregated transaction will share transaction costs *pro rata* based upon each client's participation in the transaction.

Aggregation may advantage or disadvantage a client account. Under specific circumstances, not all clients will be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. For example, brokerage commissions may be individually negotiated by a Mariner trading desk (or third party investment adviser pursuant to a sub-advisory agreement or otherwise) that invests a portion of an Investment Advisory Account. Lastly, Mariner may cause securities purchased on behalf of its clients to be held in the name of a nominee affiliate in trust on behalf of those clients. Those nominee holdings will be used when the size of the investment or other considerations relating to the transaction favor holding the securities in the name of one person rather than subdividing the securities among the clients.

Allocation Practices- Generally

Items 4 and 5 above contain a description of Mariner's Investment Advisory Accounts and the compensation Mariner (or its affiliates) receives for managing those Investment Advisory Accounts. Mariner's affiliates manage (and may manage) separately managed accounts, private equity or other hedge fund-type accounts that have similar fee structures, and in particular instances, much higher fee structures than those described under Items 4 and 5. Since that compensation may create a conflict of interest that disclosure should be read in conjunction with the disclosure set forth below.

When a transaction is suitable for more than one client, Mariner (or its affiliates) will generally attempt to allocate purchase and sale opportunities on a fair, equitable and consistent basis among their respective clients. Mariner (or its affiliates) may consider some or all of the following factors in making allocation decisions among Funds and other client accounts:

- investment objectives,
- investment policies,
- investment restrictions,
- risk tolerance,
- time horizon,
- tax sensitivity,
- desired capitalization range,
- nature and size of the account,
- suitability,
- tolerance for portfolio turnover,
- availability of cash or buying power,
- account "ramp-ups", and

- whether the Investment Advisory Account (or group of Investment Advisory Accounts) is eligible to participate in a trade pursuant to applicable compliance regulations.

Allocations are designed with a view towards ensuring that over time no Investment Advisory Account (or group of Investment Advisory Accounts) will be systematically favored over any other Investment Advisory Account (or group of Investment Advisory Accounts). Allocation methodologies may include *pro rata* based on account size or a "round robin" allocation as described further in Mariner's "Trade Aggregation and Allocation Policy" (that is, rotating the Investment Advisory Accounts that do not participate in allocations due to the limited investment opportunities as described below). In the event an order is only partially filled, Mariner will generally attempt to allocate the position *pro rata* based upon the original allocation statement ("Pro Rata").

There are exceptions to this policy. For example (but not limited to these exceptions), if the Pro Rata allocation results in a cash position that is different from the desired cash level, or if the position would be inconsistent with the investment objectives of one or more Investment Advisory Accounts, Mariner may deviate from the Pro Rata formula. Mariner may also deviate from its policy in order to address liquidity concerns and other practical limitations associated with partial fills or small allocations by allocating to participating Investment Advisory Accounts a minimum number of shares or bonds (such as 1,000 shares or 1,000 bonds).

Securities may not be allocated Pro Rata or otherwise as described above in the case of a transaction involving so few shares or bonds such that normal allocations among Investment Advisory Accounts would be impracticable or result in a nonconforming allocation for one or more particular client (such as when securities only trade in larger blocks). In those cases, Mariner personnel will use their best efforts to allocate amounts obtained from partial fills fairly, and Mariner will regularly document all material deviations from standard allocation guidelines and practices in writing.

Allocations Practices - Structured Investments

Mariner (or its affiliates) manage multiple Funds and other advisory accounts that invest in collateralized debt obligations ("CDOs"), asset backed securities ("ABSs") and/or other structured investments (such as collateral loan obligations ("CLOs"), collateral bond obligations and other similar investments) (collectively, "Structured Investments"). CDOs are instruments representing interests in pools, the underlying asset classes of which include bonds, debentures, syndicated loans, and private placement debt. Specific Mariner investment teams (e.g., Mariner's Dallas Texas based investment team) manage accounts that invest almost exclusively in Structured Investments (including CLOs and ABSs and various types of securities offered by CLOs and ABSs (such as interests in mezzanine and equity tranches)).

In following the allocation policy described above, it is possible that the allocation process will at times result in Mariner (or its affiliates) allocating more valuable Structured Investments to their respective client accounts that:

- pay higher fees;
- are partially or wholly owned by Mariner (or its affiliates) or their employees; or

- Mariner (or its affiliates) otherwise have a financial or reputational incentive to favor over other client accounts.

Mariner (or its affiliates) may cause its respective clients to share proportionately in the legal fees and other expenses it incurs in investigating and negotiating potential transactions for those clients.

Mariner may cause its Investment Advisory Accounts to invest in privately-offered pooled investment vehicles, unit investment trusts or other collective investment vehicles (such as CLOs), for which Mariner or any of its affiliates or Associated Advisers serves as investment adviser or manager (each, an "Affiliated Fund"). Mariner or its affiliate or Associated Adviser, in its capacity as manager, general partner or investment adviser to the Affiliated Funds, may receive ongoing fees from its activities as manager, general partner or investment adviser.

To the extent Mariner (or its affiliate or Associated Adviser), on behalf of its clients, purchases or causes the purchase of security interests (such as mezzanine or equity tranche securities) offered by an Affiliated Fund, Mariner (or its affiliate or Associated Adviser) may voluntarily choose to waive all or a portion of the ongoing fees it would otherwise be entitled to receive and credit those fees to the investing clients. Any ongoing fee waiver, however, will only occur for as long as the client accounts hold these specific security interests in an Affiliated Fund. Accordingly, Mariner, its affiliates and/or its Associated Advisers may be deemed to have an actual or apparent conflict of interest when purchasing and selling those security interests and in view of that concern, has implemented a specific review and control procedure in this area. Please see Item 5 for Mariner's policy regarding the purchase of interests in Affiliated Funds by Mariner-advised Fund-of-Funds.

Allocations Practices - Fund-of-Funds Investments

Mariner has implemented procedural and other controls such as a "limited" informational barrier between its Fund-of-Funds product groups (e.g., Fund-of-Funds), in an effort to bolster its ongoing effort to appropriately manage underlying Fund allocation issues. More specifically, Mariner has developed asset allocation procedures that help to ensure that all eligible client accounts (such as hedge fund-of-funds with similar investment guidelines and mandates) appropriately participate in investment and redemption opportunities (including investment in capacity-constrained funds or redemption from funds, especially when markets are disrupted and a fund's ability to meet large redemption requests may be limited).

Item 11 – Code of Ethics

General Conflicts as to Mariner

Mariner is a multi-product investment adviser that has numerous related parties as described above in Item 10. As such, Mariner and its affiliates (collectively, the "Firm") and their partners, officers and employees ("Personnel") may have multiple advisory, transactional, financial and other interests in securities, instruments, companies or investment vehicles that may be purchased or sold by Mariner for the Investment Advisory Accounts. Mariner has established a variety of restrictions,

procedures, and disclosures designed to address conflicts of interest arising between Investment Advisory Accounts on the one hand and the Firm's business on the other.

