

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

March 30, 2017

### **Green Tree Investment Management LLC**

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This brochure provides information about the qualifications and business practices of Green Tree Investment Management LLC (“GTIM”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“CCO”), Hale Halasy, via telephone at (212) 157-4422 or via email at [hhalasy@sddco.com](mailto:hhalasy@sddco.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about GTIM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

**Item 2: Material Changes**

GTIM is required to identify and discuss any material changes made to its brochure since the last annual brochure update, dated March 30, 2016. The following summary discusses the material changes that GTIM has made to the brochure since the date of the last annual update:

- In January 2017, Louis Nees resigned from his position as GTIM's President;
- In January 2017, GTIM terminated the relationship with the private investment pool's placement agent;
- In February 2017, GTIM terminated the relationship with the private investment pool's administrator; and
- In February 2017, Catherine Damberg resigned from her position as Assistant Vice President, Operations.

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## Item 4: Advisory Business

GTIM is organized as a limited liability company under the laws of the State of Delaware and was founded in 2008. GTIM is a subsidiary of Green Tree Credit Solutions LLC, which is a subsidiary of Walter Investment Management Corp. (“Walter Investment”) Walter Investment is a publicly traded company with the ticker symbol WAC. GTIM provides investment advisory services to pooled investment vehicle structures and certain diligence and consulting services, as described in more detail herein. As of December 31, 2016, GTIM managed regulatory assets under management of \$199,471,212 on a discretionary basis on behalf of two clients.

GTIM provides investment advisory services to a pooled investment vehicle structure organized as a single master-feeder structure with a feeder fund that invests substantially all of its assets in a master fund, which then makes portfolio investments of the type described in more detail below. The feeder fund and master fund are collectively referred to herein as the “Advised Funds” or the “Funds”.

The master fund has a general partner (the “Advised General Partner”)<sup>1</sup> which is wholly owned by the feeder fund. GTIM has formed an investment committee pursuant to a management agreement among GTIM and the Advised Funds (the “Advised Funds Investment Committee”). The Advised Funds Investment Committee establishes and monitors the Advised Funds’ strategy and approves (subject in certain instances to the approval of the feeder fund’s board of directors) investment

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<sup>1</sup> Where demanded by the context, references to the Advised General Partner shall include any applicable directors.

purchase and sale decisions. As more fully described in greater detail in the relevant Governing Documents (as defined below), the feeder fund's board of directors provides additional governance and oversight over the Advised Funds.

### Fund Investments

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

The Governing Documents of each Advised Fund identifies the type of securities or other investments in which such Fund will invest and any investment restrictions or limitations with respect to such investments.

The Advised Funds generally invest in: (1) forward and reverse mortgage servicing rights and excess mortgage servicing spread relating to forward and reverse mortgage loans and the right to reimbursement for servicing advances; (2) forward and reverse whole mortgage loans; (3) mortgage-backed securities; (4) collateralized debt obligations; (5) notes or certificates issued by any securitization trust or special purpose vehicle or conduits in connection with the securitization of receivables created in respect of servicing advances; (6) securities originated or sponsored by residential mortgage or consumer finance companies; and (7) derivatives involving the foregoing types of assets. The Advised Funds may also invest in derivatives and similar instruments for investment, hedging and risk management purposes, subject to the investment guidelines of the Advised Funds, which are approved by the feeder fund's board of directors.

### Diligence and Consulting Services

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

## **Item 5: Fees and Compensation**

### Advisory Fees

The Advised Funds pay a base management fee to GTIM, calculated and payable quarterly in arrears, in an amount equal to one-fourth of 1.50% of the Advised Funds' Equity (as defined in the applicable Governing Documents). If applicable, the initial and final installments of the base

management fee will be pro-rated based on the number of days during the initial and final quarter of the Advised Funds. GTIM has agreed to waive receipt of payment of 50% of the base management fee due with respect to the period beginning on the date of the management agreement through the day prior to the consummation of the second capital raise of the Advised Funds. GTIM delivers the calculation of each quarterly installment of the base management fee, as calculated by the administrator of the Advised Funds, to the board of directors of the feeder fund for its review and approval. Thereafter, assuming the board of directors of the feeder fund approves such management fee, GTIM instructs the custodian of the Advised Funds to process the management fee and the Advised Funds then pay the management fee to GTIM. GTIM reserves the right to waive or reduce management fees for certain Investors, including its employees, a limited number of strategic partners, advisors and consultants, and others as determined in its sole discretion.

The Advised Funds pay an incentive management fee calculated and payable in cash each fiscal quarter in arrears in an amount equal to the sum of the following as defined by the Advised Funds' Governing Documents:

- (1) 10% per annum of the dollar amount by which the return ("Return") exceeds the high watermark ("High Watermark") plus the product of (x) the equity amount ("Equity Amount"), and (y) 8.0%, but is less than or equal to the High Watermark plus the product of (i) the Equity Amount and (ii) 12%;
- (2) 15% per annum of the dollar amount by which the Return equals or exceeds the High Watermark plus the product of (x) the Equity Amount, and (y) 12%, but is less than the High Watermark plus the product of (i) the Equity Amount and (ii) 16%; and
- (3) 20% per annum of the dollar amount by which the Return exceeds the High Watermark plus the product of: (x) the Equity Amount; and (y) 16%.

The Governing Documents describe the incentive management fee in greater detail. A copy of the calculation of incentive management fees is delivered to the board of directors for its review and approval and then the Advised Funds pay the incentive management fees to GTIM. GTIM may elect to receive up to 50% of the incentive managements fees in the form of common stock of the Advised Funds. GTIM has agreed to waive receipt of payment of 50% of the incentive management fees due with respect to the period beginning on the date of the management agreement through the day prior to the consummation of the second capital raise of the Advised Funds.

