



Item 1 – Cover Page

Mariner Investment Group, LLC
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March 30, 2012

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

Additional information about Mariner also is 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.

Item 2 – Material Changes

Our last version of this Brochure was dated March 31, 2011.

We have revised this Brochure to make the following updates which we consider to be material changes to Mariner’s Brochure:

- Addition of Mariner-Aroya Opportunity Fund, L.P. and related disclosures concerning strategies, fees, risks and conflicts
- Addition of Galton Mortgage Strategies Offshore Fund, Ltd. and related disclosures concerning strategies, fees, risks and conflicts
- Removal of Mariner Natural Resources Fund, L.P.
- Removal of Pembroke Community Investors, LLC and PCI Investors Fund II LLC from Item 8.
- Updating Item 10 to disclose our affiliation with Pembroke Capital Management, LLC (“Pembroke”), a newly SEC registered investment adviser.
- Removal of Ellen Rachlin from Item 13. Ms. Rachlin is no longer an employee of Mariner and accordingly no longer serves in a Portfolio Management role for the Firm. In addition, please note that Ms. Rachlin is no longer a member of Mariner’s Investment Committee, Risk Management Committee, Valuation Committee and Brokerage Committee.

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

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, formerly “Mariner Investment Group, Inc.,” has been in business since 1992. Mariner’s ownership structure is as follows:

- MIG Holdings, LLC (“MIG Holdings”) owns 100% of Mariner;
- “Mariner Principals” (as defined in Item 10) own approximately 40.8% of MIG Holdings;
- ORIX AM Holdings LLC owns 59.2% of MIG Holdings;
- ORIX Asset Management, LLC majority-owns (95%) and controls ORIX AM Holdings LLC;
- ORIX USA Corporation owns 100% of ORIX Asset Management, LLC; and
- ORIX Corporation (NYSE: IX; TSE: 8591), a public company, owns 100% of ORIX USA Corporation.

Advisory Services

Mariner serves as investment adviser to numerous Funds (the “Mariner Funds”) as well as separately managed accounts (the “Accounts”). Mariner generally tailors its advisory services to the individual needs of its clients in Accounts, and manages the Mariner Funds in accordance with the investment strategy of the relevant Fund and not based upon the individual needs of the investors in the Fund.

Mariner Funds

Mariner acts as investment adviser to several types of private investment 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);
- 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 arbitrage strategies indirectly through a traditional fund-of-funds format (each, a “Fund-of-Funds”); and

- Funds that seek to: (i) gain synthetic exposure to a selected financial index or benchmark return (such as the S&P 500) by purchasing a futures contract or entering into a derivative transaction (such as a total return swap); and (ii) earn an additional return with low correlation to traditional markets by investing in Hedge Funds or Fund-of-Funds (together, the “Portable Alpha 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.

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.

Client Restrictions

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

Client Assets

As of March 1, 2012, Mariner manages \$4.7 billion in clients assets on a discretionary basis.

Item 5 – Fees and Compensation

Compensation for Advisory Services

Generally

Mariner (and its affiliates) generally charge advisory fees to Mariner’s advisory clients (whether the Mariner Funds or the Accounts) based on: (i) client assets under management; and (ii) the performance of an 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;
- the applicable investment strategy;
- any restrictions or requirements imposed on Mariner;
- the amounts invested; and/or
- the relationship he/she/it has with Mariner and/or its affiliates (for example, Mariner may offer lower fees to large institutional investors in the Mariner Funds or large institutional separately managed accounts).

As a general policy and as discussed further below, Mariner deducts its asset- and performance-based fees directly from the Advisory 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).

Investment advisory contracts terminate on, or shortly following, one party’s receipt of written notice of termination from the other party. 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 are charged at an annual rate of 0.45% to 2% of the average value of the client’s net assets under management (or for the Private Equity Funds, of the amount of paid-in capital that has actually been invested into the Fund’s portfolio companies). Asset-based fees are generally payable monthly or quarterly (i) in advance for the Mariner Funds and (ii) in advance or in arrears for the Accounts (depending on the terms of the applicable investment management agreement).

A *pro rata* portion of the asset-based fee will be paid out of any capital contributions made by new or existing investors to a Mariner Fund on any date other than the first business day of, as applicable, each month (based on the number of days remaining in the month) or each fiscal quarter (based on the number of months remaining in the fiscal quarter). In the event of an investor’s withdrawal from a Mariner Fund prior to the end of, as applicable, a month or fiscal quarter, Mariner will repay to the Fund and the Fund will distribute to the withdrawing investor a *pro rata* portion of the asset-based fee (based on the number of days remaining in the month or the number of months remaining in the fiscal 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 fiscal 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 number of months remaining in the fiscal quarter, as applicable).

Performance-Based Fees

Mariner's performance-based fee¹ normally ranges from 0% to 30% of the increase in the net asset value of an Advisory Account ("net appreciation") for the relevant time period, 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. A performance fee is generally accrued monthly and is payable 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).

For the Private Equity Funds, the performance-based fee is based on a distribution waterfall (as set forth in the applicable offering documents). In addition, 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.

Fund-Specific Compensation

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
Mariner Opportunities Fund, L.P.	2.0%	20% (subject to a Performance Measure)
Mariner Silvermine Fund LLC	1.5%	20% (subject to a Performance Measure)
Mariner Silvermine Offshore Ltd.	1.5%	20% (subject to a Performance Measure)
Mariner Palmetto Silvermine Partners, L.P.	1% (of capital commitments)	25% (subject to a Performance Measure)
Mariner Onshore Mortgage Fund I, L.P.	1.75% (of paid-in capital)	20% profit participation based on a distribution waterfall

¹ 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.

Name of Fund	Asset-Based Fee	Performance-Based Fee
Mariner Offshore Mortgage Fund I, L.P.	1.75% (of paid-in capital)	20% profit participation based on a distribution waterfall
Mariner Onshore Mortgage Fund II, L.P.	1.75% (of paid-in capital)	20% profit participation based on a distribution waterfall
Galton Mortgage Strategies Onshore Fund, L.P.	1.75%	20% (subject to a Performance Measure)
Galton Mortgage Strategies Offshore Fund, Ltd.	1.75%	20% (subject to a Performance Measure)
CALPERS Mariner Fixed Income Fund LLC	1.0%	Varying percentage based on formula set forth in the Fund's First Amended and Restated Limited Liability Company Agreement (subject to a Performance Measure)
Mariner-Aroya Opportunity Fund, L.P.	1.5%	20% (subject to a Performance Measure)
Mariner Partners, L.P.	1.5-2% (varies by share class) Mariner pays traders asset-based fees ranging from 0.8-1.2% (out of its management fee).	10% (subject to a Performance Measure) The Fund also pays traders performance-based fees of 16-25% of net appreciation (subject to a Performance Measure).
Mariner Atlantic, Ltd.	1.5-2.0% (varies by share class) Mariner pays traders asset-based fees ranging from 0.8-1.2% (out of its management fee).	10% (subject to a Performance Measure) The Fund also pays traders performance-based fees of 16-25% of net appreciation (subject to a Performance Measure).
Mariner Voyager Fund, L.P.	1.5% Mariner pays traders asset-based fees out of its management fee.	10% (subject to a Performance Measure) The Fund also pays traders performance-based compensation.
Mariner Voyager International, Ltd.	1.5% Mariner pays traders asset-based fees out of its management fee.	10% (subject to a Performance Measure) The Fund also pays traders performance-based compensation.

Name of Fund	Asset-Based Fee	Performance-Based Fee
Mariner Select, L.P.	0-1.5% (varies by share class)	0-15% (subject to a Performance Measure) (varies by share class)
Mariner Select International, Ltd.	0-1.5% (varies by share class)	0-15% (subject to a Performance Measure) (varies by share class)
Mariner Select Ultra Fund, LP	1.25% Mariner pays a portion of its advisory fee to Merrill Lynch Alternative Investments LLC.	15% (subject to a Performance Measure)
Mariner Select Ultra 2X Fund, LP	1.45% Mariner pays a portion of its advisory fee to Merrill Lynch Alternative Investments LLC.	15% (subject to a Performance Measure)
Mariner Select Ultra International, Ltd.	1.25% Mariner pays a portion of its advisory fee to Merrill Lynch Alternative Investments LLC.	15% (subject to a Performance Measure)
Mariner Navigator International, Ltd.	1.25-1.50%	0-5.0% (subject to a Performance Measure)
Arctic Bear Fund, L.P.	0.85%	Percentage based on formula set forth in the Fund's documentation (subject to a Performance Measure)
Mariner/Palmetto State Partners, L.P.	The Fund indirectly pays Mariner (or its associated adviser) a management fee, as Mariner (or its associated adviser) receive all or part of the management fees charged by the underlying Hedge Funds (which are managed by Mariner or its associated adviser) in which it invests.	The Fund indirectly pays Mariner (or its associated adviser) an incentive fee, as Mariner (or its associated adviser) receive all or part of the incentive fees charged by the underlying Hedge Funds (which are managed by Mariner or its associated adviser) in which it invests.