It is Mariner's policy that Personnel involved in decision-making for Investment Advisory Accounts must seek to act in the best interest of their advisory clients and generally (but not exclusively) without knowledge of trading in client accounts in which the Firm or its Personnel have an interest, and other operations of the Firm or Personnel. More specifically, where asset management Personnel ("Advisory Personnel") know of conflicts among Investment Advisory Accounts or between Investment Advisory Accounts and the Firm and/or Personnel, it is Mariner's policy to disclose their existence in general through delivery of this Form ADV or otherwise at Mariner's discretion depending upon the circumstances, and to comply with legal requirements, if relevant, with respect to obtaining consents or other approval.

Cross Trades and Principal Trades

Mariner may cause its clients to make investments in affiliated or associated entities

Mariner and its affiliates may act in multiple capacities (for example, act as principal or agent as described below in addition to acting as adviser on behalf of a client), and may effect transactions with or for an account in instances in which Mariner and its affiliates and/or their personnel may have multiple interests. Mariner may invest Investment Advisory Accounts, or recommend that clients invest, in Affiliated Funds. Investments in Affiliated Funds may be of any class or category of shares with the understanding that fees associated with such class or category need not be the lowest fees offered.

Mariner may be compensated for causing its clients to make investments in affiliated or associated entities

In addition, Mariner has no obligation to determine whether investments in other Affiliated Funds or a comparable, non-affiliated collective investment fund or vehicle, would be subject to lower fees and expenses. In connection with such investment, unless provided otherwise in the client's advisory agreement, the client will pay all fees pertaining to the Affiliated Fund and no portion of the Affiliated Fund's advisory, administrative or other fees will be offset against fees payable in accordance with the advisory agreement. The client may prospectively revoke its consent to invest in Affiliated Funds at any time by written notice to Mariner. As described above in response to Item 5, Personnel may receive referral compensation in connection with investments by clients in Affiliated Funds. See Item 5 above for Mariner's policy regarding Mariner-advised Fund-of-Funds purchase of interests in Mariner Funds.

Mariner personnel may engage in principal trades

Personnel may invest in the Affiliated Funds and, in such regard, purchase securities from a "client" (or, with respect to Affiliated Advisers-managed funds, although not deemed a purchase of securities from a "client," that purchase could present an actual or apparent conflict). For example, principals or employees of Mariner may have access to investment opportunities that are not otherwise

available or afforded to clients or Investment Advisory Accounts (e.g., due to limited capacity) or pay lesser fees and/or expenses than clients or Investment Advisory Accounts may pay.

In the event that Mariner or its affiliate is required to sell any remaining assets in a Fund following the expiration of a Fund's term, Mariner and/or its affiliates (as applicable under the terms of the Fund documentation) will be permitted to bid on such assets on normal commercial terms and on an arm's-length basis; provided, however, that Mariner or one of more of its affiliates purchases the relevant asset at a price at least equal to the market value of the relevant asset. In the event that Mariner or its affiliate decides to sell any remaining assets in a Fund following the expiration of its term, Mariner, the Fund's general partner, the Fund's limited partners, and a minimum of three independent broker dealers (whenever practicable) will be invited to participate in the bidding process.

Mariner or its affiliate may be engaged by a third party to assist in structuring sophisticated financial products for that third party's investors. An Affiliated Fund may make an investment into a third party's investment product from which Mariner or its affiliate has received a structuring or other fee in return for services provided in the creation of that investment product. A Mariner Fund will make an investment in that investment product only after Mariner has made a good faith determination that the structuring or other fee (i) was made in return for *bona fide* services that fall outside the scope of the investment management services performed by Mariner on behalf of the Mariner Fund, and (ii) was reasonable in relation to the nature of work performed.

Mariner may cause its clients to engage in cross trades

In accordance with Mariner's "Cross Trading Policy," Mariner may buy and sell the same security between Investment Advisory Accounts when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the Investment Advisory Accounts involved. For example, a cross trade may be effected in a less liquid or otherwise difficult to transact in security (for example, difficult to locate or hard to borrow short), when, in the professional opinion of Advisory Personnel, it would reduce the risk of market impact or otherwise reduce the costs associated with the contemplated trade. As a result of their affiliation with the Firm, Personnel may be permitted to invest in classes of securities or shares offered by Affiliated Funds that result in Personnel paying less in terms of fees and expenses, than clients (or their investors) may pay for the same investment.

Letters of Understanding a/k/a "Side Letters"

The Mariner Funds and/or Mariner and its affiliates may enter into letters of understanding granting investors (e.g., seed investors) or third parties (e.g., financial institutions that provide financing to Mariner or its clients, consultants or advisers to investors) different rights terms or conditions (including, without limitation, reductions in Management Fees, Incentive Fee, withdrawal, transparency, expenses, revenue share, reporting, "most favored nations", indemnification and exculpation or other preferential terms, such as access to co-investment opportunities) ("Letters of Understanding") without notice or consent of other investors. No Letter of Understanding provided to an investor or a third party by a Mariner Fund and/or Mariner or its affiliate will necessarily entitle

any other investor or third party (who do not otherwise also have in place Letters of Understanding) to the rights granted in such letter.

Portfolio Transparency

Mariner will at times make a Mariner Fund's portfolio available to investors in connection with in-person meetings or by webcast in connection with telephonic meetings. Mariner may also agree to make a portfolio available to certain investors at other specified times. Mariner may also make portfolios available, on a time lag basis, to risk measurement platforms (such as RiskMetrics and Measurisk) that provide risk monitoring, modeling or measurement services, but agree to keep position-level identifying information confidential, except on an aggregate basis with other funds.

Upon written request there may be certain additional reports and supplemental information that is available to investors which includes weekly performance estimates, liquidity, sector, strategy and geographical allocations, security types, ratings data, performance attribution analysis, and general information relating to portfolio allocations)(the "Special Reports"). In addition to these Special Reports, pursuant to a confidentiality agreement that includes agreed upon limitations on use, certain third service providers (e.g., consultants, risk and asset aggregators such as Albourne Partners Limited), have been retained by large institutional investors (e.g., state and corporate pension plans, fund of funds and other investors who invest in multiple hedge funds)(collectively "Consultants") and as a result may receive additional detailed information from Mariner that is not generally made available to investors including but not limited to the following: certain fund holdings data such as liquidity related data, certain sector data, strategy and geographical region allocation related data, asset class related data including security and instrument types; exposure data including market capital exposure; maturity data, credit ratings data, concentration and percentage of ownership data, price yield and spread data; risk reports including value at risk and portfolio sensitivity data (e.g., Beta and Greeks), stress test related data and account related custodian data (all of the aforementioned data and reports simply referred to collectively hereinafter as "Consultant Data"). Investors should be aware of the Consultant Data and upon written request and subject to applicable confidentiality agreements governing data use and dissemination, investors can receive the same Consultant Data (e.g., via an Excel Spread Sheet or otherwise). Mariner currently provides Consultant Data to Albourne Partners Ltd via their electronic reporting platform Albourne OPERA. Finally, investors in some Mariner Funds may have greater transparency to their portfolios than investors in other Mariner Funds, which portfolios may have significant overlap with other Mariner Funds' portfolios.