#### Administrative Expenses

The Advised Funds incur costs and expenses in connection with its operations and investments including: (1) expenses in connection with the issuance and transaction costs incident to the acquisition, disposition and financing of investments; (2) costs of legal, tax, accounting, consulting, auditing, administrative, servicing, sub-servicing and other similar services rendered by providers; (3) the cost of customary liability insurance to indemnify the Advised Funds' directors and officers and any compensation payable to non-employee directors of the Advised Funds (other than non-employee directors who are affiliates of GTIM); (4) costs associated with

the establishment and maintenance of any of the Advised Funds' mortgage loan conduits, credit facilities, other financing arrangements, or other indebtedness of the Advised Funds (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Advised Funds' securities offerings; (5) expenses connected with communications to holders of the Advised Funds' securities or of the subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of applicable law, including all costs of preparing and filing required reports with any applicable regulatory authority, the costs payable by the Advised Funds of any transfer agent and registrar in connection with the listing and/or trading of the Advised Funds' securities on any national securities exchange ("NSE"), the fees payable by the Advised Funds to any such NSE in connection with such listing, and costs of preparing, printing and mailing the Advised Funds' annual report to the Advised Funds' stockholders; (6) costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors (including information technology solutions provided to model and validate the valuation of the Advised Funds' investment portfolio) incurred solely for the benefit of the Advised Funds and their subsidiaries or, if incurred for the Advised Funds and any other Fund, the portion of such costs allocable to the Advised Funds; (7) out-of-pocket expenses incurred by managers, officers, personnel and agents of GTIM for travel on the Advised Funds' behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of GTIM in connection with the purchase, financing, refinancing, sale or other disposition of an investment or establishment and maintenance of any of the Advised Funds' securitizations or any of the Advised Funds' securities offerings, in each case; (8) costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees and expenses incurred solely for the benefit of the Advised Funds and their subsidiaries or, if incurred for the Advised Funds and any other Funds, an allocable portion of such costs, fees and expenses; (9) compensation and expenses of the Advised Funds' custodian and transfer agent, if any; (10) costs of the Advised Funds and their subsidiaries to maintain compliance with all applicable laws; (11) all taxes and license fees due and payable by the Advised Funds or any of their subsidiaries; (12) all insurance costs incurred in connection with the operation of the business of the Advised Funds and their subsidiaries, except for the costs attributable to the insurance that GTIM elects to carry for itself and its personnel; (13) costs and expenses incurred in connection with Advised Funds or their subsidiaries contracting with third parties; (14) all other out-of-pocket costs and expenses relating to the Advised Funds' business and investment operations, including the costs and expenses of acquiring, owning, servicing, sub-servicing, protecting, maintaining, developing, securitizing and disposing of investments; (15) expenses relating to any office(s) or office facilities, including disaster backup recovery sites and facilities, but only to the extent maintained for the Advised Funds or their subsidiaries separate from the office or offices of GTIM or one of its affiliates other than the Advised Funds or one of their subsidiaries; (16) expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the board of directors to or on account of holders of the Advised Funds' securities or of the subsidiaries, including in connection with any dividend reinvestment plan; and (17) any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Advised Funds or any subsidiary, or against any trustee, director, partner, member or officer of the Advised Funds or of any subsidiary in his capacity as such for which the

Advised Funds or any subsidiary is required to indemnify such trustee, director, partner, member or officer by any applicable regulatory authority.

In some cases the Advised Funds may use a service provider that is affiliated with GTIM, and bear the associated costs or expenses, if such costs are not greater than those which would have been payable to unaffiliated professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis. In some cases services customarily provided by outside professionals or consultants may be provided by GTIM's personnel, in which case the Advised Funds may bear the imputed cost of such services. GTIM has developed procedures designed to ensure that the costs charged to the Advised Funds are not greater than the charges that would otherwise be payable to third parties. This may include, among other things, costs of legal, tax, accounting, consulting, auditing, administrative, servicing, sub-servicing and other similar services rendered.

#### Issuance Expenses

Expenses incurred by the Advised Funds associated with their initial close include 50 percent of the reasonable outside legal and accounting firm expenses incurred by an initial investor affiliated with GTIM in connection with the negotiation of transaction documents and 50 percent of the reasonable outside legal expenses incurred by the investors other than the affiliate of GTIM in connection with the negotiation of transaction documents.

#### Termination Fee

The Advised Funds in some circumstances outlined in the Governing Documents incur a termination fee equal to three (3) times the sum of (i) the average annual base management fee, and (ii) average annual incentive compensation, in each case earned by GTIM during the 24-month period immediately preceding the most recently completed calendar quarter prior to the effective termination date. The termination fee may apply, for example, if the Advised Funds terminate the management agreement with GTIM without cause or due to an assignment of the management agreement if approved by the feeder fund's board, as detailed in the Governing Documents.

#### Diligence and Consulting Services

GTIM receives a payment equal to GTIM's internal costs to provide the Consulting Services (does not include third-party out-of-pocket costs incurred in providing the services) plus an additional 15% per hour for each supervised person that works on Consulting Services matters. Diligence services are provided to affiliates at no cost.

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

As described in Item 5 above, GTIM receives performance-based compensation, which is calculated based on the profits generated on the sale or disposition of the Advised Fund assets. The fact that GTIM's compensation is directly computed on the basis of profits generated by the

sale or disposition of the Advised Fund assets may create an incentive to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

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

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

The minimum commitment for an Investor is outlined in the Governing Documents. The Advised Fund does not have any specified minimum investment amount.

Subject to the specific terms of the applicable Governing Documents, Investors are generally required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, and “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940. The Advised Funds rely on Section 4(a)(2) of the Securities Act of 1933. The Advised Funds qualify for the exclusion from the definition of investment company under section 3(c)(7) of the Investment Company Act of 1940.