Name of Fund	Asset-Based Fee	Performance-Based Fee
Mariner Fairwind Unit Trust	1.25%	15% (subject to a Performance Measure)
Mariner II AK Permanent Fund, L.P.	1.0% up to \$200 million, 0.75% for the next \$300 million and 0.50 for amounts in excess of \$500 million	None
Mariner Explorer Fund, L.P.	1.0%	10% (subject to a Performance Measure)
Mariner Empire Fund, L.P.	Negotiated	Negotiated
Mariner Matador Fund, LLC	Negotiated	Negotiated
Mariner Navigator TIPS, Ltd.	1.25 - 1.5% Mariner may also charge a program fee of 0.10%	0-5.0% (subject to a Performance Measure)
Mariner Atlantic TIPS, Ltd.	1.5% Mariner may also charge a program fee of 0.20%	6% (subject to a Performance Measure)
Mariner Navigator US Equities, Ltd.	1.25-1.50% Mariner may also charge a program fee of 0.10%	0-5.0% (subject to a Performance Measure)

Additional Expenses

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, 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") and Mariner Group Capital Markets, Inc. ("MGCM") (see Item 10 below).

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), which may create a financial conflict. 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 traders or affiliated advisers when Mariner believes that doing so is appropriate and in the best interests of the relevant Mariner Fund or Account.

In addition to affiliated advisers, Mariner may also 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"). More specifically, pursuant to a service agreement or other type of joint venture arrangement, Mariner 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 discloses this conflict in the investment management agreements (for Accounts) and offering documents for potential investors (for the Mariner Funds), and will only retain Associated Advisers when Mariner believes that doing so is appropriate and in the best interests of the relevant Mariner Fund or Account.

As a general matter, the Mariner-advised Fund-of-Funds do not purchase securities of the Hedge Funds advised by Mariner, its affiliates or its Associated Advisers ("Affiliate Securities") (with the exception of Mariner Navigator International, Ltd., which is prohibited from purchasing Affiliate Securities, and Mariner/Palmetto State Partners, L.P. and Mariner Fairwind Unit Trust, which do purchase Affiliate Securities). However, Mariner reserves the right to buy, on behalf of its Fund-of-Funds clients, Affiliate Securities if Mariner determines it to be in the best interests of its advisory clients (for example, tailored or custom fund-of-funds products). In that case, 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 affiliate Mariner Broker-Dealer (a limited purpose broker-dealer engaged primarily in private placement activity) 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 on the basis of up to 25% of Mariner's net fee revenue related to that client or investor. Under limited circumstances, that compensation may be higher.

This practice of compensating employees of Mariner and/or its affiliate Mariner Broker-Dealer for referring or helping to solicit 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 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 Advisory Account 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 of the Mariner Funds, Mariner II AK Permanent Fund, L.P., is charged only an asset-based fee.

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 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 Advisory Accounts managed using the same investment strategy will participate *pro rata* in all investment opportunities that Mariner allocates to any other 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.

Item 7 – Types of Clients

As noted in Item 4 above, 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. The minimum account size that Mariner will accept varies dependent upon the investment strategy. Mariner will generally manage Advisory Accounts with a minimum size of \$5,000,000 and will further require that no withdrawal may be permitted if to do so reduces the Advisory Account to less than \$500,000, unless the Advisory Account is being terminated.

However, Mariner may, in its discretion, based upon its total client relationship and other circumstances, accept smaller accounts. In addition, 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. 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.

(Section 8-A)

Funds (Fund-of-Funds)²: Mariner Select, L.P., Mariner Select Ltd., Mariner Select Ultra 2X Fund, L.P., Mariner Navigator International, Ltd., Mariner Matador Fund, LLC, Arctic Bear Fund, L.P., Mariner II AK Permanent Fund, L.P., Mariner Navigator TIPS, Ltd., Mariner Navigator US Equities, Ltd.³

Underlying fund strategies and related risks:

I. Multi-Strategy – (Primary Macro Strategy of each Fund of Fund)

- *Description*: Multi-strategy hedge funds encompass multiple strategies. A portfolio manager may include multiple strategies including many combinations of strategies. A multi-strategy portfolio manager may not necessarily diversify its allocations of risk capital amongst the investment strategies.
- *Risks*:
 - Traders making their own trading decisions may invest the assets allocated to their separate accounts 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.
 - Traders generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification may subject a Fund to more rapid change in value than would be the case if those assets were required to be more widely diversified.

A. Primary Strategies Employed By Underlying Hedge Fund Investments and Related Risks

1. Long/Short Equity

- a. *Description*: This strategy focuses on absolute returns and the trades implemented in the strategy generally capitalize on the portfolio manager's views and outlooks for specific equity markets, regions, sectors, and securities. While these strategies involve both long and short positions in various equity securities, the strategies will generally represent a specific directional view. However, unlike traditional equity funds, the directional view relates less to the absolute direction of the market and more toward the specific positions (longs versus shorts) held within a portfolio. The Long/Short Equity strategy is

² Please see **Part 8-N** below for additional information regarding each Fund-of-Funds.

³ Please see **Part 8-M** below for additional information regarding Mariner Navigator TIPS, Ltd. and Mariner Navigator US Equities, Ltd.

composed of four sub-investment strategies: Opportunistic, Global-International, Sector Specific, and Short Biased.

b. *Risks:*

- 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.
- If the short seller has sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, it is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to its long and its short positions.

2. Multi-Strategy

- a. *Description:* Multi-strategy hedge funds encompass multiple strategies. A portfolio manager may include multiple strategies including many combinations of strategies. A multi-strategy portfolio manager may not necessarily diversify its allocations of risk capital amongst the investment strategies.

b. *Risks:*

- Traders making their own trading decisions may invest the assets allocated to their separate accounts 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.
- Traders generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification may subject a Fund to more rapid change in value than would be the case if those assets were required to be more widely diversified.

3. Distressed Securities

- a. *Description:* This strategy involves investing in the debt and equity of companies which are highly leveraged and liquidity impaired. These companies require

legal action or restructuring to improve asset value and financial stability. This strategy has a longer investment time horizon.

b. *Risks:*

- Distressed investment strategies generally involve investing in the securities and other assets of 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. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial prospects.
- The market prices of distressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for such securities may be greater than normally expected.
- The companies’ survival depends upon certain outcomes regarding board votes, financings or regulatory intervention, to name a few. These outcomes create risk in the portfolio and sharp price swings. Therefore, a portfolio with fewer positions will be the riskiest and can be expected to experience sharp price swings.
- The portfolio manager may become involved in creditor committees. This work requires a great deal of time and focus. There are real and implied costs to this process, including legal liability.

4. Capital Structure Arbitrage

- a. *Description:* This strategy involves exploiting pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within the capital structures of specific companies.
- b. *Risks:* The market movements of the different parts of the capital structure of credit-impaired companies 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.

5. Emerging Markets

- a. *Description:* This strategy involves investing in the debt and equity of economically developing countries. These countries tend to have lower per capita income and smaller stock and bond markets than developed countries’ markets. Emerging market countries tend to use hard and local currency issued securities to access the publicly traded markets.

- b. *Risks:* Risks may include: (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty including war; (iii) dependence on exports and the corresponding importance of international trade; (iv) price fluctuations, less liquidity and smaller capitalization of securities markets; (v) currency exchange rate fluctuations; (vi) rates of inflation (including hyperinflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and on the underlying fund's ability to exchange local currencies for U.S. dollars; (viii) governmental involvement in and control over the economies; (ix) governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) longer settlement periods for securities transactions in emerging markets; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of underlying fund portfolio securities and cash with non-U.S. subcustodians and securities depositories.

6. Diversified Fixed Income Arbitrage

- a. *Description:* Fixed-income arbitrage can be broken down into three general categories: global yield curve arbitrage; mortgage arbitrage; and credit arbitrage:
 - Global yield curve arbitrage is a diversified strategy that uses a variety of liquid and highly rated fixed-income instruments from around the world to create relative value and directional positions within a given yield curve or between different curves.
 - Mortgage arbitrage invests in high-yield mortgage-backed securities, including mortgage pass-throughs, interest only (IOs), principal only (POs), floaters, inverse floaters, and planned amortization class (PAC) bonds. The strategy attempts to hedge market exposure by using Treasuries, swaps, agency debentures, and other mortgage instruments and options. Because these complex instruments yield more than the cost of short-term borrowing, hedge fund managers use leverage to create high-yield, market-neutral portfolios.
 - Credit arbitrage is a strategy that seeks to take long and short positions in high-yield corporate bonds and hedge out the noncredit exposure using Treasuries, credit default swaps, and other corporate securities such that the only exposure remaining is the underlying credit of the company.
- b. *Risks:* The performance of fixed income arbitrage as a class is driven by the interplay of three risk factors: interest rates; volatility; and credit spreads:
 - Changes in interest rates represent one of the greatest risks for a fixed income fund, as interest rates directly impact the value of most fixed income securities.
 - Changes in interest rates tend to be accompanied by changes in the volatility of rates. Changes in volatility cause a change in the curvature of yield curve (convexity risk). They affect the valuation of other fixed income securities

through the put /call options of the callable corporate bonds, of mortgage securities (for example, prepayment risk), or of those embedded in spread products. Although market volatility can create trading opportunities, too much volatility creates additional risks that affect the ability of managers to put on and maintain effective hedges. It can cause the correlation between long positions and hedges to diverge, resulting in the appreciation of the hedge and the depreciation of the long position.

- Credit spreads provide a measure of the perceived risk of investing in fixed-income securities. As an economy weakens and the credit quality of bond issuers deteriorates, investors require higher yields to compensate for the increased risk. These higher yields represent a wider spread over Treasuries and lower prices (i.e., asset depreciation). Factors influencing spread risk include equity market returns and implied equity market volatility measured, for example, by the VIX index.