Mariner's Code of Ethics

In the ordinary course of performing its investment advisory services and under specific conditions, Mariner (or its affiliates) may recommend to their clients the purchase or sale of securities (or various classes of the same security) in which Mariner (or its affiliates), and their personnel also have a position or interest. For example, Mariner may advise a securities portfolio for ORIX and accordingly, it may recommend to clients that they buy or sell securities in which ORIX has a financial interest. It is worth noting that in such instances, clients could have different rights in those securities (for example, in the event of a default or restructuring on the part of the issuer, or as a

result of a bankruptcy proceeding). In addition, Mariner may recommend to one or more Investment Advisory Account that they purchase or sell interests in Affiliated Funds.

In addition, Personnel and other related persons of Mariner may buy and sell for their own personal accounts securities that are recommended to clients. As described more fully below, Mariner has adopted a Code of Ethics and related Personal Investment Policy (collectively the "Code") that regulates personal transactions in such a manner that Mariner's primary obligation of fiduciary duty to its clients is satisfied. Lastly, certain principals of Mariner may have a substantial economic position in the equity of companies that serve as a custodian or prime broker for client accounts (such as Hedge Funds), or to whom the client accounts allocate brokerage transactions.

Pursuant to Rule 204A-1 of the Advisers Act, Mariner has adopted a Code which sets forth standards of business and personal conduct for all Mariner employees. In addition, Mariner has developed specific policies and procedures that govern the business practices of Mariner partners, directors, officers and certain other employees ("Access Persons" who are generally defined under the Code as employees who have regular access to information relating to client security transactions and "Advisory Persons," who are generally defined as investment professionals such as portfolio managers, analysts and traders who recommend, research and effectuate investment ideas respectively) and certain of its affiliates ("Access Persons" and "Advisory Persons" are referred to collectively as "Access Persons"). For example, Mariner has developed a "Personal Investment Policy" and related procedures to address actual and potential conflicts of interest that arise from personal trading by Access Persons.

The Code is predicated on the basic principle that employees of Mariner will adhere to the high ethical standards and fiduciary principles, and must:

- place client interests first;
- engage in personal securities transactions consistent with the Code and avoid any actual, potential or apparent conflict of interest or any abuse of position of trust and responsibility;
- keep security holdings and financial circumstances of clients confidential; and
- adhere to the principal that independence in the investment decision-making process is of paramount importance.

In addition to the Personal Investment Policy, the Code contains several other policies and procedures that are designed to eliminate or reduce potential conflicts of interest and include the following: an "Inside Information Policy"; an "Informational Barrier Policy" (a/k/a Chinese Wall Policy and procedures); a "Gifts & Entertainment Policy"; a "Political Contribution" (a/k/a "Pay-to-Play" Policy and Procedures); a "Market Manipulation and Intentional Spreading of False or Misleading Information Policy"; and a "Policy Governing the Use of Third Party Investment Consultants." Mariner prohibits the use of material non-public information ("inside information") and maintains a Restricted and Watch List of securities that may not be purchased by its employees for their own accounts or for Investment Advisory Accounts because of the actual or possible possession of inside information. Access Persons are prohibited from purchasing initial public

offerings, except with the express written approval of Mariner's General Counsel or Chief Compliance Officer.

In addition, Access Persons are generally prohibited from purchasing most other types of securities with limited exception (e.g., security purchases pursuant to a third party discretionary arrangement that has been reviewed and approved by compliance). Specifically, Access Persons are permitted to personally invest in "Exempt Securities" as defined under the Code (including registered open-end mutual fund shares, certain types of Exchange Traded Funds (unit investment trusts that hold securities in proportion to a broad based market index such as SPDRs and QQQs), Treasury obligations or other securities issued by or guaranteed by the U.S. government, bankers certificates of deposit, commercial paper and other short term high quality debt instruments with one year or less to maturity), and subject to preclearance, may also purchase and sell registered closed-end mutual fund shares, municipal securities and limited offerings including private partnerships such as hedge funds). Exceptions to these policies and procedures may be granted where Mariner believes that the expected activity would not likely compromise client interests. An employee's violation of Mariner's Code can result in remedial measures including disgorgement of profits (if any), and depending upon the facts or circumstances, more severe actions up to and including monetary fines, suspension and termination of employment.

Advisory Personnel are discouraged from frequent personal trading. Access Persons generally are prohibited from serving as board members of a publicly-traded company, however, as noted above in Item 10, exceptions may be permitted by Mariner's Chief Compliance Officer or General Counsel when it is deemed to be in the best interest of Mariner and/or its clients or in their respective or collective opinion does not otherwise present an unreasonable risk. The Firm shall have no obligation to recommend for purchase or sale by any Investment Advisory Account any instrument that the Firm or Personnel may purchase for themselves or for any other clients. The Firm shall have no obligation to seek to obtain material non-public information about any issuer of securities, nor to effect transactions for Investment Advisory Accounts on the basis of any inside information as may come into its possession.

The ability of Mariner to effect and/or recommend transactions for Investment Advisory Accounts may be restricted by applicable regulatory requirements and/or the Firm's internal policies. As a result, there may be periods when Mariner may not be able to initiate or recommend certain types of transactions for such clients, may not acquire certain instruments, or may dispose of certain instruments in an Investment Advisory Account when aggregate position limits established by the Firm or by regulators have been reached, or in other circumstances, and advisory clients will not be advised of that fact. Also, without limitation, regulatory or contractual or other limitations or considerations related to effecting transactions for certain of Mariner's Investment Advisory Accounts may not apply to other Investment Advisory Accounts, resulting in differences among Investment Advisory Accounts.

Unless approved by Mariner's Chief Compliance Officer, Access Persons may not undertake other business activities outside of Mariner that may cause, or appear to cause, any conflict of interest, and Access Persons must disclose all directorships in businesses and other interests in businesses where they either have a controlling or influencing position or receive monetary or other compensation for

their involvement in that business. Each Access Person is required to report to Mariner certain types of securities transactions in personal accounts in which they have a "beneficial Interest," including arranging for duplicate transaction confirmations to be sent to Mariner (or its third party service provider, currently Compliance Science) as well as completing initial, quarterly and annual reports.

As discussed further above in response to Item 10, on occasions where a number of client accounts are attempting to purchase or sell the same securities, Mariner may aggregate orders to purchase or sell securities with those of its other clients in order to facilitate execution and minimize transaction costs. The manner of aggregation is consistent with Mariner's duty to seek best execution on an overall basis for its clients and with the terms of its investment advisory agreement with its clients. As a general matter, each client that participates in an aggregated order will participate at the average share/bond price with transaction costs shared *pro rata* based on the clients' participation in the transaction.

If those orders cannot be fully executed under prevailing market conditions, Mariner allocates on an equitable basis among all of its Investment Advisory Accounts the purchases or sales which can be made, after taking into account the size of the order placed for the various clients and such other factors as it deems appropriate. In some cases, this procedure may adversely affect the price paid or received by Mariner's advisory clients or the size of the position obtained by such clients. In addition, a Mariner affiliate may hold record title to securities owned by its advisory clients as nominee or in trust to facilitate the ownership of smaller, illiquid investments. This is done at no cost to its advisory clients and is disclosed to those clients through this Brochure and other disclosure documents (such as investment management agreements, Fund offering documents or otherwise).