The Advised Funds have entered into, and may in the future enter into, agreements (“Side Letters”) with certain prospective or existing Investors whereby such Investors are subject to terms and conditions that are more advantageous than those set forth in the Governing Documents. The Funds may enter into Side Letters based on, among other things, the size of an Investor’s investment, an agreement by an Investor to maintain such investment in the Funds for a significant period of time, or other similar commitments by an Investor to the Funds. Terms and conditions may provide for special rights to make future investments in the

Advised Funds; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions); special consent rights regarding amendments to the Governing Documents; board seat membership and veto power or consent rights over certain matters; most favored nation status (i.e., the right of one investor to opt-in to benefits offered to another investor); and such other rights as Investors may negotiate.

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

The Advised Funds’ principal investment objective is to (i) make direct or indirect investments primarily in a diversified portfolio of Target Assets (as described in the Governing Documents) to generate attractive risk-adjusted returns by investing in residential mortgage related assets and (ii) qualify as a real estate investment trust under the Internal Revenue Code. The Advised Funds intend to make investments in a manner that will allow certain of the Advised Funds to qualify as a REIT and ensures that the Advised Funds will not have to register as an investment company under the Investment Company Act of 1940. As described in Item 4, the Advised Funds generally

invest in (1) forward and reverse mortgage servicing rights and excess mortgage servicing spread relating to forward and reverse mortgage loans and the right to reimbursement for servicing advances; (2) forward and reverse whole mortgage loans; (3) mortgage-backed securities; (4) collateralized debt obligations; (5) notes or certificates issued by any securitization trust or special purpose vehicle or conduits in connection with the securitization of receivables created in respect of servicing advances; (6) securities originated or sponsored by residential mortgage or consumer finance companies; and (7) derivatives involving the foregoing types of assets. The Advised Funds may also invest in derivatives and similar instruments for investment, hedging and risk management purposes.

### Associated Risks

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

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

An investment in the Advised Funds entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating the risks of the Advised Funds and bearing the risks such investments represent. As noted below, the Fund's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. A non-exhaustive summary of risks may include, among other things, interest rate risk, market risk, potential non-payment of principal and interest, prepayment risk, and risks associated with the use of borrowings. Additional details on potential risks are found below and/or in the applicable Governing Documents. As such, prospective investors are advised to review the Advised Funds' Governing Documents for additional information about the investment terms of the Advised Funds.

### Lack of Liquidity of Fund Assets

The Funds' assets will, at any given time, include securities and other financial instruments or obligations which are not publicly traded, very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. Real estate-backed loans and asset-backed securities are generally less liquid than other types of securities (i.e., stocks or bonds). The sale of any such investments may be possible only at substantial discounts and, in certain circumstances, the Funds may suspend withdrawals due to market conditions affecting the ability to sell assets. In light of the foregoing, investment in the Funds should be

considered only by an Investor financially able to maintain its investment for a substantial period of time and who can afford a loss of a substantial part of its investment.

#### Limited Diversification

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

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

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

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

The Funds also may invest in securities backed by stripped mortgage-backed securities which are created by segregating the cash flows from underlying mortgage loans or mortgage securities to create two or more new securities, each with a specified percentage of the underlying security’s principal or interest payments. Mortgage securities may be partially stripped so that each investor class receives some interest and some principal. When securities are completely stripped, however, all of the interest is distributed to holders of one type of security, known as an interest-only security (“IO”), and all of the principal is distributed to holders of another type of security known as a principal-only security (“PO”). Strips can be created in a pass-through structure or as tranches of a collateralized mortgage obligation. The yields to maturity on IOs and POs are very sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Funds may not fully recoup their initial investments in IOs. Conversely, if the underlying mortgage assets experience less than anticipated prepayments of principal, the yield on POs could be materially and adversely affected.

#### Risks Related to Swaps

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

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

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

#### Risks Related to Credit Default Swaps

A portion of the Funds' investments may be in credit default swaps. The Funds will primarily enter into credit default swaps as a "buyer" but may also be a "seller". The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event in an asset-backed security credit default swap ("ABS CDS") means a failure to pay principal, a write-down and/or a distressed ratings downgrade has occurred and in a CDO CDS a credit event may include a failure to pay interest in addition to the foregoing. If a credit event occurs, the seller typically is obligated to pay the contingent payment to the buyer, which is typically the full notional value of the reference obligation. The contingent payment may be payment of the face amount of the obligation in return for physical delivery of the reference obligation or cash settlement of the difference between the face amount of the obligation and its market value. Thus, if a credit event occurs and the Funds

are a buyer of CDS, the Funds would expect to receive the full notional value of the underlying reference obligation. In the event that the Funds are a buyer of a CDS, and if no credit event occurs, the Funds will have made fixed payments and received nothing, and thus may incur losses. In the event the Funds are a seller of a CDS and a credit event occurs, the Funds may incur significant losses.

#### Risks Related to Synthetic Securities

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

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

Many reference obligations will have no, or only a limited, trading market. Trading in fixed income securities in general, including asset-backed securities and derivatives thereon, takes place primarily in over-the-counter markets consisting of groups of dealer firms that are typically major securities firms. Because the market for certain asset-backed securities and derivatives thereon is

a dealer market, rather than an auction market, no single obtainable price for a given instrument prevails at any given time. Not all dealers maintain markets in all asset-backed securities at all times. The illiquidity of reference obligations will restrict GTIM's ability to take advantage of market opportunities. Illiquid reference obligations may trade at a discount from comparable, more liquid investments. In addition, reference obligations may include privately placed securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed securities are transferable, the value of such reference obligations could be less than what may be considered the fair value of such securities.