7. Macro

- a. *Description:* Global Macro strategies generally focus on macro-economic opportunities across numerous markets and instruments. Investments may be either long or short in cash securities, futures contracts, derivative contracts, or options, and may be in equities, fixed income markets, currencies, or commodities (e.g., agricultural, metals, energy). This category is composed of two major strategies- Discretionary Strategies and Systematic Strategies:
 - Discretionary Strategies. These strategies seek to profit by capturing market moves throughout a broad universe of investment opportunities. These opportunities include financial markets, such as global equity, currency, and fixed-income markets, as well as non-financial markets, such as the energy, agricultural, and metals sectors. Managers utilize a combination of fundamental market research and information in conjunction with quantitative modeling to identify opportunities that exist within the markets.
 - Systematic Strategies. Managers utilizing Systematic Global Macro strategies utilize proprietary models to identify opportunities that exist within a diverse group of financial and non-financial markets and establish positions based on the models. While subjective investment decisions occasionally can be made, such decisions tend to be the result of a heavier reliance upon models than is the case with discretionary strategies.
- b. *Risks:*
 - Economic and other events (whether real or perceived) can reduce the demand for certain fixed income securities, or for investments generally, which may reduce market prices and cause the value of fund shares to fall. The frequency and magnitude of such changes cannot be predicted.
 - Certain fixed income securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market.

- An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market.

8. Commodities

- Description:* This strategy can include futures and options in agricultural commodities, precious and base metals, and soft commodities. Markets traded may include corn, wheat, soybeans, cocoa, sugar, coffee, livestock, pork bellies, gold, aluminum, zinc, cotton, pulp and paper. Trading strategies utilized may include time spreads, basis trading, volatility trading and inter-commodity spreads.
- Risks:*
 - The prices of commodities contracts and all derivative instruments, including futures and options prices, are highly volatile. Payments made pursuant to swap agreements also 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.
 - The value of futures, options and swap agreements also depends upon the price of the commodities underlying them.

9. Corporate Bond Arbitrage

- Description:* This strategy has a variety of sub-strategies. The sub-strategies may include relative value credit trading, basis trading, index arbitrage and structured security trading:
 - Relative Value Arbitrage. Relative value trading may employ quantitative or qualitative approaches to credit evaluation for the purposes of long and short credit positions. Because the strategy attempts to capture relatively small mispricings between two related securities, moderate to substantial leverage is often employed to produce attractive rates of return.
 - Basis Trading. The basis trading strategy involves the purchase or sale of corporate bonds and the hedge supplied by the purchase or sale of default protection.
 - Index Arbitrage. Index arbitrage involves the trading of a corporate bond index versus a diversified basket of single name bonds reflective of the credits in the index traded or tranche level arbitrage.
 - Structured Security Trading. Structured securities are constructed of both cash and derivative corporate bonds and bank loans. The portfolio risks are dependent upon which tranche is owned in a given structured security. The principal risk in these tranches is default risk. Defaults beyond the over-collateralized amount will impair the equity tranches first. The equity, preference shares and mezzanine tranches are comparatively small in size versus the highest rated tranche, so small amounts of capital assume the risks for a relatively large amount of securities.

- b. *Risks:* See the risks for diversified fixed income arbitrage below.

(Section 8-B)

II. **Fund:** Multi Strategy Fund of Funds That Employ Leverage

Underlying fund strategies and related risks:

A. Mariner Select Ultra 2X Fund, L.P

In addition to the primary macro strategies noted above in Sections I. A (1) – (9), this fund of fund employs a leveraged strategy.

1. Leverage

- a. *Description:* Funds may obtain leverage by engaging (directly or indirectly) in transactions such as (i) borrowings, (ii) swap agreements, stock loans, repurchase agreements or other derivative transactions, or (iii) a combination of these methods.
- b. *Risks:*
- 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.
 - The low margin deposits normally required in futures and forward trading permit a high degree of leverage; accordingly, relatively small price movement in a futures contract may result in immediate and substantial losses to the investor.

(Section 8-C)

III. **Fund (Fund-of-Funds):** Mariner Fairwind Unit Trust

Underlying fund strategies and related risks:

A. Multi-Strategy (concentrated Fund of Fund investing primarily in Mariner affiliated and Associated Advisers)

- a. *Description:* Multi-strategy hedge funds encompass multiple strategies. A portfolio manager may include multiple strategies including many combinations of strategies. A multi-strategy portfolio manager may not necessarily diversify its allocations of risk capital amongst the investment strategies.

- b. *Risks:*
 - Traders making their own trading decisions may invest the assets allocated to their separate accounts 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.
 - Traders generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification may subject a Fund to more rapid change in value than would be the case if those assets were required to be more widely diversified.\

B. See strategies/related risks for Mariner Atlantic, Ltd.

C. Fundamental Credit

- a. *Description:* Investing in long and short positions to exploit anomalies in the term structure of credit. Strategies involve taking advantage of mispriced credit exposure at certain points in the term structure of single name credits relative to other points in the same term structure. Positions may use traditional fixed-income and credit securities, as well as other structured credit products and credit derivatives.
- b. *Risks:* This strategy relies on predictions about the future pricing movements of points in a credit term structure. Future changes cannot be predicted with certainty, and losses may occur if predictions are not accurate.

D. Bankruptcy and Workouts

- a. *Description:* This strategy involves investing 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.
- b. *Risks:*
 - 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.

E. Capital Structure Arbitrage

- *Description:* This strategy involves exploiting pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within the capital structures of specific companies.
- *Risks:* The market movements of the different parts of the capital structure of credit-impaired companies 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.

F. Relative Value

- Description:* This strategy involves taking long and short positions with correlated credit portfolios or single name credits. This strategy will include negative basis trades. Such strategies take long and short positions in securities that are highly correlated with similar risk characteristics, yet priced differently. Different relative value strategies include statistical arbitrage, pairs trading, yield curve arbitrage and basis trading.
- Risks:*
 - 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 the manager’s ability to maintain the relative value position until the market returns to fair value. A manager 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.

G. Event Driven/Special Situations

- Description:* This strategy involves investing in long and/or short positions based on the perceptions of issuer dynamics or pricing inefficiencies. This strategy includes investments in opportunities created by significant events or special situations and may involve a long or a short view with respect to an issuer depending on the anticipated outcome of particular events or transactions.

- b. *Risks:*
 - 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 that type of business enterprise, there is a risk that the transaction in which that 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 of the security or other financial instrument in respect of which that distribution is received.
 - 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 Fund of its investment in such companies.

H. Credit Term Structure and Basis Trading

- a. *Description:* Investing in long and short positions to exploit anomalies in the term structure of credit. Such strategies involve taking advantage of mispriced credit exposure at certain points in the term structure of single name credits relative to other points in the same term structure. Positions may use, but are not limited to, traditional fixed-income and credit securities, as well as other structured credit products and credit derivatives.
- b. *Risks:* This strategy relies on predictions about the future pricing movements of points in a credit term structure. We cannot predict future changes with certainty, and losses may occur if our predictions are not accurate.

I. Stressed Distressed Debt

- a. *Description:* This strategy involves investing in:
 - stressed securities (bank debt and bonds of companies where the price of the securities appear to be undervalued or too heavily discounted relative to the financial condition of the company);
 - distressed securities (bank debt and bonds of companies that exhibit very weak financial conditions and which may ultimately file for bankruptcy protection or may have already sought bankruptcy protection); and
 - debtor-in-possession financings (a unique form of financing designed to provide companies in bankruptcy with the necessary working capital to operate their businesses while developing and implementing a plan of reorganization).
- b. *Risks:*
 - It is frequently difficult to obtain reliable information as to their true financial prospects.
 - The market prices of distressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for those securities may be greater than normally expected.

- In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made.

J. Value Shorting

- a. *Description:* This strategy involves investing in:
 - investment grade securities (unsecured debt of highly-rated companies whose business models expose them to significant cyclicity but trade at *pari passu* levels with the investment grade index); and
 - high yield securities (unsecured debt of high yield companies with significant near-term default risk and limited or no recovery in bankruptcy based on going-concern and asset valuations).
- b. *Risks:*
 - 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.
 - A short sale involves the risk of a theoretically unlimited increase in the market price of the security.
 - If the short seller has sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, it is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to its long and its short positions.

(Section 8-D)

IV. **Fund (Fund-of-Funds):** Mariner/Palmetto State Partners, L.P.

Underlying fund strategies and related risks:

A. Multi-Strategy (concentrated single investor Fund of Fund investing primarily in Mariner affiliated and Associated Advisers including direct investments via a managed account format)

- a. *Description:* Multi-strategy hedge funds encompass multiple strategies. A portfolio manager may include multiple strategies including many combinations of strategies.

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

b. Risks:

- Traders making their own trading decisions may invest the assets allocated to their separate accounts 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.
- Traders generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification may subject a Fund to more rapid change in value than would be the case if those assets were required to be more widely diversified.

B. See strategies/related risks for Galton Mortgage Strategies Onshore Fund, L.P. and Galton Mortgage Strategies Offshore Fund, Ltd.

a. Hedging

- b. Description:* The Fund may utilize financial instruments such as forward contracts, options, futures and swaps for hedging purposes or as part of its trading strategies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value.

c. Risks:

- Hedging transactions may limit the opportunity for gain if the value of the portfolio position should increase.
- The success of the Fund's hedging transactions is subject to the movements in the direction of securities prices and interest rates. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.
- The Fund may not seek to establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss.