Mariner's clients, prospective Mariner clients or investors in Mariner Funds may obtain a complete copy of the Mariner's Code of Ethics free of charge by submitting a written request to Mariner's Compliance Department at 500 Mamaroneck Avenue, Harrison, NY 10528, by fax at (914) 670-4320 or by contacting Mariner's Chief Compliance Officer at (914) 670-4335.

Other Actual or Potential Conflicts of Interests

Management of Investment Advisory Accounts

Mariner and its affiliates are subject to actual and potential conflicts of interest in managing the business and affairs of the Advisory Accounts. For example, Mariner or its affiliates currently manage numerous Funds and separately managed accounts and may sponsor new Funds and other separately managed accounts in the future. Those new Funds and separately managed accounts may be managed by current employees or by new portfolio managers hired to manage those new Funds and separately managed accounts. Mariner may have an incentive (for example, if the new Funds pay Mariner, its affiliate or an Associated Adviser higher fees) to retain portfolio managers to manage the assets of the new Funds and separately managed accounts rather than to manage the assets of the existing Mariner Funds.

Third Party Advisors

There may also be instances where an affiliated, associated or unaffiliated third party investment adviser (each, a "Third Party Advisor") may manage an Investment Advisory Account on behalf Mariner (pursuant to an investment advisory agreement or otherwise) and Mariner may cause another Investment Advisory Account to invest in a Third Party Advisor-managed Fund. Typically, that Investment Advisory Account would pay the fees set forth in Third Party Advisor-managed Fund's offering memorandum.

As a result of that investment, the appearance that the Third Party Advisor is receiving additional benefits (such as investor capital or indirect compensation through asset- and performance-based fees) and/or, in the case of an affiliated or associated Third Party Advisor, that a Mariner affiliate or Associated Adviser is receiving some additional and separate compensation, may exist. However, Mariner does not have any formal or informal understanding with any Third Party Advisor that would in any way obligate Mariner to invest in a product or service offered by that investment adviser. Mariner allocates capital for each client in accordance with the general best interest of each client as determined by Mariner (taking into consideration all relevant circumstances). With respect to Fund-of-Funds that direct Mariner to invest in products or services offered by Mariner affiliates or Associated Advisers, these same conflicts may exist and may be exacerbated.

In addition, in the case that Mariner retains a Third Party Advisor on behalf of multiple Investment Advisory Accounts, there may be limited instances where Mariner's decision to terminate its relationship with the Third Party Advisor may negatively impact one or more of those Investment Advisory Accounts. For example, Mariner may invest the assets of a Fund-of-Funds in an underlying fund managed by a Third Party Advisor, and retain the same Third Party Advisor to manage an Account (*e.g.*, via sub-advisory separate account arrangement). If Mariner terminated the Third Party Advisor, Mariner may be in a position to more quickly liquidate the assets of the Account, while the Fund-of-Funds' investment in the underlying fund may be subject to withdrawal restrictions. In the case that the Account and the Fund-of-Funds invest in the same, illiquid positions, the Fund-of-Funds may be negatively impacted by its lack of liquidity (relative to the Account).

Potential for Conflicting Trading Activity

See "Pooled Investment Vehicles- Conflicts- *Mariner may engage in activities (on behalf of itself or other clients) which may conflict with its activities on behalf of a client*" in Item 10 above.

Conflicts Regarding Valuation and Other Matters

Mariner will be responsible for a variety of important matters affecting each Investment Advisory Account. Among other matters, Mariner will assist the applicable administrator and back office service provider with determining the value of the securities and other instruments held by such Investment Advisory Account. Such valuation affects reported Investment Advisory Account performance, the calculation of any performance-based fee due to Mariner as well as the calculation of the related management fee. Although Mariner has instituted methods of valuing different types of investments, which generally involve current market price information, there may be investments as to which the administrator and back office service provider have certain elements of discretion in determining valuation.

Third Party Advisor Compensation

Mariner negotiates the compensation to be paid to each Third Party Advisor that trades a portion of Multi-Strategy Fund's assets (see Items 4 and 5 above). Since Mariner retains for itself greater fees if a trader accepts lower fees, Mariner has an incentive to select for its Multi-Strategy Funds traders who accept lower fees (which may conflict with Mariner's duty to act in the best interest of its advisory clients). However, regardless of the amount of a Third Party Advisor's fees, Mariner maintains internal qualifications and standards that Third Party Advisors generally must meet.

Appointment of Third Party Advisors

Mariner has an ongoing need to find and retain qualified traders, portfolio managers and analysts (both as employees and Third Party Advisors) for the Multi-Strategy Funds, and for other Mariner Funds and accounts for which Mariner or an affiliate currently provides or in the future may provide investment management services. Mariner has no prescribed criteria for determining whether a person will be retained to provide management services as an employee, referred to an affiliate or Third Party Advisor to manage a separate account on behalf of the Multi-Strategy Funds, or whether that person will be retained to manage the assets of other Funds or accounts managed by Mariner, or an affiliate or Associated Adviser. As a result, Mariner may appointment those persons based upon business and financial incentives which may result in favoring one type of arrangement over another.

Incubation Fund and Related Incubation Products

As noted above, Mariner has an ongoing need to find and retain qualified traders, portfolio managers and analysts (both as employees and Third Party Advisors). Although Mariner does not currently have a formal incubation program in effect (as it has historically) which can generally be described as a fund or program primarily designed to support, develop and otherwise foster the growth of an "up-start" or lesser established trading team or adviser (collectively, the "Incubation Fund"). Mariner may establish an Incubation Funds in the future. Mariner has established objective (albeit general) criterion for determining whether a person (or affiliated entity) will be retained to provide investment management services on behalf of an Incubation Fund or whether that person (or affiliated entity) will be retained or otherwise utilized to manage or advise the assets of other Funds or accounts managed by Mariner, an affiliate or Associated Adviser (e.g., the Multi-Strategy Funds). As a result, Mariner could base its appointment of those persons (or affiliated entities) based upon business and financial incentives which may result in favoring one type of arrangement over another.

Creation of New Fund versus Account

Mariner may have a conflict of interest in determining whether to form a new Fund for a Third Party Advisor. For example, if a new Fund is formed for a Third Party Advisor, that person may discontinue managing a separate account for an existing Multi-Strategy Fund, and even if that person does continue to manage a separate account for that Multi-Strategy Fund, the fact that the person is also managing a new Fund could adversely affect the trader's separate account(s) due to allocation of resources, competition from limited availability positions and similar considerations.