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

#### Risks Related to Residential Whole Loans

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

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

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

The mortgage pool may contain mortgage loans secured by junior liens. The related senior lien, which may have been made at the same time as the first lien, may or may not be included in the mortgage pool as well. The primary risk to holders of mortgage loans secured by junior liens is the possibility that adequate funds will not be received in connection with a foreclosure of the related senior liens to satisfy fully both the senior liens and the mortgage loan secured by a junior lien. In the event that a holder of a senior lien forecloses on a mortgaged property, the proceeds of the foreclosure or similar sale will be applied first to the payment of court costs and fees in connection with the foreclosure, second to real estate taxes, third in satisfaction of all principal, interest, prepayment or acceleration penalties, if any, and any other sums due and owing to the holder of the senior liens. The claims of the holders of the senior liens will be satisfied in full out of proceeds of the liquidation of the related mortgaged property, if the proceeds are sufficient, before the holder of the junior lien receives any payments in respect of the mortgage loan. If the master servicer or a servicer were to foreclose on a mortgage loan secured by a junior lien, it

would do so subject to any related senior liens. In order for the debt related to the mortgage loan to be paid in full at the sale, a bidder at the foreclosure sale of the mortgage loan would have to bid an amount sufficient to pay off all sums due under the mortgage loan and the senior liens or purchase the mortgaged property subject to the senior liens. In the event that the proceeds from a foreclosure or similar sale of the related mortgaged property are insufficient to satisfy all senior liens and the mortgage loan in the aggregate, the holder of the junior lien, and, accordingly, holders of one or more classes of the securities of the related series bear (1) the risk of delay in distributions while a deficiency judgment against the borrower is sought, and (2) the risk of loss if the deficiency judgment is not realized. Moreover, deficiency judgments may not be available in some jurisdictions or the mortgage loan may be nonrecourse. In addition, a junior mortgagee may not foreclose on the property securing a junior mortgage unless it forecloses subject to the senior mortgages.

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

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

#### Valuation of Investments

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

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

independent investigation, upon pricing information and valuations furnished to the Funds by third parties, including pricing services.

### Liquidity

Investments may include mortgage related securities, servicing rights, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. Liquidation expenses for any particular asset may be disproportionate and may reduce available proceeds (these expenses may include legal fees, real estate taxes, real estate broker fees and maintenance and preservation expenses). The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, U.S. housing conditions, financial market conditions, regulatory developments, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on each investment. The sale of illiquid assets often requires more time. No assurances can be made as to the market value or liquidity of the assets which may be adversely affected by the market for such asset in general.

Excess mortgage servicing rights (“Excess MSR”) are highly illiquid and have numerous restrictions on transfers. The duties and obligations of mortgage servicers are defined through contractual agreements. These contracts generally require that holders of Excess MSR obtain the consent of the servicer, and may require a third-party consent, prior to any change of ownership. The approval may be withheld for any reason or no reason in the discretion of the third party. Additionally, investments in Excess MSR are a new type of instrument, and there have been extremely few investment products that pursue a similar investment strategy. Accordingly, the risks associated with the transaction and structures are not fully known to buyers or sellers. As a result, there is some risk that GTIM will be unable to locate a buyer at the time it wishes to sell an Excess MSR on behalf of the Advised Funds. Therefore, GTIM cannot provide any assurance that it will be able to obtain any return or any benefit of any kind for the Advised Funds from any disposition of Excess MSR.

### Interest Rate Risk

Real estate investments are subject to interest rate risk in connection with (a) acquisition and ownership of residential mortgage loans and (b) debt financing activities. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond GTIM’s control. Changes in interest rates may affect the fair value of the residential mortgage loans and real estate underlying the Advised Funds’ portfolio as well as its financing interest rate expense. In the future, GTIM also may undertake risk mitigation activities with respect to debt financing interest rate obligations; a significantly rising interest rate environment could have an adverse effect on the cost of such financing. To mitigate this risk, GTIM may use derivative financial instruments such as interest rate swaps and interest rate options in an effort to reduce the variability of earnings caused by changes in the interest rates. If and when undertaken, these derivative instruments may expose clients to certain risks such as price and interest rate fluctuations, timing risk, volatility risk, credit risk, counterparty risk and changes in the liquidity of markets.

### Leverage Risk

As part of its investment strategy, GTIM may utilize borrowings, including repurchase agreements, which have mark-to-market risk. GTIM's strategy to use leverage may adversely affect the return on investments for the Advised Funds and may amplify losses on the downside when economic conditions are unfavorable. GTIM is not required to maintain any minimum or maximum target debt-to-equity leverage ratio. However, the amount of leverage GTIM may employ for a particular asset type will depend upon the availability of financing and GTIM's assessment of the credit, liquidity, price volatility and other risks of those assets and financing counterparties. Financing may not always be available on acceptable terms, in the necessary amounts, or for the period needed.

The use of leverage can magnify both the gains and the losses on investments. Leverage will increase returns as long as there is a greater return on investments purchased with borrowed funds than the cost of borrowing funds. However, if the value of the leveraged asset decreases, the leverage may increase losses. Even if the asset increases in value, if the asset fails to earn a return that equals or exceeds the cost of borrowing, the leverage will decrease returns on investments.

### Default Risk

A portfolio's income may be derived largely from repayments of principal received in respect of loans. A wide range of factors may adversely affect an obligor's ability to make repayments, including, but not limited to: adverse changes in the financial condition of such obligor or the regions in which it operates; the obligor's exposure to counterparty risk; systemic risk in the financial system; changes in law or taxation; changes in governmental regulations or other policies; natural disasters; terrorism; social unrest; civil disturbances; or general economic conditions. Default rates tend to accelerate during economic downturns.

Any defaults will have a negative impact on the value of investments held and may reduce the return in certain circumstances. While some amount of annual defaults and loss of principal balance on the mortgage loans is expected to occur in each portfolio, such defaults, losses, decline in value or failure to meet certain cash flow targets may have a material adverse effect on such portfolio and, as a result, on the overall performance of the Advised Funds.

### Security Risk

A substantial portion of the Advised Funds' investments is expected to be in residential mortgages or real estate, or securities collateralized by residential mortgage loans and real estate. Depending on the jurisdiction in which such security interests are created, enforcement of such securities can be a complicated and difficult process. For example, enforcement of security interests in certain jurisdictions can require a court order and a sale of the secured property through public bidding or auction. In addition, some courts may delay, upon the obligor's application, the enforcement of a security if the obligor can show that it has a valid reason for requesting such delay, such as showing that the default was caused by temporary hardships. For example, some jurisdictions

grant courts the power to declare security interest arrangements to be void if they deem the security interest to be excessive.