C. Fundamental

- a. Description:* This strategy involves measuring the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

- b. *Risks:* 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 stock.

D. Stressed Distressed Debt

- a. *Description:* This strategy involves investing in:
 - stressed securities (bank debt and bonds of companies where the price of the securities appear to be undervalued or too heavily discounted relative to the financial condition of the company);
 - distressed securities (bank debt and bonds of companies that exhibit very weak financial conditions and which may ultimately file for bankruptcy protection or may have already sought bankruptcy protection); and
 - debtor-in-possession financings (a unique form of financing designed to provide companies in bankruptcy with the necessary working capital to operate their businesses while developing and implementing a plan of reorganization).
- b. *Risks:*
 - It frequently may be difficult to obtain reliable information as to the true condition of such issuers.
 - Investments may be adversely affected by state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims.
 - The market prices of distressed securities are 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.
 - In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made.

E. Capital Structure Arbitrage

- a. *Description:* This strategy involves exploiting pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within the capital structures of specific companies.
- b. *Risks:* The market movements of the different parts of the capital structure of credit-impaired companies 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.

F. Value Shorting

- a. *Description:* This strategy involves short selling:
 - investment grade securities (unsecured debt of highly-rated companies whose business models expose them to significant cyclicity but trade at *pari passu* levels with the investment grade index); and
 - high yield securities (unsecured debt of high yield companies with significant near-term default risk and limited or no recovery in bankruptcy based on going-concern and asset valuations).
- b. *Risks:*
 - A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Furthermore, if the short seller has sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, it is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to its long and its short positions.
 - 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. In addition, 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.

(Section 8-E)

Funds: Mariner Partners, L.P., Mariner Atlantic, Ltd., Mariner Opportunities Fund, L.P., Mariner Voyager Fund, L.P., Mariner Voyager International, Ltd., and Mariner Atlantic TIPS, Ltd. (Fund-of-Funds)⁴

Fund strategies and related risks:

A. Multi-trader format⁵

- a. *Description:* The Fund pursues numerous investment strategies in an effort to achieve its investment objective. Each investment strategy is accounted for separately on the books of the Fund. In order to supplement or diversify the trading talent available to the Fund, Mariner or its affiliate may augment its internal traders by engaging external traders who are not employees of Mariner, its affiliate or the

⁴ Please see **Part 8-M** below for additional information regarding Mariner Atlantic TIPS, Ltd.

⁵ This strategy is relevant to Mariner Partners, L.P., Mariner Opportunities Fund, L.P., Mariner Voyager Fund, L.P., Mariner Atlantic, Ltd. and Mariner Voyager International, Ltd.

Fund. Each external trader will be retained on a contract basis and will manage a portion of the Fund's assets in a separately managed account.

b. Risks:

- The traders trade wholly independently of one another and may at times hold economically offsetting positions. To the extent that the traders do in fact hold such positions, the Fund as a whole may not achieve any gain or loss despite incurring expenses. In addition, a trader may be compensated based on the performance of its portfolio. Accordingly, a particular trader may receive incentive compensation in respect of its portfolio for a period even though the Fund's overall portfolio depreciated during such period.
- The success of the valuation techniques and trading strategies employed by the Fund is subject to the judgment and skills of the traders acting on behalf of the Fund. Additionally, the trading abilities of the traders with regard to execution and discipline are important to the return of the Fund. There can be no assurance that the investment decisions or actions of these traders will be correct. Incorrect decisions or poor judgment may result in substantial losses.

B. Credit strategies

a. Description:

- This strategy seeks to generate outsized returns independent of credit beta
- 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
- Credit arbitrage represents a multi-strategy credit approach in securitization and corporate credit with a focus on: residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"); single name corporate credit; corporate structured credit; financials; and distressed and special situations

b. Risks:

- 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.
- See risk factors for Capital Structure Arbitrage in **Section C** above.

C. Rate-driven strategies

a. *Description:*

- generally attempt to capitalize on anomalous relationships among highly liquid instruments, and historically benefit from volatility in the markets
- G-7 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
- Macro Trading utilizes fixed income, equities, foreign exchange and commodities to dynamically allocate capital to an asset class, sector, region or strategy that presents the best opportunities to either capture risk premium or structure trend following trades
- Mortgage-Backed Securities (“MBS”) Arbitrage trades US residential mortgage market securities, including agencies and collateralized mortgage obligations structured (“CMOs”) securities, seeking to create hedged positions that in aggregate have favorable prepayment characteristics while actively hedging interest rate and yield curve risk

b. *Risks:*

- 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:

A. Agency and Non-Agency RMBS

a. *Related risks:*

- 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.

B. Bankruptcy and Workouts

a. *Related risks:*

- 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.

C. Structured Credit and Asset Backed Securities ("ABS")

a. *Related risks:*

- 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.

D. Leveraged Loans

a. *Related risks:*

- 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.

E. Investment Grade and High Yield Corporate Debt

a. *Related risks:*

- 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.

F. Commercial Real Estate Debt

a. *Related risks:*

- 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.

G. Municipal Bonds

a. *Related risks:*

- 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.

H. U.S. Treasury and Sovereign Debt

- a. *Related risks:* 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-7 countries in addition to having the foregoing risks also involve currency risk and may involve higher credit risk.

(Section 8-F)

Fund (Fund-of-Fund): Mariner Explorer Fund, L.P.

Underlying fund strategies and related risks:

- A. Multi-Strategy (Fund of Fund investing primarily in alternative Hedge Fund Strategies - Closed)
 - 1. *Description:* Multi-strategy hedge funds encompass multiple strategies. A portfolio manager may include multiple strategies including many combinations of strategies. A multi-strategy portfolio manager may not necessarily diversify its allocations of risk capital amongst the investment strategies.
 - 2. *Risks:*
 - Traders making their own trading decisions may invest the assets allocated to their separate accounts 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.
 - Traders generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification may subject a Fund to more rapid change in value than would be the case if those assets were required to be more widely diversified.
- B. Carbon emissions
 - 1. *Description:* This strategy involves investing in emissions credits in all markets but typically concentrates on purchasing credits issued under the Kyoto Protocol's flexible mechanisms and credits traded under the European Trading System

("EUAs"). Generally, portfolio managers focus on originating a portfolio of emission credits seeking asset appreciation by assuming and managing delivery risks and by benefiting from demand-driven price rises while taking advantage of trading opportunities due to market inefficiencies. Portfolio managers hedge their long exposure to EUA prices through direct shorts, over-the-counter forward sale agreements, and increasingly through futures and options, though these markets are relatively immature.

2. *Risks:*

- The markets for these credits are not fully organized and can generally be described as "thin" or illiquid, making the purchase or sale of such securities at favorable prices or in desirable quantities difficult or impossible. Furthermore, standards regarding monitoring, verification and trade documentation of environmental credits are in the early stages. Most environmental credits are traded through contractual arrangements between private parties in an unregulated market which carries inherent risks, such as counterparty credit risk. Litigation may be necessary to enforce such contract or any other rights afforded under the contract.
- There is also the risk that demand for environmental credits may drop significantly as alternatives to the purchase of environmental credits may develop. For example, organizations wishing to reduce their greenhouse gas emissions may not choose to purchase environmental credits, but instead may choose alternative methods of reducing their net emissions, including the use of alternative power sources, the installation of emissions reducing apparatus and the adoption of changes to working practices. This may result in lower prices for environmental credits.
- The Kyoto Protocol has been critically important in the development of carbon emission markets and has set targets through the year 2012. The prospects for a successor agreement for targets beyond 2012, appear strong, but no assurances can be given that world leaders will come to a consensus as to such matters. The success or failure of such successor agreement(s) is likely to have a significant impact on the environmental emissions markets.
- The regulation of the environmental credit market is in an early stage and may change drastically in the future due to new legislation, treaties or other governmental regulation, as well as new methods of trade.

C. Weather Derivatives

1. *Description:* This strategy involves trading weather derivatives, which are swaps and options directly settled to weather related indices such as CDD (Cooling Degree Days) or HDD (Heating Degree Days) or precipitation. The majority of positions are linked to temperatures in key cities around the globe, although weather contracts also exist for precipitation, snowfall and sunlight. Portfolio managers may also trade around contingent commodity positions, where payouts are linked both to weather triggers and related commodity price movements. Those portfolio managers may source positions through an active over-the-counter market, which includes energy companies, brokers and reinsurance companies or through standardized contracts that trade through the Chicago Mercantile Exchange.

2. *Risks:*

- The issuers of weather derivatives can be thinly capitalized, special-purpose entities that do not have ready access to additional capital. In the event of unanticipated expenses or liabilities, those entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.
- Weather-linked securities may receive low ratings or be unrated by rating agencies. Consequently, such securities may be relatively illiquid and subject to adverse publicity and investor perceptions, any of which may act to depress prices.\

D. Reinsurance

1. *Description:*

- This strategy involves investing in natural catastrophe risk such as hurricanes and earthquakes but may include other types of non-life business such as auto insurance or property. Managers that utilize this strategy are usually sellers of protection and thus bear the risk of a significant loss due to an event, but may also purchase insurance protection either as a portfolio hedge or as a directional position. Underlying contracts usually have a term of one year or less and can be sourced either through securities markets (such as “catastrophe bonds”) or directly from insurance companies or insurance brokers.
- Other managers typically invest in securitized life insurance assets such as a closed block of business or buying or lending against individual life insurance policies. The key underlying risk in the strategy is mortality risk; investors in securitized blocks of life insurance assets typically earn greater returns when underlying policyholder mortality rates are lower than expected, while owners of life insurance policies see greater rates of return if underlying policies mature faster than expected.