Informational Barrier (a/k/a "Chinese Wall")

Separation Between Direct Investment Trading Groups

Mariner has established an informational barrier among its various trading groups and accordingly, those trading groups are under no obligation to share and, in instances, are prohibited from sharing (unless certain established control procedures are followed) investment opportunities, ideas or strategies among each other or their affiliated traders. As a result, certain trading groups within Mariner may compete with each other and/or with affiliated advisers for appropriate investment opportunities, or engage in trading activities on behalf of Mariner's clients that is detrimental to the trading positions of each other.

Separation Between Fund-of-Funds Products

In addition to the informational barrier that exists between Mariner's internal trading groups (as noted above), the Firm has implemented a similar informational barrier between its fund-of-funds product group (e.g., Mariner's "traditional" Fund-of-Funds products team) and Mariner's direct investments trading groups, with limited exception. In addition, consistent with communication and proprietary trading restrictions noted above, to the extent that Mariner may have more than one fund-of-fund program (as was the case when the Firm had a traditional fund of fund product and at "alternative" fund of fund product), Mariner's Fund-of-Funds products team would be under no obligation to share and, in almost every instant, are prohibited from sharing (unless certain established control procedures are followed) investment opportunities, ideas, strategies and planned investments or redemptions amongst each other. As a result, certain Fund-of-Funds products teams within Mariner could at times compete with each other (or affiliated advisers) for appropriate investment opportunities (such as underlying manager hedge fund investment capacity or liquidity upon redemption), or engage in trading activities on behalf of Mariner's clients that is detrimental to the trading positions of each other.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

Mariner generally has the authority to determine without client consultation or consent the broker-dealer or other counterparty through which securities or other instruments are bought and sold, and the commission rates or dealer spreads at which transactions are effected. However, a client may limit Mariner's discretionary authority over its Account and instruct Mariner as to which broker-dealer(s) it should use to execute securities transactions on behalf of its Account. In those cases, Mariner may be unable to achieve most favorable execution of client transactions. Therefore, clients who elect to select the broker-dealer(s) for execution of securities transactions on behalf of their account may incur greater costs (than clients who do not elect directed brokerage). For example, a client may pay higher brokerage commissions because Mariner may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices. Mariner will negotiate the scope of its authority with each client on an individual basis as requested.

In placing orders for the purchase and sale of securities for clients, Mariner's policy is to seek the best execution of orders on an overall basis, which means that it seeks to ensure that the client's total cost or proceeds is the most favorable under the circumstances. Mariner does not adhere to any rigid formulas in making its selection of broker-dealers to effectuate securities transactions on behalf of its clients, but weighs a combination of factors or criteria. For example, in selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution on an overall basis involves a number of factors, including:

- a broker's reliability, reputation and experience in the industry,
- financial stability,
- capital commitment,
- efficiency in executing and clearing transactions (for example, ability to prospect for and provide liquidity and block trades, while avoiding unwanted market impact),
- competitive commission rates, markups and other fees and spreads,
- if applicable, the quality of research and services provided (see "Soft Dollars" below) and
- general responsiveness to the Firm.

Mariner may also take into consideration research (such as investment ideas, quantitative analysis, historical data, analytical, statistical and other information) and services provided by the broker (such as periodic electronic reports).

In selecting broker-dealers for execution of securities transactions for client accounts, Mariner may also consider a broker's assistance with arranging for representatives of Mariner to speak at conferences and programs sponsored by the broker for investors interested in investing in hedge funds (the "Capital Introduction Events"). Through such Capital Introduction Events, prospective clients (or investors in clients managed or advised by Mariner or its affiliates such as the Hedge Funds), have the opportunity to meet with representatives of Mariner. Currently, Mariner and its affiliates do not compensate brokers for organizing such events or for any investments ultimately made by prospective investors attending such events (although either of them may do so in the future).

Additionally, Mariner and its affiliates may do business with (for example, effect securities transactions with) broker-dealers that have consulting or other divisions that refer business to the Firm, but Mariner does not have any agreement or other understanding (either written or oral), to do so based upon that brokerage. Mariner's practice of taking into account client referrals from broker-dealers when selecting broker-dealers for client accounts creates a conflict of interest for Mariner, as it may have an incentive to select or recommend a broker-dealer based on Mariner's interest in receiving client referrals (rather than on Mariner's clients' interest in receiving most favorable execution).

As a general statement of Mariner's procedures used during its last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals, Mariner employees who are responsible for directing brokerage to broker-dealers are not directly involved with capital raising and marketing activities. Those employees who do have responsibility for marketing are separate and distinct from Mariner's investment advisory activities (that is, are generally not Access Persons) and Mariner's Compliance Department specifically monitors activities in this area (including approving all Capital Introduction Events and monitoring trade flows and commission activity with an eye towards these potential conflict activities).

For many transactions involving debt obligations, the markets in which Mariner trades are dealer-to-dealer over-the-counter markets in which there are no brokerage commissions, although mark-ups, mark-downs and clearing, structuring and other transaction costs are applicable. Mariner buys and sells securities on behalf of Advisory Accounts at the prevailing bid-ask spreads. Mariner believes that each Advisory Account has access, through direct contact with primary dealers and financial institutions, to fully competitive prices.

Soft Dollars

Mariner may select brokers that furnish Mariner, its clients, its affiliates or personnel, directly or through third-party relationships, with research or brokerage services which provide, in Mariner's view, lawful and appropriate assistance in the investment decision-making or trade execution processes. Mariner may endeavor, subject to the duty to seek best execution, to execute trades with such brokers, in order to obtain research or brokerage services or in order to ensure the continued receipt of such research or brokerage services. Research or brokerage services that may be acquired by Mariner with soft dollars include, without limitation and to the extent permitted by applicable law: (i) research reports on companies, industries and securities; (ii) economic and financial data; (iii) financial publications; (iv) broker sponsored industry conferences; (v) quantitative analytical software; and (vi) market data related software and services. Such services may be proprietary (i.e., created and provided by the broker-dealer) or third-party (created by a third-party but provided by the broker-dealer).

Mariner may pay, or be deemed to have paid; commission rates higher than it could have otherwise paid in order to obtain such research or brokerage services. Such higher commissions would be paid in accordance with Section 28(e) of the U.S. Securities Exchange Act of 1934 "Safe Harbor" as interpreted by the SEC and its staff, which requires Mariner to determine in good faith that the commissions paid are reasonable in relation to the value of the research or brokerage services received. Mariner believes that using commission dollars to obtain the type of research or brokerage services mentioned above enhances its investment research and trading processes. Pursuant to Mariner's commission sharing policy, all third-party commission sharing arrangements must be approved and/or ratified by Mariner's Compliance Committee. Research products or brokerage services received by Mariner may also be used for functions that are not research or brokerage related. Where a research product or brokerage service has such a "mixed use", Mariner will make a reasonable allocation according to its use and will pay for the non-research and brokerage function in cash using its own funds. The receipt of such products and services and the determination of the appropriate allocation create a potential conflict.