### Dependency on Mortgage Servicers

A mortgage servicing right (“MSR”) provides a mortgage servicer with the right to service a pool of mortgages in exchange for a portion of the interest payments made on the underlying mortgages. The Advised Funds have the authority to invest in Excess MSRs, which is the excess servicing fee above the base servicing fee established at the time the mortgage loan is originated. GTIM’s ability to manage the Advised Funds’ investments in Excess MSRs is dependent on the mortgage servicer performing its servicing obligations in accordance with the applicable servicing agreement. As a result, the Advised Funds could be materially and adversely affected if the servicer is terminated. The duties and obligations of mortgage servicers are defined through contractual agreements, which in the case of an agreement with a government-sponsored enterprise (“GSE”) and the Government National Mortgage Association (“Ginnie Mae”), generally provide for the possibility for termination of the servicer in the absolute discretion of the GSE or Ginnie Mae. In the event of a termination by the GSE or Ginnie Mae relating to a particular servicer, the related Excess MSRs could potentially lose all value on a going forward basis. Moreover, the termination of a servicer could take effect across all mortgages being serviced by that servicer. Therefore, to the extent the Advised Funds’ capital has been invested in multiple investments relating to mortgages serviced by the same servicer, such as a portfolio of Excess MSRs, all of the Advised Funds’ investments could lose all their value in the event of the termination of the servicer. In addition, many servicers also rely on subservicing arrangements with third parties and the failure of sub-servicers to adequately perform their services may negatively impact the servicer and, as a result, the performance of the related Excess MSRs. Neither GTIM nor the Advised Funds may have recourse to the servicer if the sub-servicer fails to perform. It is the intention of GTIM to use its affiliate, Ditech Financial LLC (“DF”), as the primary servicers for mortgages held in the portfolio of the Advised Client. This could result in a concentration of servicing at DF that could, should anything happen to DF, adversely affect the portfolio and, as a result, the overall performance of the Advised Funds.

### Excess MSRs and Third-Party Consents

GTIM’s ability to invest the Advised Funds’ capital in, and dispose of its investments in Excess MSRs may be subject to the receipt of third-party consents. A GSE or Ginnie Mae may require that the Advised Funds be subject to costly or burdensome conditions as a prerequisite to investments in Excess MSRs. These conditions may diminish or eliminate the investment potential of certain Excess MSRs by making these investments too expensive for the Advised Funds or by severely limiting the potential returns available from Excess MSRs. The Advised Funds have not received and do not expect to receive any assurances from the GSE or Ginnie Mae that their conditions for the disposition of an investment in Excess MSRs will not change. Therefore, the potential costs, issues or restrictions associated with receiving the consent of a GSE or Ginnie Mae for any dispositions cannot be determined with any certainty. To the extent GTIM, on behalf of the Advised Funds, is unable to dispose of Excess MSRs in the Advised Funds’ portfolio when GTIM determines it would be beneficial to do so, the Advised Funds’ results of operations may be adversely impacted.

### Excess MSR's and Complex/Novel Structures

Investments in Excess MSR's may involve complex or novel structures. It is possible that the views of Fannie Mae, Freddie Mac and Ginnie Mae on whether any complex investment structure is appropriate or acceptable may not be known at the time of investment and may change from time to time for any reason or for no reason, even after the completion of an investment. The evolving posture of Fannie Mae, Freddie Mac and Ginnie Mae toward an acquisition or disposition structure through which GTIM proposes to have the Advised Funds invest in or dispose of Excess MSR's may cause Fannie Mae, Freddie Mac or Ginnie Mae to impose new conditions on investments in Excess MSR's, including the owner's ability to hold Excess MSR's directly or indirectly through a grantor trust or other means. Any new conditions may be costly or burdensome and could materially impact the obligations to invest in or dispose of Excess MSR's.

On January 17, 2011, the Federal Housing Finance Agency ("FHFA") announced that it had instructed Fannie Mae and Freddie Mac to study possible alternatives to the current residential mortgage servicing and compensation system used for single-family mortgage loans. It is unclear what the GSEs, including Fannie Mae or Freddie Mac, may propose as alternatives to current servicing compensation practices, or when any such alternatives may become effective. Although GTIM does not expect MSR's that have already been created to be subject to any changes implemented by Fannie Mae or Freddie Mac, it is possible that because of the significant role of Fannie Mae or Freddie Mac in the secondary mortgage market, any changes they implement could become prevalent in the mortgage servicing industry generally. Other industry stakeholders or regulators may also implement or require changes in response to the perception that the current mortgage servicing practices and compensation do not appropriately serve broader housing policy objectives. These proposals are still evolving. To the extent the GSEs implement reforms that materially affect the market for loans related to the Excess MSR's in which the Advised Funds invest, there may be a material adverse effect on the economics or performance of any such Excess MSR's that the Advised Funds may acquire in the future.

In addition, the requirements imposed by mortgage owners on servicers may require an investor to structure the terms, purchase price and form of consideration that the investor and the servicer pay differently in various deals. For example, if a mortgage owner imposes stricter requirements on a servicer to repurchase loans under certain circumstances, the servicer will be required to assume a significantly higher level of risk in connection with servicing the loans underlying the applicable mortgage servicing right and related Excess MSR than the servicer would assume if the mortgage owner did not impose such requirements. As a result, the basic fee paid to the servicer relating to those mortgage servicing rights may be higher (and the related Excess MSR may be lower) than in deals where the mortgage owner does not impose these types of requirements.