2. *Risks:*

- Because insurance-based investments have certain features and an investment return that may be based on the occurrence of events which traditionally are the subject of insurance, it is possible that insurance regulatory authorities or courts could determine that the purchase or holding of such securities or the writing of such derivatives constitutes the conduct of the business of insurance or reinsurance. There can be no assurance that insurance regulatory authorities will not challenge the purchase or writing of one or more such securities or derivative instruments as constituting the business of insurance, and it is unclear how such challenge would affect the fund.
- The estimated severity and frequency of different insurance risks are based on a vast amount of historical data and actuarial analysis. However, there are no guarantees that the actual insurance losses will be within such historical parameters. A fund will encounter certain risks due to its investments in insurance-linked securities, including: identification of opportunities; low liquidity; valuation; reliance on information and analysis; modeling; indices; credit risk; and subordination.

(Section 8-G)

Fund (Fund-of-Fund): Mariner Empire Fund, L.P.

Underlying fund strategies and related risks:

A. Multi-Strategy (concentrated single investor Fund of Fund investing primarily in Mariner affiliated and Associated Advisers)

1. *Description:* Multi-strategy hedge funds encompass multiple strategies. A portfolio manager may include multiple strategies including many combinations of strategies. A multi-strategy portfolio manager may not necessarily diversify its allocations of risk capital amongst the investment strategies.

2. *Risks:*

- Traders making their own trading decisions may invest the assets allocated to their separate accounts 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.
- Traders generally do not maintain any fixed requirements for diversifying their portfolios. The possible lack of diversification may subject a Fund to more rapid change in value than would be the case if those assets were required to be more widely diversified.

B. Distressed credit

1. *Description:* This strategy involves investing in the debt of companies which are highly leveraged and liquidity impaired. These companies require legal action or restructuring to improve asset value and financial stability. This strategy generally employs low financial leverage and has a longer investment time horizon.

2. *Risks:*

- It frequently may be difficult to obtain reliable information as to the true condition of such issuers.
- These investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims.
- 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.
- In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be

delayed (for example, until various liabilities, actual or contingent, have been satisfied) 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 in respect to which such distribution was made.

- The administrative costs incurred 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 (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

C. RMBS

1. *Description:* 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, although such loans may be securitized by government agencies and the securities issued are guaranteed.
2. *Risks:*
 - 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.

(Section 8-H)

Fund (Fund-of-Fund): Calpers Mariner Fixed Income Fund LLC

Underlying fund strategies and related risks:

- A. Single strategy and single investor investment vehicle
- B. Non-agency RMBS

1. *Description:* RMBS are securities that, directly or indirectly, represent a participation in, or are secured by and payable from, loans secured by real property. The RMBS which the fund may acquire include those issued by non-

governmental issuers that represent interests in, or are collateralized by, mortgage-related securities that are not issued or guaranteed by the United States Government or one of its agencies or Ginnie Mae, Fannie Mae, or Freddie Mac ("Non-agency RMBS"). These Non-agency RMBS securities are generally backed by either mortgage loans provided to borrowers who would commonly qualify for an agency loan except with respect to the loan balance ("Jumbo" or "Prime")), or by mortgage loans provided to borrowers who would not qualify for an agency loan due to documentation, debt to income, credit history, balance, loan to value, absence of mortgage insurance, or a variety of other variables ("Non-Prime" which includes "Alt A", "Subprime" and other credit categories). The term "Mortgage-Backed Securities" includes adjustable and fixed rate securities and derivatives.

2. *Risks:*

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

(Section 8-I)

Funds: Galton Mortgage Strategies Onshore Fund, L.P. and Galton Mortgage Strategies Offshore Fund, Ltd.

Funds strategies and related risks:

A. Quantitatively-based financial/analytical modeling

- a. *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.
- b. *Risks:*
 - 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 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.
 - 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.

B. Leverage

1. *Description:* The Funds may employ leverage during the distressed market stage and during the restart of mortgage originations and the mortgage-related securitizations and risk transfer markets. Mariner or its affiliate will determine the amount of leverage which may be employed by the Funds at a given time.
2. *Risks:*
 - 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 limited partners; 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 a Limited Partner'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 Onshore Fund may result in a loss of principal of some or all of a Limited Partner's capital investment.

C. Short selling

1. *Description:* 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 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.
2. *Risks:*
 - 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.
 - Depending on the nature of the synthetic instrument used by the Funds to create short exposure, the Funds could be subject to the risk of unlimited losses.

Types of investments and related risks:

1. Non-agency RMBS

a. *Related risks:*

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

- 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.

(Section 8-I)

Funds: Mariner Onshore Mortgage Fund I, L.P., Mariner Offshore Mortgage Fund I, L.P. and Mariner Onshore Mortgage Fund II, L.P.

Fund strategies and related risks:

A. Quantitative Modeling

- a. *Description:* Mariner or its affiliate will employ quantitatively-based financial/analytical models to aid in the selection of investments for the 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 Fund.
- b. *Risks:*
 - 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 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 Fund.

B. Leverage

- 1. *Description:* Funds may obtain leverage by engaging (directly or indirectly) in transactions such as (i) borrowings, (ii) swap agreements, stock loans, repurchase agreements or other derivative transactions, or (iii) a combination of these methods.

2. *Risks:*
 - 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.
 - The low margin deposits normally required in futures and forward trading permit a high degree of leverage; accordingly, relatively small price movement in a futures contract may result in immediate and substantial losses to the investor.

C. Short selling

1. *Description:* 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 Mariner or its affiliate uses shorting techniques to take advantage of the decline in the price of particular assets. The 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 Fund will be required to post collateral on such positions as required pursuant to the agreement with the relevant transaction counterparty.
2. *Risks:*
 - 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.
 - Depending on the nature of the synthetic instrument used by the Fund to create short exposure, the Fund could be subject to the risk of unlimited losses.

Types of investments and related risks:

A. Distressed non-agency RMBS

1. *Related risks:*
 - Holders of RMBS and residential mortgage loans bear various risks, including credit, market, interest rate, structural, counterparty, and legal risks.
 - 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.
 - 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 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.
- 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.

(Section 8-K)

Funds: Mariner Silvermine Fund LLC, Mariner Silvermine Fund Offshore Ltd., Mariner Palmetto Silvermine Partners, L.P.

Fund strategies and related risks:

A. Relative Value Arbitrage and Opportunity Strategies

- a. *Description:* This strategy involves the simultaneous purchase and sale of similar securities to exploit pricing differentials. Traders attempt to neutralize long and short positions to minimize the impact of general market movements. Different relative value strategies include statistical arbitrage, pairs trading, yield curve arbitrage and basis trading. The types of investments traded vary considerably depending on the trader's arbitrage strategy. Because the strategy attempts to capture relatively small mispricings between two related securities, moderate to substantial leverage is often employed to produce attractive rates of return.
- b. *Risks:*
 - 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.

B. Tactical Interest Rate Trading/Market-Timing Strategies

- a. *Description:* Tactical Interest Rate Trading/Market-Timing Strategies are designed to benefit from price changes in certain markets, sectors and security types. Examples would be:
- Interest Rate Timing, based on the Portfolio Managers' views of central bank policy and monetary conditions as they influence the direction of interest rates and the shape of yield curves in G-10 markets.
 - Sector and Issue Allocations, where the Portfolio Managers strive to profit from emphasizing undervalued securities or shorting overvalued securities.
2. *Risks:*
- The values of some or all of the Fund's investments may change in response to movements in interest rates. If rates rise, the values of debt securities generally fall. The longer the average duration of the Master Fund's investment portfolio, the greater the change in value. (Duration is a measure of the expected life of a fixed income security that was developed as a more precise alternative to the concept of "term to maturity." Duration incorporates a bond's yield, coupon interest payments, fixed maturity, call and put features into one measure.)
 - The values of any of the Fund's investments may also decline in response to events affecting the issuer or its credit rating. Mariner or its affiliate contemplates managing portfolio exposure to volatility, but there can be no assurance that such a strategy will succeed in every case.
 - Mariner or its affiliate also intends to measure and monitor the Funds' exposure to duration risks and to implement strategies to minimize exposures to duration risks, including undertaking hedges with appropriate duration profiles to offset the duration characteristics in portfolio investments, but there can be no guarantee that such strategies will be successful.

Types of investments and related risks:

A. Debt securities issued or guaranteed by the government of G-10 countries

a. *Related risks:*

- The Funds may invest in debt securities that are rated investment grade (such as bonds and notes rated in the BBB or equivalent category). Although rated "investment grade," such securities may have speculative characteristics. Such investments may, under certain circumstances, lead to a greater degree of fluctuation in Fund asset value than if the Funds only invested in higher-rated investment grade securities with similar maturities. In addition, 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.
- The Fund may invest a large portion of its assets in the debt or other securities and instruments of issuers located outside of the United States and in non-U.S. currencies. Investing in the securities of those companies and countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, 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.