While research or brokerage services obtained in this manner may be used in servicing any or all of Mariner's client accounts, such products and services may disproportionately benefit one or more clients relative to others based on the amount of brokerage commissions paid, the nature of the research or brokerage products and services acquired and their relative use or value for particular accounts. For example, in some cases, the research or brokerage services that are paid through a client's commissions might not be used in managing that client's account. In addition, other Mariner clients may receive the benefit, including disproportionate benefits, of economies of scale or price discounts in connection with products and services provided as a result of transactions executed on behalf of a client account for which such products and services are also used. To the extent that Mariner uses client commission dollars to obtain research or brokerage services, it will not have to pay for those products and services itself. Mariner may also receive research or brokerage services that are bundled with trade execution, clearing, settlement and/or other services provided by a particular broker-dealer. To the extent Mariner receives research or brokerage services on this basis, many of the same potential conflicts related to receipt of these services through third-party arrangements may exist. For example, the research effectively will be paid by client commissions that also will be used to pay for the execution, clearing, and settlement services provided by the broker-dealer and will not be paid by Mariner from its own assets.

On occasion, third party investment managers that are not affiliates of Mariner, but that Mariner (and/or the Mariner Funds) engage to provide advisory services to a Mariner Fund or Account pursuant to a sub-advisory agreement or otherwise, may enter into soft dollar relationships, but generally only to the extent that those soft dollar relationships provide appropriate brokerage and/or research assistance (typically within the Section 28(e) of the U.S. Securities Exchange Act of 1934 "Safe Harbor").

OTC Trading

Primary market makers are used for transactions in the over-the-counter ("OTC") markets, except in those instances where Mariner believes more favorable execution or price is obtainable elsewhere. Mariner may effect transactions in OTC securities (and certain derivatives) directly with principals or market makers by paying a mark-up within the spreads of the bid and ask prices of the security or derivative and without incurring a commission charge. Mariner may also effect transactions in OTC securities or derivatives on an agency basis when liquidity permits. The purchase price of an OTC security or derivative acquired in an agency transaction could include compensation to the broker-dealer in the form of a mark-up relative to the broker-dealer's original cost in addition to a commission.

For many transactions involving U.S. Treasury, federal agency and mortgage-backed securities, the markets in which Mariner trades are dealer to dealer OTC markets in which there are no brokerage commissions, although minor clearing charges are applicable. While Mariner may buy and sell securities or derivatives on behalf of client accounts at the prevailing bid asked spreads, the actual direct transaction costs are minimal. Mariner believes that its Investment Advisory Accounts have access, through direct contact with primary dealers and financial institutions, to fully competitive prices. Certain of Mariner's client accounts may maintain credit lines for Treasury financing with most, if not all, government securities primary dealers.

Clearing and Trading Requirement of the Over-the-Counter Derivatives Markets. The Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets. The Dodd-Frank Act requires that a substantial portion of OTC derivatives must be executed in regulated markets and submitted for clearing to clearing houses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearing house, as well as possible CFTC- or SEC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", the Funds will not be able to rely on such exemptions. OTC derivative dealers also are or will be required to post margin to the clearing houses through which they clear their customers' trades instead of using such margin in their operations. This will increase the OTC derivative dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the possible imposition of new or increased fees. As of the date of this Brochure, certain credit default swaps and interest rate swaps are subject to a clearing mandate. Other swap transactions on other types of products are expected to be required to be cleared as well.

The SEC and CFTC will require a substantial portion of derivatives transactions that were historically executed on a bilateral basis in the OTC markets to be executed through a securities, futures, or swap exchange or execution facility. These transactions that are required to be entered into on an exchange or execution facility are a subset of those that are required to be cleared (i.e., as of the date of this Brochure, certain credit default swaps and interest rate swaps).

Clearing and trading requirements may make it more difficult and costly for investment funds, including the Mariner Funds to enter into OTC transactions. They may also render certain strategies in which the Mariner Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. Finally, the clearing requirement will centralize risk in a small number of clearing counterparties. While the derivatives clearing organizations' margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

Borrowing

To the extent a Fund uses leverage, it may borrow from a broker (such as a prime broker or other key counter-party or service provider of the Fund or Mariner) at arm's-length rates. If any Investment Advisory Account engages in short sales, Mariner may cause the Investment Advisory Account to borrow the securities sold short from an unaffiliated broker and that broker will earn and retain any interest in connection with the borrowing.

Trade Errors

Mariner seeks to exercise due care in making and implementing investment decisions on behalf its clients. It is Mariner's policy to seek to correct any trade error that may occur as soon after discovery as is reasonably practicable, consistent with the orderly disposition (and/or acquisition) of the securities in question. As a general matter, actual losses in an Investment Advisory Account as a

result of a trade error caused by Mariner will be reimbursed by Mariner; however, Mariner does not compensate its clients for lost investment opportunities (such as its failure to take advantage of investment or market improvements). Any gains in an Investment Advisory Account as a result of a trade error caused by Mariner will remain in the Investment Advisory Account.

As a general matter, netting of gains and losses between Investment Advisory Accounts is not permissible. Netting of gains and losses for one Investment Advisory Account may be permitted, however, in circumstances in which more than one transaction may be effected to correct one or more trade errors made as a result of a single (or related) investment decision(s). Netting of gains and losses may also be permitted in the circumstances in which multiple trade errors resulting from more than one investment decision occur in the same Advisory Account on the same day. It is Mariner's policy that broker-dealers may not assume responsibility for trade error losses caused by Mariner, and Mariner does not enter into reciprocal arrangements between Mariner and a broker with respect to the trade error in question (or any other trade) to encourage the broker to assume responsibility for such losses.

Item 13 – Review of Accounts

As more fully discussed below, the members of the Investment Committee and the Risk Management Committee regularly review Investment Advisory Accounts (daily, weekly, monthly and/or quarterly depending upon the Investment Advisory Account, strategy, perceived risks and the committee involved in the review). The Investment Committee consists of the following standing committee members: William Michaelcheck (Chairman and Mariner's Chief Investment Officer), Charles R. Howe II (Mariner's President and Chief Financial Officer), Dmitry Green (Mariner's Chief Risk Officer), as well as 6 portfolio management representatives. As of March 31, 2018, such representation includes: Scott Fahey, John A (Jack) Poulson, Arun Puri, Greg Schwab, Matt Shulman and James Wise. The Risk Committee for the Firm's direct investment business activities currently consists of Dmitry Green, William Michaelcheck, and John Kelty. Each of the above described committees meet regularly to discuss the Investment Advisory Accounts. In addition, the portfolio manager(s) on each Investment Advisory Account continuously monitor(s) that Investment Advisory Account (daily, weekly, monthly and quarterly).

Mariner generally furnishes clients with quarterly reports listing the market value and other relevant information concerning their Investment Advisory Accounts. In addition, Mariner also provides reports to investors in Mariner Funds on a periodic basis (for example, monthly investor letters and other emails that include estimated Fund performance and related information). In addition to the above, upon written request and generally subject to each recipient entering into a confidentiality agreement, investors in Mariner Funds and their representatives may receive Mariner's "Special Reports" (that is, investor reports derived from larger Mariner internal use documents). Each investor in Mariner Funds will receive an annual audited financial statement for the relevant Fund prepared in accordance with GAAP, generally within 120 (for Hedge Funds, Private Equity Funds, and the Multi-Strategy Funds) or 180 days (for Fund-of-Funds) of the end of the relevant Fund's fiscal year. Mariner also makes additional reports as are appropriate to client or investor relationships.