### Impact of Interest Rates on the Value of Excess MSR's

The value of Excess MSR's may vary substantially due to changes in interest rates. The values of Excess MSR's are highly sensitive to changes in interest rates. Historically, the value of MSR's, which underpin the value of the Advised Funds' Excess MSR's has increased when interest rates rise and decreased when interest rates decline due to the effect those changes in interest rates have

on prepayment rates. The Advised Funds may acquire a portfolio of Agency RMBS with the intended purpose of acting as a natural hedge for the Excess MSR. As the value of the Excess MSR decreases due to a decline in market interest rates, the value of the Agency RMBS should increase. GTIM may or may not utilize derivatives to hedge against changes in the fair value of Excess MSRs.

#### Impact of Delinquencies on the Value of Excess MSRs

If delinquencies increase, the value of the Advised Funds' Excess MSR may decline significantly. An increase in delinquencies will generally result in lower revenue because typically servicers will only collect servicing fees from GSEs or mortgage owners for performing loans. GTIM's expectation of delinquencies is a significant assumption underlying the cash flow projections on the related pools of mortgage loans. If delinquencies are significantly greater than expected, the estimated fair value of the Excess MSR could be diminished, which would cause the Advised Funds to suffer a loss.

#### Prepayment Rates

Prepayment rates can change, adversely affecting the performance of the assets GTIM manages. The frequency at which prepayments occur on mortgage loans underlying Excess MSR and Agency RMBS is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Generally, borrowers tend to prepay their mortgages through mortgage refinancing when prevailing mortgage rates fall below the interest rates on their mortgage loans. When borrowers prepay their mortgage loans at rates that are faster or slower than expected, it results in prepayments that are faster or slower than expected on the related Excess MSR and Agency RMBS. These faster or slower than expected payments may adversely affect the Advised Funds' performance.

#### U.S. Regulator Actions

GTIM cannot predict the impact future actions by regulators or U.S. government bodies, including the U.S. Federal Reserve will have and any such actions may negatively affect the Advised Funds. Regulators and U.S. government bodies have a major impact on the Advised Funds' business. The U.S. Federal Reserve is a major participant, and its actions significantly impact the residential mortgage market. For example, quantitative easing, a program implemented by the U.S. Federal Reserve to keep long-term interest rates low and stimulate the economy, has had the effect of reducing the difference between short-term and long-term interest rates. As a result of the reduction in long-term interest rates, prepayment speeds increased. While tapering of quantitative easing has commenced, no assurance can be given as to when the U.S. Federal Reserve will discontinue quantitative easing. Future actions by regulators or U.S. government bodies, including the U.S. Federal Reserve, could have a material and adverse effect on GTIM's ability to manage the Advised Funds' business successfully.

### Use of Models to Make Investment Decisions

GTIM relies on analytical models and other data to analyze potential asset acquisition and disposition opportunities to implement in managing the Advised Funds' portfolio. If these models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon could expose the Advised Funds to potential risks. GTIM's use of models and data may cause the Advised Funds to purchase certain assets at prices that are too high, sell certain other assets at prices that are too low or miss favorable opportunities altogether. Similarly, any hedging activities that are based on faulty models and data may prove to be unsuccessful.

For example, the value of investments in Excess MSR is based on various assumptions that could prove to be incorrect and could have a negative impact on the financial results of the Advised Funds. When GTIM invests in Excess MSR on behalf of the Advised Funds, it bases the price it pays on and the rate of amortization of those assets on, among other things, its projection of the cash flows from the related pool of mortgage loans. GTIM records Excess MSR on the Advised Funds' balance sheets at fair value, and measures their fair value on a recurring basis. GTIM's projections of the cash flow from Excess MSR and the determination of the fair value of Excess MSR are based on assumptions about various factors; including, but not limited to: (i) rates of prepayment and repayment of the underlying mortgage loans; (ii) interest rates; and (iii) rates of delinquencies and defaults (each of which is discussed above). GTIM's assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of Excess MSR could produce materially different fair values for such assets, which could have a material adverse effect on an Advised Fund's financial position, results of operations and cash flows. The ultimate realization of the value of Excess MSR may be materially different than the fair values of such assets as reflected in an Advised Fund's statement of financial position as of any particular date.

### Uncertainty of Valuations

Valuations of some of the assets classes will be inherently uncertain, may be based on estimates, may fluctuate over short periods of time and may differ from the values that would have been used if a ready market for these assets existed. In many cases, the determination of fair value of certain investments is based on valuations provided by third-party dealers and pricing services. GTIM will value assets based upon its judgment, which may differ from those provided by third-party dealers and pricing services. Valuations of certain assets are often difficult to obtain or unreliable. In general, dealers and pricing services heavily disclaim their valuations. Additionally, dealers may claim to furnish valuations only as an accommodation and without special compensation and so they may disclaim any and all liability for any direct, incidental or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of an investment, valuations of the same asset can vary substantially from one dealer or pricing service to another. The Advised Funds' performance could be materially impacted by a fair valuation made in good faith that is materially inaccurate by not properly representing the price an Advised Fund would receive upon exiting or selling the investment.

## **Item 9: Disciplinary Information**

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

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

GTIM has a number of business arrangements with affiliates that are material to its advisory business and its clients. In some cases, these business arrangements may create a potential conflict of interest or the appearance of a conflict of interest. GTIM reviews each of its arrangements to ensure that they do not adversely impact its clients and has in place policies and procedures to address conflicts if and as they arise.

DF is affiliated with GTIM and provides third party servicing for residential mortgage, manufactured housing and consumer installment loans and contracts and assists with asset receivables management by concentrating on collections after charge-offs and recovery of deficient balances after foreclosure sales and liquidation of bad debt. GT Servicing may service a portion of the loans held by or underlying the securities acquired by the Funds.

DF, an affiliate of GTIM, has a residential mortgage originations and servicing business. GTIM, in connection with its portfolio management responsibilities to the Advised Funds, may recommend the Advised Funds purchase for their portfolio whole loans originated by DF, or securitization assets created by DF, the underlying assets of which consist of whole loans originated by DF. GTIM has established policies and procedures to ensure that any purchase of assets by the Advised Funds from an affiliate of GTIM are reviewed and approved by independent third parties, including the independent directors of the Advised Funds.