B. Interest rate swaps

1. *Related risks:*

- The Fund will endeavor to enter into interest rate swap agreements only if the claims-paying ability of the other party or its guarantor is considered to be investment grade by Mariner or its affiliate; however, the Fund may enter into agreements with non-investment grade entities. Generally, the unsecured senior debt or the claims-paying ability of the other party or its guarantor must be rated in one of the three highest rating categories of at least one Nationally Recognized Statistical Rating Organization at the time of entering into the transaction.
- If there is a default by the other party to such a transaction, the Fund will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreements related to the transaction. In certain circumstances, the Fund may seek to minimize counterparty risk by requiring the counterparty to post collateral.

C. Derivatives

2. *Related risks:*

- 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.

Section 8-L

Fund: Mariner-Aroya Opportunity Fund, L.P.

Fund strategies and related risks:

A. Relative Value Arbitrage and Opportunity Strategies

- a. *Description:* This strategy involves the simultaneous purchase and sale of similar securities to exploit pricing differentials. Traders attempt to neutralize long and short positions to minimize the impact of general market movements. Different relative value strategies include statistical arbitrage, pairs trading, yield curve arbitrage and basis trading. The types of investments traded vary considerably depending on the trader's arbitrage strategy. Because the strategy attempts to capture relatively small mispricings between two related securities, moderate to substantial leverage is often employed to produce attractive rates of return.
- b. *Risks:*
 - 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.

B. Capital Structure Arbitrage

- a. *Description:* This strategy involves exploiting pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within the capital structures of specific companies. On occasion, securities within the same capital structure are incorrectly valued relative to one another, which creates intra-capital structure arbitrage opportunities. Intra-capital structure trades are a way to create inexpensive volatility, inexpensive relative value trades and hedged directional transactions. Trading the inefficiently valued securities within a capital structure of a company often creates low-risk arbitrage opportunities.
- b. *Risks:* The market movements of the different parts of the capital structure of credit-impaired companies 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.

C. Event Arbitrage/Special Situations

- a. *Description:* This strategy involves investing in long and/or short positions based on the perceptions of issuer dynamics or pricing inefficiencies. This strategy includes investments in opportunities created by significant events or special situations and may involve a long or a short view with respect to an issuer depending on the anticipated outcome of particular events or transactions. Event arbitrage includes the purchase of securities involved in corporate events such as tender offers, cash mergers, stock mergers, acquisition attempts, exchange offers, liquidations, proxy contests, divestitures, spin-offs, bankruptcy reorganizations and other corporate restructurings and reorganizations. The Fund's position will generate profit or loss based upon the price differential between the market price of the securities purchased and the proceeds ultimately realized from their disposition, plus any dividends and interests received, less transactional and carrying costs.
- b. *Risks:*
 - o 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 that type of business enterprise, there is a risk that the transaction in which that 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 of the security or other financial instrument in respect of which that distribution is received.
 - o 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 Fund of its investment in such companies.

D. Long/Short Equity and Volatility

- a. *Description:* This strategy focuses on absolute returns and the trades implemented in the strategy generally capitalize on the portfolio manager's views and outlooks for specific equity markets, regions, sectors, and securities. While these strategies involve both long and short positions in various equity securities, the strategies will generally represent a specific directional view. However, unlike traditional equity funds, the directional view relates less to the absolute direction of the market and more toward the specific positions (longs versus shorts) held within a portfolio. The Fund will actively manage a portfolio of convertible bonds, convertible shares and warrants and use a delta hedge approach to capture equity volatility while seeking to avoid strong directional bias

b. *Risks:*

- 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.
- If the short seller has sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, it is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to its long and its short positions.

Types of investments and related risks:

A. Public and Private Debt and Equity Securities

a. Related Risks

- There are no fixed limitations or diversification requirements as to specific asset classes in which the Fund will invest. The performance of the Fund is not intended to correlate with overall stock or bond market returns.
- The Fund often structures trades that incorporate long or short positions in securities, futures and options. Its trades may be expected to employ leverage. Leverage may involve substantial risks, and those not broadly familiar with those risks should not consider investing in the Fund. Unexpected price movements and shifts in financing costs, including the effect of potential squeezes and market dislocations, may also adversely affect the performance of trades or the ability to maintain them. When appropriate opportunities arise, the Fund may utilize moderate amounts of leverage although leverage is not anticipated to be greater than a 2:1 ratio.
- Under certain economic or market conditions, a temporary defensive position may be warranted and the Fund may invest up to 100% of its assets in U.S. Government securities, such as Treasury bills, notes and bonds; cash; money market funds; or certificates of deposit, time deposits, bankers' acceptances and other short-term debt instruments.

- The prices of certain assets of the Fund, including futures and options prices, are highly volatile. Price movements of forward contracts, futures contracts and other assets 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, 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 Fund also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

(Section 8-M)

Funds: Mariner Navigator TIPS, Ltd. (ERISA Fund), Mariner Navigator US Equities, Ltd. (ERISA Fund) and Mariner Atlantic TIPS, Ltd.

- B. See strategies/related risks for Mariner Select Ltd. (Section 8-A above)
- C. See strategies/related risks for Mariner Atlantic Ltd. (Section 8-E above)

Fund strategies and related risks:

D. Portable Alpha Program

- a. *Description:* Investing in a Mariner Fund (an “Alpha Source”) while simultaneously entering into an index- or benchmark-replicating transaction that seeks to match the return of a selected financial index or benchmark (a “Beta Source”).
- b. *Risks:*
 - There is a risk that the Alpha Source and Beta Source will experience a simultaneous decline in value. These risks require adequate cash to meet margin calls on the Beta Source and the downside revaluation of the Alpha Source Shares. These declines may be difficult to anticipate and could adversely affect the fund.
 - An Alpha Source may make investments similar to the Beta Source as part of its own investment strategy. A fund may experience greater losses if the Beta Source declines than they would if the Alpha Source did not participate in the same investments.
 - While it is expected that initially each fund will have an approximately equal Alpha and Beta Source exposure, the relative exposures will fluctuate over time. Such fluctuations may be difficult to anticipate and could adversely affect the performance of the fund.
 - Due to the nature of the rebalancing process, the returns of any fund, even taking into account all fees, expenses and financing costs of the fund, may differ materially from the aggregate of the respective individual returns of the Alpha Source and the applicable Beta Source.

Types of Securities and related risks:

A. Futures contracts

a. *Related risks:*

- Futures contracts are customarily bought and sold on margins which range upward from less than two percent (2%) of the purchase or sale price of the contract being traded. Because of these low margins, price fluctuations occurring in futures markets may create profits and losses which are greater than are customary in other forms of investment or speculation.
- Margin is the minimum amount of funds which must be deposited by the futures trader with his broker in order to initiate futures trading or to maintain his open positions in futures contracts. A change in the market price of the futures contract for which the margin is deposited increases or decreases the amount of such equity. When the market value of a particular open futures position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call will be made by the trader's commodity broker. If the margin call is not met within a reasonable time, the broker is required to close out the trader's position.
- Certain futures contracts have specific delivery periods and commitments that require the counterparties to make or take physical delivery of a commodity at a designated location if the contracts are held through the expiration period. To the extent that a fund is unable to unwind its positions prior to final contract expiration, the fund may incur significant costs to offset the obligations that physical delivery presents.

B. Total return swap

a. *Related risks:*

- The total rate of return of a basket of securities on which the swap is based may exhibit substantial volatility and in any given period may be positive or negative. In the event the total rate of return is negative and a fund is receiving the total rate of return of that basket of securities in its part of the swap agreement, the fund would be required to make a payment to the counterparty in addition to that required on the other, generally floating rate, part of the swap agreement.
- Unusual market conditions affecting the basket of securities on which the swap is based may prevent the total rate of return from being calculated, in which case other provisions in the swap agreement may be invoked which could cause the Fund to lose some of the anticipated benefit from the swap, or otherwise reduce a fund's return.

(Section 8-N)

Funds (Fund-of-Funds): Mariner Select, L.P, Mariner Select Ultra 2X Fund, L.P., Mariner Navigator International, Ltd., Mariner Matador Fund, LLC, Arctic Bear Fund, L.P., Mariner II AK Permanent Fund, L.P., Mariner Navigator TIPS, Ltd., Mariner Navigator US Equities, Ltd., Mariner Fairwind Unit Trust, Mariner/Palmetto State Partners, L.P., Mariner Explorer Fund, L.P., Mariner Empire Fund, L.P., Calpers Mariner Fixed Income Fund LLC, Mariner Atlantic TIPS, Ltd.