Other than as required by applicable law or regulation, Mariner's clients and investors in Mariner Funds are furnished only those reports and information as contractually agreed upon between the parties in writing. All of the reports provided to Mariner clients and investors in the Mariner Funds are written.

Item 14 – Client Referrals and Other Compensation

Mariner may enter into arrangements with third parties, including its affiliated parties (e.g., MGCM), whereby such third parties receive fees for referring clients to Mariner or investors to Funds managed by Mariner, its affiliates or Associated Advisers. Mariner pays that compensation only if the client or investor is aware of the fee arrangement (through general disclosures or acknowledgments included in a Fund's subscription documents) and the arrangement otherwise complies with applicable rules and regulations (for example, the requirements of Rule 206(4)-3 under the Advisers Act with respect to the Accounts and a form of general disclosure with respect to the Mariner Funds).

Item 15 – Custody

To the extent that Mariner deducts fees directly from an Account or serves as the general partner or managing member of a Mariner Fund, it is deemed to have custody of client assets.
All Account clients should receive, at least quarterly, account statements from the broker-dealer, bank, or other qualified custodian that maintains the client's assets. Mariner urges clients to carefully review those account statements and to compare the account statements received from their custodians with any statements they receive from Mariner.
Mariner generally provides Mariner Fund investors with the applicable Fund's annual audited financial statements prepared by an independent public accountant.

Item 16 – Investment Discretion

Mariner generally receives and exercises discretionary authority to manage investments on behalf of its clients. As noted in Item 4 above, clients may impose limitations on this discretion with respect to: (i) the specific types of investments or asset classes that Mariner will or will not purchase for their Accounts; (ii) the nature of the issuers of investments that Mariner will or will not purchase for their Accounts; and/or (iii) the risk profile of instruments Mariner will or will not purchase for their Accounts, or the risk profile of the Accounts as a whole. Clients may also direct Mariner to use a particular broker-dealer or broker-dealers (please see Item 12 above for further information regarding directed brokerage).

Mariner typically assumes this authority though a power of attorney or contract provision granted or entered into by a client, or through the constituent documents of a Fund.

Item 17 – Voting Client Securities

Summary of Proxy Voting Policies and Procedures

Pursuant to Rule 206(4)-6 under the Advisers Act, Mariner is providing this summary of its proxy voting process, as well as information as to how you may obtain Mariner's complete proxy voting policy and procedures and information as to how proxies were voted for securities held in Investment Advisory Accounts including Funds.

Mariner has adopted proxy voting policies and procedures designed to ensure that where its clients have delegated proxy voting authority to Mariner, all proxies are voted in the best interest of its clients without regard to the interests of Mariner or related parties. When a client retains Mariner, the investment management agreement between Mariner and the client generally dictates whether Mariner will vote proxies on behalf of that client. Clients may not direct Mariner's vote in a particular solicitation.

Currently, Mariner uses Broadridge Investor Communications Solutions, Inc. ("Broadridge") as its third-party proxy voting service provider. If the client appoints Mariner as its proxy voting agent, the client will also instruct Mariner to vote its proxies in accordance with: (i) custom guidelines provided by the client; (ii) Mariner's Standard Guidelines (currently the same as Broadridge's standard guidelines); or (iii) in the case of a Taft-Hartley client, with Broadridge's Taft-Hartley guidelines. Mariner informs the client's custodian (including prime brokers) to send all proxies to Broadridge. Mariner then informs Broadridge that the client has appointed Mariner as its agent and instructs Broadridge as to which guidelines to follow.

Once the appropriate guidelines have been established, each proxy must be voted in accordance with those guidelines unless a Mariner portfolio manager believes that it is in the best interest of our client(s) to vote otherwise (the "dissent"). In order to mitigate any conflict of interest that may arise under those circumstances (between Mariner's self interest and its duty to act in the best interest of its clients), in those exceptional cases, the following steps are taken:

- The portfolio manager must draft a written dissent to the voting instruction and submit the dissent to Mariner's Legal/Compliance Department for review;
- If Mariner's General Counsel or Chief Compliance Officer (as members of Mariner's Compliance and Proxy Voting Sub-Committees) determines that no "Material Conflict" exists (as defined in Mariner's Proxy Voting Policy), then the portfolio manager's dissent will be approved and Broadridge will be informed of the voting dissention.
- If Mariner's General Counsel or Chief Compliance Officer determines that a Material Conflict exists, the matter will immediately be referred to Mariner's Proxy Voting Sub-Committee for consideration. In accordance with Mariner's procedures, the Proxy Voting Sub-Committee members will consider the matter and resolve the conflict as deemed appropriate under the circumstances (e.g., approve or deny).
- All dissents are reviewed by Mariner's Proxy Voting Sub-Committee for consideration and ultimate approval and later Mariner's full Compliance Committee for its review;

Mariner's clients and investors in Mariner Funds may obtain a complete copy of Mariner's Proxy Voting Policy and Procedures or information on how Mariner voted proxies for their Investment Advisory Accounts (or the Investment Advisory Account of the relevant Mariner Fund, as applicable) free of charge by submitting a written request to Mariner's Compliance Department at 500 Mamaroneck Avenue, Harrison, NY 10528, by fax at (914) 670-4320 or by contacting Mariner's Chief Compliance Officer at (914) 670-4335.

Policies and Procedures for Filing Claims in Class Action Litigation

Mariner believes that it has a fiduciary responsibility to monitor securities class action suits and file claims on behalf of its clients. A class action is a civil lawsuit where a group or "class" is affected in the same manner or form. One or more representatives of the group file suit on behalf the class and a judge will initially decide whether or not the claims of the representatives arise from uniform facts or law common to all class members. If an individual or institution has a unique set of circumstances that might vary from the class, it may prove worthwhile for them to opt out of the class action and file suit individually.
Currently, Mariner uses Class Action Claims Management to undertake the class action filing process on behalf of eligible clients unless a client instructs them otherwise. This policy applies to all advisory accounts managed by Mariner

Item 18 – Financial Information

Form ADV Part 2 requires investment advisers such as Mariner to disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients. At this time, Mariner has no information to report that is applicable to this item.

Other Information

Anti-Money Laundering Policies and Procedures
To help the government fight the funding of terrorism and money laundering activities, Mariner seeks to obtain, verify, and record information that identifies clients who open Accounts with Mariner or subscribe for an interest in a Mariner Fund. When a client opens an Account with Mariner, or subscribes for an interest in a Mariner Fund, Mariner will ask for information (such as name, address, date of birth, identification number, a copy of a driver's license or other identifying documents or information) that enables Mariner to identify that client or investor in a manner that is consistent with applicable requirements and to share that information as required by applicable law or in connection with the execution of trades. For certain clients, Mariner may rely (in whole or in part) on the client's broker-dealer, transfer agent or custodian to obtain, verify and record the required information.