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

The Advised Funds are organized in a single master-feeder structure, with a feeder fund that invests substantially all of its assets in the master fund, which then makes portfolio investments. The master fund has designated a general partner, which is controlled by the feeder fund. The feeder fund has a board of directors which serves a governance and oversight purpose (e.g., approval of the acquisition and disposition of portfolio investments; approval of affiliate relationships and other oversight as described in greater detail in the relevant Governing Documents of the Advised Funds). Additionally, the board of directors of the feeder fund of the Advised Funds consists of five members, two appointed by Walter Investment and three appointed by the initial seed investor. One of the directors appointed by Walter Investment is also a director of Walter Investment and may have conflicts or perceived conflicts between his duties to the Advised Funds and his duties to Walter Investment. We have attempted to address these potential conflicts through our internal compliance policies and procedures, our allocation policy and the and in the governing documents of, and agreements entered into by the Advised Fund, although no assurance can be given that conflicts will nevertheless arise. The board of directors

can elect to change the size of the board consistent with the terms of the applicable Governing Documents.

GTIM also acts as investment manager to a pooled investment vehicle (the "vehicle") that has common employees with Walter Investment. The relevant employees are senior executives with Walter Investment as well as with the vehicle. These employees are not required to devote any specified amount of time on managing the vehicle and are free to spend such as each deems appropriate in order to discharge their respective responsibilities to the vehicle and Walter Investment. GTIM has in place policies and procedures designed to mitigate and resolve any conflicts that could arise due to this arrangement.

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

GTIM has adopted a written Code of Ethics (the "Code") that is applicable to all of the individuals GTIM has designated as supervised persons ("Supervised Persons"). Among other things, the Code requires GTIM and its Supervised Persons to act in the Funds' best interests, abide by all applicable regulations, avoid even the appearance of insider trading and, in the case of the individuals GTIM has designated as access persons ("Access Persons"), pre-clear and report on many types of personal securities transactions. GTIM's restrictions on personal securities trading apply to Access Persons and their family members who live in the same household. The CCO monitors Access Persons' trading relative to the Funds' trading in order to detect and prevent any potential concerns regarding Access Persons' personal trading activities. A copy of GTIM's Code is available upon request by calling the CCO at (212) 157-4422.

GTIM maintains a watch list of securities ("Watch List") for which GTIM has noted the possibility of potential conflicts of interest. The CCO compiles and maintains this list of securities. Access Persons are required to obtain written pre-clearance from the CCO for personal transactions in securities associated with any issuers on the Watch List. GTIM also maintains a restricted list of securities ("Restricted List") that GTIM is actively evaluating for purchase or sale in Fund accounts, or about which GTIM might have received material non-public information. The CCO compiles this list to assist in reviewing pre-clearance requests and determining whether to approve or reject such requests. The CCO generally will not pre-clear any personal transactions in securities that are associated with any issuers on the Restricted List unless a valid reason exists that does not compromise compliance with the federal securities laws.

Certain investments or assets owned or acquired by one or more affiliates of GTIM may be sold or transferred (subject to obtaining approval of such sale or transfer from the Advised Funds Investment Committee and one of the independent board of directors or an independent representative selected by the Advised Funds' investors) to the Advised Funds in return for consideration to the affiliates of GTIM that may include interests or shares in the Advised Funds. For example, the Advised Funds intend to acquire a mortgage servicer in this manner. This type of transaction involves certain conflicts or risks, including the potential difficulty in valuing the investments or assets to be transferred and the conflict of dealing with an affiliate of GTIM at an arms' length basis.

## **Item 12: Brokerage Practices**

### Best Execution Reviews

GTIM determines the broker used for securities transactions of the Advised Funds and anticipates that securities transactions will occur primarily with the issuers, underwriters or major dealers acting as principals. Such transactions normally occur on a net basis and do not involve payment of a separate brokerage commission. Rather, the cost of securities purchased from an underwriter usually includes a commission paid by the issuer to the underwriters and transactions with dealers normally reflect the spread between bid and ask prices. In addition, GTIM generally reviews best execution associated with RMBS transactions in addition to other investment instruments, such as whole loans.

Certain types of investments, such as Excess MSRs, do not lend themselves to the same types of traditional best execution factors and reviews commonly used to assess fixed income and equity trading activity. These investments may not include a commission or other fees, including when they are sourced from an affiliate of GTIM. The Advised Funds intend to obtain pre-approval from the independent directors when making investment decisions for these types of investments involving affiliates of GTIM. The directors may rely on an independent third-party valuation prior to the acquisition of any Excess MSR from an affiliated servicer.

In order to comply with its best execution obligations in selecting brokers to execute transactions, GTIM need not solicit competitive bids and does not have an obligation to seek the lowest available commission, mark-up/mark-down or other cost (collectively, “commissions”). In selecting brokers, GTIM takes into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. In addition, the availability and size of investment opportunities and the prospect of future deal flow may play a role in GTIM’s selection of counterparties. Further, GTIM’s assessment as to the reputation and integrity of counterparties generally plays a role in counterparty selection.

On a semi-annual basis, GTIM conducts best execution meetings to review the counterparties used on the transactions recommended GTIM, any potential concerns noted and any resolutions of the concerns noted. The results of these meetings are considered in determining GTIM’s direction of future trading activity.

### Soft Dollar Benefits

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

GTIM does not separately compensate such brokers for the research and does not believe that it “pays-up” for such brokers’ services. However, when GTIM obtains research, GTIM receives a benefit because GTIM does not have to produce or separately pay for the research. As a result, GTIM may have an incentive to select or recommend a broker-dealer based on GTIM’s interest in receiving the research, rather than on the Funds’ interest in receiving most favorable execution. As noted above, the type of information received generally consists of industry standard information provided to market participants when considering potential investment opportunities.