Fund strategies and related risks:

A. Fund-of-funds strategy

- a. Description:* Each Fund allocates its assets among a select group of experienced portfolio managers ("Portfolio Managers") that invest in a variety of markets, either through the medium of private investment funds or through discretionary managed accounts managed in each case by such Portfolio Managers. In selecting Portfolio Managers, Mariner or its affiliate (as applicable) may consider, among other things, such factors as above-average investment histories and/or recognizable prospects, an identifiable track record, historical performance and a substantial personal investment in the investment program.
- b. Risks:*
 - The Fund's fees, together with the compensation payable to the Portfolio Managers, results in two levels of fees and greater expense than would be associated with a direct investment in securities. The investments in the Funds affiliated with Mariner will subject the Fund to the operating costs of those affiliated Funds. The Fund's expenses may constitute a higher percentage of net assets than expenses associated with investment entities that do not use a fund-of funds -approach.
 - The Portfolio Managers trade wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Portfolio Managers do in fact hold such positions, the Fund as a whole may not achieve any gain or loss despite incurring expenses. In addition, Portfolio Managers may be compensated based on the performance of their underlying portfolios. Accordingly, certain Portfolio Managers may receive incentive compensation in respect of their portfolios for a period even though the Fund's overall portfolio declined during that period. Various Portfolio Managers will compete with each other for the same positions.
 - Although Mariner or its affiliate (as applicable) may attempt to obtain timely portfolio information from the underlying Portfolio Managers on behalf of the Fund, there is no guarantee that Mariner or its affiliate (as applicable) will receive that information in a timely accurate manner. The lack of information may prevent the Investment Manager from making timely investment decisions.
 - Distributions of proceeds upon a limited partner's withdrawal from a Fund may be delayed as a result of restrictions imposed upon withdrawals under the terms of the investment funds or investment advisory agreements in or pursuant to which the Fund's assets are invested. In addition, the Fund may be required to pay withdrawal fees or penalties to underlying funds with respect to certain withdrawals including short-term investment in or an accelerated withdrawal from an underlying fund. To the extent that such fees or penalties are incurred by virtue of a withdrawal by the Fund, the amount of any such fees or penalties will reduce the amount paid by the Fund upon such withdrawal. Certain Portfolio Managers' investment funds may permit withdrawals only on a semi-annual, annual, or less frequent basis or be subject to "lock-ups" or withdrawal "gates" that restrict withdrawals.

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

Tricadia and Pembroke

Generally

Mariner has three registered investment adviser affiliated parties, Tricadia Capital Management, LLC (“Tricadia Capital”), Tricadia CDO Management, LLC (“Tricadia CDO”) and Pembroke Capital Management, LLC (“Pembroke”). Tricadia Capital, Tricadia CDO and Pembroke are separately registered with the SEC under file numbers 801-65759 (Tricadia Capital), 801-62492 (Tricadia CDO) and 801-73481 (Pembroke). Mariner also has two other investment adviser related parties, Pembroke Management Holdings, LLC (“Pembroke Management”) and PCI Management, LLC (“PCI Management”) whose information is available through Pembroke’s SEC filings.

All five of these entities provide investment management services to a variety of clients and, in some cases, Mariner and pooled investment vehicles. As part of a long-term venture relationship, Mariner has certain transparency rights and provides various services and support to these investment advisers, including infrastructure, limited portfolio risk monitoring and oversight, investment advice, legal and compliance support, back office services, investor relations and marketing support. In return for those services, Mariner has negotiated an economic and limited control interest (including contractual oversight rights but not supervisory obligations, limited policy approval or indirect control share rights) in each of these advisers or their relevant affiliates.

Tricadia Loan Management, LLC is a majority-owned subsidiary of Tricadia CDO (through which Tricadia CDO may provide advice). Muni Capital Management, LLC and Tiptree Capital Management, LLC are unregistered investment advisers that are related persons of Tricadia Capital and Tricadia CDO. Tricadia Europe is a Tricadia affiliate located in London and registered with the United Kingdom Financial Services Authority.

Conflicts

See “Pooled Investment Vehicles- Conflicts” below.

Mariner Group Capital Markets and Mariner Europe

Generally

A Mariner affiliate, MGCM, is a 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 Europe Limited ("Mariner Europe"), a Mariner affiliate located in London, is registered with the United Kingdom Financial Services Authority. Mariner and certain Mariner Funds have entered into sub-advisory agreements with Mariner Europe. In addition, individuals hired or otherwise associated with Mariner Europe may serve as placement agents in private offerings of interests in Mariner Funds). Investors in the Mariner Funds will not be subject to any 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 Advisory 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 for pooled investment vehicles).

ORIX

Summary of Mariner/ORIX Affiliation

On October 18, 2010, MIG Holdings (which owns 100% of Mariner) entered into a definitive agreement (the "ORIX Agreement") whereby ORIX AM Holdings LLC ("ORIX"), a wholly owned subsidiary of ORIX USA Corporation, acquired a majority ownership interest in MIG Holdings (the "ORIX Interest") and other limited contractual rights, the material ones of which are noted below (the "ORIX Rights," and, together with the ORIX Interest, the "ORIX Transaction"). (See Item 4 for information on the current Mariner ownership structure). The ORIX Transaction closed on December 16, 2010 (the "Transaction Close Date") and, at that time, MIG Holdings and ORIX entered into an operating agreement (the "Operating Agreement") whereby ORIX became a Mariner affiliate.

Summary of ORIX Transaction

As part of the ORIX Transaction, certain former and current Mariner partners and principals (collectively the “Mariner Principals”) each sold to ORIX a portion of their equity interests in MIG Holdings in return for a cash payment. Pursuant to the terms of the ORIX Agreement, the current Mariner Principals have agreed to a “lock-up” commitment whereby they have or will reinvest 100% of their after-tax sale proceeds in Mariner’s business and advised funds (the “Sale Proceeds”). More specifically, for at least three years after the Transaction Close Date, 100% of the Sale Proceeds will remain so invested and for at least five years after the Transaction Close Date at least 50% of the Sale Proceeds will remain invested. Currently, Mariner Principals own approximately 40.8%, and ORIX owns approximately 59.2%, of MIG Holdings.

Operational Control of MIG Holdings Following ORIX Transaction

“Day-to-day” operational control of MIG Holdings continues to rest with a management committee appointed by the remaining Mariner Principals (the “Management Committee”). The Management Committee consists of nine (9) voting members (all of whom are Mariner Principals) and two (2) non-voting observers designated by ORIX (the “ORIX Observers”). “General” oversight of MIG Holdings’ operations is exercised by an eight (8)-member board of managers (comparable to a corporate board of directors) (the “Board of Managers”). The Mariner Principals and ORIX have each appointed four (4) members to the Board of Managers, and the Mariner Principals and ORIX each have veto rights with respect to matters unrelated to the investment-decision making responsibility of Mariner. In summary, while Mariner is likely to give careful consideration to and place importance on the views of the ORIX Observers, these non-voting members of the Management Committee do not have decision-making authority with respect to Mariner-advised Hedge Funds or other Mariner advised client accounts.

Mariner Investment Advisory Functions

All investment decision-making authority and activity (including the determination of client investment strategies), rests with Mariner as a separate subsidiary of MIG Holdings. In addition, investment policy and related decision making continues to be controlled exclusively by an investment committee comprised solely of Mariner employees (the “Investment Committee”). ORIX does not have representation on the Investment Committee or any other right to control or have direct input on the investment decisions that Mariner and its personnel make on behalf of its clients.

Caspian Capital LP

As part of the ORIX Transaction, Mariner has acquired a minority equity ownership interest in Caspian Capital LP (“Caspian”), an entity that is controlled and primarily owned by Messrs. Adam Cohen, Mark Weissman and David Corleto (the “Caspian Transaction”). As part of the Caspian Transaction, Mariner and Caspian entered into a services agreement permitting Caspian access to a wide range of Mariner’s existing support services, which is expected to continue on a long-term basis. Caspian is currently the investment manager to the following funds: Caspian Capital

Partners, L.P., Caspian Capital Partners International, Ltd., Caspian Select Credit Fund, L.P., Caspian Select Credit International, Ltd., Caspian Alpha Long Credit Fund, L.P., Caspian Solitude Fund, L.P., Caspian Solitude International, Ltd., Caspian Focused Opportunities Fund, L.P., Caspian Focused Opportunities International Fund, Ltd., Caspian Focused Credit Fund, L.P. and Caspian Focused Credit International Fund, Ltd. (collectively, the “Caspian Funds”).

Potential Future Adjustments in Operating Control

If, in the future, ORIX were to hold more than 60% of MIG Holdings’ voting equity, the Board of Managers will increase to nine (9) members, five (5) of whom may be appointed by ORIX and four (4) of whom will be appointed by the Mariner Principals. In that instance, the Management Committee, which is appointed by the Board of Managers, could also be controlled by ORIX. Should ORIX acquire 75% ownership, its control rights would increase further. While there are no current plans to sell or issue additional MIG Holdings’ voting equity to ORIX and therefore increase ORIX’s control rights, it is possible that a subsequent transaction (and any subsequent future ownership adjustments) could occur in the future. ORIX could acquire additional ownership through the investment of additional capital, or MIG Holdings’ exercise of rights it has pursuant to the Operating Agreement, such as the right to acquire the shares of a transferring member or terminated Mariner employee. ORIX also has call rights that allow it to acquire additional voting equity from the Mariner Principals beginning in 2016.

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 ORIX holds 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, various 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, Tricadia CDO and Pembroke) and BOSG. As a result of the ORIX Transaction, 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

While ORIX and its affiliates do not currently act as service providers to Mariner or its clients, in the event that ORIX and/or its affiliates 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 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).

Conflicts of Interests as to Mariner

Mariner may be incentivized to provide favorable treatment to ORIX

While Mariner believes that the Operating Agreement has the potential to be of material and continuous benefit to Mariner and its clients and Mariner Fund investors, specific aspects of the Operating 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.

Back Office Services Group

General

In addition to its investment advisory services, Mariner, through its affiliate, BOSG, 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.

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 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.