Business Continuity Plan

Mariner's Business Continuity Plan ("BCP") is designed with an objective to provide for immediate, accurate and measured response to emergency situations and minimize the impact a specific disaster may have upon the safety and wellbeing of Mariner's personnel and operations. The BCP details the processes in place should a disaster occur that causes temporary (or long term) displacement, including how Mariner would: (i) protect against the loss or damage to organizational assets and critical information; and (ii) resume normal business activities, including the reinstatement of communications with outside contacts, during any extended outage or displacement period. Mariner prepares for business interruptions in part by:

- Maintaining back-up facilities in New York (Harrison, New York City, and Wappinger Falls) that are equipped to handle critical operations should Mariner's primary facilities be unavailable;
- Providing all Mariner employees with the ability to log-in to the company's information and technology systems from home (including company email, Bloomberg services and other online disaster recovery systems), which allows Mariner's portfolio managers, traders and other key investment professionals to continue to perform critical investment-related responsibilities including trade execution and portfolio monitoring functions;
- Backing up critical data at secure off-site locations for use during a significant business interruption; and
- Designating a crisis management team composed of senior-level management to activate and manage the recovery and communication processes.

A designated senior executive reviews and approves the overall BCP on an annual basis (in consultation with other members of senior management team), while the Information Technology department reviews and maintains system-related components.

Although Mariner has taken significant steps to implement what Mariner believes is a reasonable business continuity plan, Mariner cannot guarantee that its business processes will always be available or recoverable should a significant business interruption strike. However, Mariner believes its business continuity strategy sufficiently reduces the risks associated with possible business interruptions.

If you have further questions regarding this BCP, please contact Mariner's Chief Compliance Officer at (914) 670-4335. This information is subject to modification without notice.

Specific Disclosures for Prospective Participants in Registered or Exempt Commodity Pools and Mariner's Exemption as a Commodity Trading Advisor

This brochure (this "Brochure") provides information about the qualifications and business practices of Mariner Investment Group, LLC ("Mariner"). If you have any questions about the contents of this Brochure, please contact us at (914) 670-4335.

Please note that the information in this Brochure has not been approved or verified by any regulator or self-regulatory organization including the United States Securities and Exchange Commission (the "SEC"), the Commodity Futures Trading Commission (the "CFTC"), the National Futures Association ("NFA") or by any state securities authority.

Mariner is registered with the SEC as an investment adviser and with the CFTC as a commodity pool operator. Registration of an investment adviser or commodity pool operator does not imply any level of skill or training. The oral and written communications of an investment adviser (and commodity pool operator) provide you with information about which you may determine to hire or retain an investment adviser or make an investment in a commodity pool advised by the operator. Mariner is not registered with the Commodity Futures Trading Commission ("CFTC") as a Commodity Trading Advisor, based on Mariner's determination that we may rely on certain exemptions from registration provided by the Commodity Exchange Act and the rules thereunder. The CFTC has not passed upon the availability of these exemptions to Mariner.

Additional information about Mariner also is available on the SEC's website at www.adviserinfo.sec.gov or www.NFA.Futures.Org/basicnet. You can search the SEC's website by a unique identifying number, known as a CRD number. The CRD number for Mariner is 124744. You can search the NFA's Background Affiliation Status Information Center (BASIC) website by a unique identifying number, known as a NFA ID. The NFA ID number for Mariner is 0249051.

Privacy Statement (Notice)

Please see below

FACTS	WHAT DOES MARINER INVESTMENT GROUP, LLC DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service we provide to you. This information can include: ■ Social Security number and assets; ■ Account balances and transaction history; and ■ Investment experience and wire transfer instructions.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Mariner Investment Group, LLC ("Mariner") chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Mariner share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	No
For our affiliates' everyday business purposes – information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For our affiliates to market to you	Yes	Yes
For nonaffiliates to market to you	No	We don't share

To limit our sharing:	■ Call (914) 670-4300 or unsubscribe@marinercapital.com **Please note:** If you are a *new* customer, we can begin sharing your information 30 days from the date we sent this notice. When you are *no longer* our customer, we may continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.
Questions?	Call (914) 670-4300 or unsubscribe@marinercapital.com

Who we are	
Who is providing this notice?	Mariner Investment Group, LLC ("Mariner"), on behalf of Mariner Partners, L.P., Mariner Atlantic, Ltd., Galton Agency MBS Fund, Ltd., Galton Mortgage Strategies Onshore Fund, L.P., Galton Mortgage Strategies Offshore Fund, Ltd., Galton Onshore Mortgage Recovery Fund III, L.P., Galton Offshore Mortgage Recovery Fund III, Ltd., Galton Onshore Mortgage Recovery Fund IV, L.P., Galton Offshore Mortgage Recovery Fund IV, Ltd., Mariner Glen Oaks Fund, L.P., Mariner Glen Oaks Offshore Fund, L.P., Concordia G-10 Fixed Income Relative Value I, L.P., Concordia G-10 Fixed Income Relative Value, Ltd., Concordia Institutional Multi-Strategy Ltd., Concordia Municipal Opportunities Fund III L.P., Mariner Breakwater, L.P., International Infrastructure Finance Company Fund, L.P., International Infrastructure Finance Company Feeder, L.P., International Infrastructure Finance Company Fund II, L.P ., International Infrastructure Finance Company Feeder II, L.P., Elm CLO 2014-1 Ltd., Mariner CLO 2015-1 LLC, Mariner CLO 2016-3 Ltd; Mariner CLO 2017-4, Ltd.; Mariner CLO-5, Ltd., Mariner CLO 6, Ltd., Mariner CLO Opportunities Fund, L.P., Mariner Falcon CLO Fund, L.P. Mariner Frontier Fund, L.P., Mariner Fairwind Unit Trust, Mariner Alternative Relative Value Fund I, Ltd. and Mariner Opportunities Fund.

What we do	
How does Mariner protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law (and in certain cases state law). These measures include computer safeguards and secured files and buildings.
How does Mariner collect my personal information?	We collect your personal information, for example, when you: ■ Give us your contact information; ■ Enter into an investment advisory contract or buy securities from us or an affiliate (e.g., invest in a Mariner advised hedge fund); and ■ Tell us where to send the money or make a wire transfer. We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: ■ sharing for affiliates' everyday business purposes – information about your creditworthiness; ■ affiliates from using your information to market to you; and ■ sharing for nonaffiliates to market to you. State laws and individual companies may give you additional rights to limit sharing.
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices will apply to everyone on your account.

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Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. ■ *Our affiliates include ORIX Mariner Holdings, LLC, ORIX Global Asset Management LLC, ORIX Corporation USA, ORIX Corporation (collectively "ORIX"), ORIX Capital Partners, LLC (a relying adviser), Mariner Group Capital Markets LLC (a limited purpose broker-dealer), Mariner Investment (Europe) LLP (an FCA registered adviser located in London) and the Back Office Services Group, LLC (an affiliated back office fund administrator for certain clients). Mariner also has associated companies with a "Tricadia" name.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. ■ *Mariner does not share with nonaffiliates so they can market to you.*
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. ■ *Mariner does not engage in joint marketing.*