Board/Creditor Committee Representation

General

Portfolio managers of Mariner or its affiliates may serve as members of the board of directors or a 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, portfolio managers 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

General

Mariner currently advises the Hedge Funds, Private Equity Funds, Multi-Strategy Funds, Fund-of-Funds and Portable Alpha Funds, as described in Item 4 above. Tricadia Capital currently advises pooled investment vehicles. Tricadia CDO, directly or through Tricadia Loan Management, LLC (a majority-owned subsidiary of Tricadia CDO), also advises 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

Subject to Mariner's Code of Ethics and other conflict mitigation policies and procedures implemented by Mariner, its affiliates or Associated Advisers (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, its affiliates and its Associated Advisers 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 portfolio strategies that Mariner, its affiliates or Associated Advisers use for one account could conflict with the transactions and strategies Mariner employs in managing another Advisory Account 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 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 Funds and separately managed accounts sponsored and/or managed by Mariner, its affiliates and/or Associated Advisers have overlapping objectives and strategies. Additionally, Mariner, its affiliates and/or Associated Advisers may own interests in those Funds and separately managed accounts. In various circumstances, particularly when Mariner, its affiliate, or Associated Adviser sponsors a new Fund, if Mariner, its affiliate and/or Associated Adviser provide most of the initial seed money, the Fund may be wholly or principally owned by Mariner, its affiliates and/or Associated Advisers (as applicable). Mariner's (or its affiliate's or Associated Adviser's) ownership interest in these Advisory Accounts may give Mariner an incentive to favor these Advisory Accounts over other Advisory Accounts. However, as discussed below, this generally means that all Advisory Accounts managed using the same investment strategy will participate *pro rata* in all investment opportunities that Mariner allocates to any other Advisory Account using that strategy.

Trade Aggregation

If Mariner, its affiliate or an Associated Adviser 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, its affiliates and Associated Advisers 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, its affiliate or its Associated Adviser (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 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 Advisory Accounts and the compensation Mariner (or its affiliate or Associated Adviser) receives for managing those Advisory Accounts. Mariner's affiliates and Associated Advisers 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, its affiliates and its Associated Advisers will generally attempt to allocate purchase and sale opportunities on a fair, equitable and consistent basis among their respective clients. Mariner, its affiliates and Associated Advisers 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 Fund or other client account is eligible to participate in a trade pursuant to applicable compliance regulations.

Allocations are designed with a view towards ensuring that over time no Advisory Account (or group of Advisory Accounts) will be systematically favored over any other Advisory Account (or group of 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 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, 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 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 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 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, its affiliates and/or Associated Advisers manage multiple Funds and other advisory accounts that invest in collateralized debt obligations ("CDOs"), asset backed securities ("ABSs") and 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. Associated Advisers (Tricadia CDO Management, LLC and some of its affiliates) manage accounts that invest almost exclusively in Structured Investments (including CLOs, CDOs and ABSs and various types of securities offered by CDOs 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, its affiliates or Associated Advisers allocating more valuable Structured Investments to their respective client accounts that:

- pay higher fees;
- are partially or wholly owned by Mariner, its affiliates, Associated Advisers or their employees; or
- Mariner, its affiliates or Associated Advisers otherwise have a financial or reputational incentive to favor over other client accounts.

Mariner, its affiliates or Associated Advisers 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 Advisory Accounts to invest in privately-offered pooled investment vehicles, unit investment trusts or other collective investment vehicles (such as CDOs and 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 (“traditional” Fund-of-Funds and Fund-of-Alternative 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 Advisory Accounts. Mariner has established a variety of restrictions, procedures, and disclosures designed to address conflicts of interest arising between 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 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 Advisory Accounts or between Advisory Accounts and the Firm and/or Personnel, it is Mariner’s policy to disclose their existence in general form 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, its affiliates and Associated Advisers 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, its affiliates, its Associated Advisers and/or their personnel may have multiple interests. Mariner may invest 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 Associated 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 Advisory Accounts (e.g., due to limited capacity) or pay lesser fees and/or expenses than clients or Advisory Accounts may pay.

In the event that Mariner, its affiliate or an Associated Adviser is required to sell any remaining assets in a Fund following the expiration of a Fund's term, Mariner, its affiliates and/or its Associated Advisers (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 or Associated Advisers purchases the relevant asset at a price at least equal to the market value of the relevant asset. In the event that Mariner, its affiliate or an Associated Adviser 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, its affiliate or an Associated Adviser 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, its affiliate or an Associated Adviser 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 Advisory Accounts when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the 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 Affiliated Funds and/or Mariner, its affiliates and Associated Advisers may enter into letters of understanding granting Investors or third parties (for example, financial institutions that provide financing to Mariner or its clients) different rights, including but not limited to, rights relating to fees, liquidity, transparency and reporting ("Letters of Understanding"). No Letter of Understanding provided to an investor or a third party by an Affiliated Fund and/or Mariner (or its affiliate or Associated Adviser) will necessarily entitle any other investor or third party to the rights granted in such letter.

Mariner's Code of Ethics

In the ordinary course of performing its investment advisory services and under specific conditions, Mariner, its affiliates and Associated Advisers may recommend to their clients the purchase or sale of securities (or various classes of the same security) in which Mariner, its affiliates, its Associated Advisers and their personnel also have a position or interest. For example, Mariner may advise a securities portfolio of 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 Advisory Accounts 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 described above, 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 "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 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. 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 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 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 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 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 Advisory Accounts may not apply to other Advisory Accounts, resulting in differences among 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 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 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 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, its affiliates or its Associated Advisers 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 Advisory Account on behalf Mariner (pursuant to an investment advisory agreement or otherwise) and Mariner may cause another Advisory Account to invest in a Third Party Advisor-managed Fund. Typically, that 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 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 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 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.

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 or Associated Adviser 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 base its appointment of those persons 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 groups (that is, between Mariner's "traditional" Fund-of-Funds products team and Mariner's Fund-of-Alternative Funds team). Consistent with communication and proprietary trading restrictions noted above, Mariner's Fund-of-Funds trading teams are 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 trading groups within Mariner may 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 Advisory Account and instruct Mariner as to which broker-dealer(s) it should use to execute securities transactions on behalf of its Advisory 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, 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).

In addition, Mariner's principals may have substantial investments in broker-dealers that may serve as prime broker to a Mariner Fund or otherwise be engaged by a Mariner Fund or trade for a Mariner Fund's brokerage accounts. Mariner's principals may be incentivized to select those broker-dealers in which they have an interest in order to financially benefit themselves (which may conflict with Mariner's duty to act in the best interests of its advisory clients). Mariner has implemented broker approval, ranking, trade flow monitoring and other best execution monitoring procedures in an effort to mitigate any actual or apparent conflict in this area.

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").

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 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.

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 Advisory Account engages in short sales, Mariner may cause the 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 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 Advisory Account as a result of a trade error caused by Mariner will remain in the Advisory Account.

As a general matter, netting of gains and losses between Advisory Accounts is not permissible. Netting of gains and losses for one 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

The members of the Investment Committee and the Risk Management Committee regularly review Advisory Accounts (daily, weekly, monthly and/or quarterly depending upon the Advisory Account, strategy, perceived risks and the committee involved in the review). The Investment Committee consists of William Michaelcheck (Chairman and Mariner’s Chief Investment Officer), Bracebridge Young (Mariner’s Chief Executive Officer), Charles R. Howe (Mariner’s President and Chief Financial Officer), Peter O’Rourke (Mariner’s General Counsel), William D. (Skip) Shaw, Daniel Sullivan, William Turchyn and Dennis Winter (Mariner’s Chief Risk Officer). The Risk Management Committee consists of William Michaelcheck, and Dennis Winter, Anthony Matri and Maria Castro (primarily covering Mariner’s Fund-of-Funds business) and William Michaelcheck, Dennis Winter, Skip Shaw, Sunil Gaglani and Anthony Matri (primarily covering Mariner’s multi-strategy and single strategy proprietary hedge funds and managed account business). Each of the above described committees meet regularly to discuss the Advisory Accounts. In addition, the portfolio manager(s) on each Advisory Account continuously monitor(s) that Advisory Account (daily, weekly, monthly and quarterly).

Mariner generally furnishes clients with quarterly reports listing the market value and other relevant information concerning their 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, the Multi-Strategy Funds and the Portable Alpha 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 (Mariner Broker-Dealer), 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 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 Advisory Accounts; (ii) the nature of the issuers of investments that Mariner will or will not purchase for their Advisory Accounts; and/or (iii) the risk profile of instruments Mariner will or will not purchase for their Advisory Accounts, or the risk profile of the Advisory 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 through 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 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;
- All dissents are presented to Mariner’s Compliance Committee for review;
- If Mariner’s General Counsel or Chief Compliance Officer 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 Compliance Committee for consideration. In accordance with Mariner’s procedures, the Compliance Committee

members will consider the matter and resolve the conflict as deemed appropriate under the circumstances.

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 Advisory Accounts (or the 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.

Mariner will arrange to file securities class action claims on behalf of their eligible clients unless a client instructs them otherwise. This policy applies to all advisory accounts managed by Mariner, its affiliates or Associated Advisers.

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 Advisory Accounts with Mariner or subscribe for an interest in a Mariner Fund. When a client opens an Advisory 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.

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

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

Who we are

Who is providing this notice?

Mariner Investment Group, LLC ("Mariner")

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. 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.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Our affiliates include Orix AM Holdings, LLC, Orix USA Asset Management LLC, Orix USA Corporation, Orix Corporation (collectively "ORIX"), Mariner Group Capital Markets Inc. (a limited purpose broker-dealer) and Back Office Services Group, LLC (an affiliated back office fund administrator for certain onshore clients). Mariner also has affiliated 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.*