### Allocation

Investment opportunities of GTIM’s affiliates may overlap with those of the Advised Funds and, as a result, GTIM’s affiliates may acquire, generate or hold investment opportunities that are appropriate investments for the Advised Funds. Under certain circumstances and in accordance with the Governing Documents, the affiliates of GTIM and the Advised General Partner have agreed to provide the Advised Funds with right of first offer to purchase certain assets (“RFO Assets”) designated in the Governing Documents.

GTIM’s affiliates may acquire for their own accounts or offer to other third parties the affiliates’ corporate opportunities in target assets that (i) are not required to be offered to the Advised Funds because they are not RFO Assets, (ii) has determined, in its capacity as the investment adviser to the Advised Funds, are not RFO Assets that the Advised Funds will be offered the right to acquire, or (iii) are RFO Assets that the Advised Funds have been offered the right to acquire, but have elected not to do so. The affiliates may: (i) acquire RFO Assets on a temporary basis for the purpose of “warehousing” such assets prior to providing the Advised Fund a right of first offer to acquire such assets, and (ii) securitize or finance their own assets and offer securities to be issued by securitization trusts or the affiliates to third parties.

If an Advised Fund decides to acquire such assets, it would obtain approval of such acquisition from the Advised Funds Investment Committee and one of the independent directors on the feeder fund’s board of directors or an independent representative selected by the Advised Funds’ investors.

GTIM’ affiliates have formed the Corporate Opportunity Allocation Committee and the Corporate Opportunity Allocation Subcommittee, which determine whether investment opportunities should be offered to the Advised Funds. Designated investment personnel of GTIM and the affiliates notify the Corporate Opportunity Allocation Subcommittee of investment opportunities that could be considered target assets of the Advised Funds. The Corporate Opportunity Allocation Subcommittee determines whether the opportunity is considered a target asset and, if so, determines whether the opportunity reflects a RFO Asset. The Corporate Opportunity Allocation Subcommittee then notifies GTIM and the Advised Funds of the opportunity and, if applicable, determines the amount to be offered to the Advised Funds. The Advised Funds Investment Committee then reviews the opportunity and determines whether the Advised Funds will invest and, if applicable, can present the opportunity to the feeder funds’ board of directors. The Corporate Opportunity Allocation Committee periodically reviews the determinations of the subcommittee for adherence to the applicable Governing Documents and internal policies and procedures.

### Referrals

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

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

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

With respect to the Advised Funds, other periodic reviews are conducted by the board of directors of the feeder fund, at regularly scheduled meetings during the year. The feeder fund's board of directors also reviews the portfolio of assets and related compliance with the Advised Funds' policies, procedures and guidelines at each regularly scheduled board meeting. A committee comprised of the independent directors review and approve the material terms of any transactions deemed to present a material conflict, any transactions deemed to reflect principal transactions, and any transactions between the Advised Funds and affiliated servicers, including the pricing terms, to determine if the terms of those transactions are fair and reasonable.

Each Advised Fund Investor receives the consolidated balance sheet of the Advised Fund and its subsidiaries as at the end of each quarter and the related consolidated statements of income, cash flows and retained earnings for such quarter and for the elapsed portion of the Advised Fund's fiscal year. Each Advised Fund Investor also receives the audited consolidated balance sheet of the Advised Fund and its subsidiaries as at the end of each fiscal year and the related audited consolidated statement of income, cash flows and retained earnings for each fiscal year.

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

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

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

## **Item 15: Custody**

GTIM does not take or maintain physical custody of the Funds' cash or securities and conducts all business operations in such a way that Fund cash and securities, other than privately offered securities, are preserved in the safekeeping of independent qualified custodians.

GTIM is deemed to have custody of the Advised Funds' assets because of the day-to-day authority over those assets that the Advised General Partner and/or board of directors have delegated to GTIM.

Fund Investors will not receive statements from the independent qualified custodians maintaining custody over Fund assets. Rather, each Fund is subject to an annual audit and audited financial statements are distributed to each Fund's Investors within 120 days of the Funds' fiscal year ends. The audited financial statements are prepared in accordance with generally accepted accounting principles.

## **Item 16: Investment Discretion**

In accordance with the terms and conditions of the Governing Documents, and subject to the direction and control of the Advised General Partner and/or board of directors of each Advised Fund, or otherwise through the direct exercise of similar authority or control over the assets of the Advised Funds, GTIM generally has discretionary authority to determine, subject to oversight in certain instances by the board of directors (e.g., with respect to principal transactions or other matters specified in the Governing Documents), without obtaining specific consent from the Advised Funds or their Investors, the securities and the amounts to be bought or sold on behalf of the Advised Funds, and to perform the day-to-day investment operations of the Advised Funds.

A Governing Document extends GTIM's authority to the recommendation of changes to the Advised Funds' investment strategies, objectives and investment guidelines. These recommendations, when provided, are reviewed and approved by the Advised Funds' independent directors prior to implementation.

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act of 1940, GTIM has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that GTIM receives are treated in accordance with these policies and procedures. A copy of GTIM's proxy voting policies and procedures, as well as specific information about how GTIM has voted in the past, is available to Investors upon written request by calling the CCO at (212) 157-4422.

### *Proxy Voting*

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

proxy voting instructions conveyed by any Investor with respect to the Funds' investment holdings. The applicable Investment Committee coordinates GTIM's proxy voting (or equivalent) process.

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

#### *Class Actions*

GTIM has the authority to direct the Funds' participation in class actions. The applicable Investment Committee or authorized investment personnel determine whether the Funds will (a) participate in a recovery achieved through a class action, or (b) opt out of the class action and separately pursue their own remedy. The CCO and the applicable Investment Committee or authorized investment personnel evaluate any conflicts of interest with regard to participating in a class action and determine an appropriate course of action for GTIM on behalf of the applicable Funds. GTIM generally does not serve as the lead plaintiff in class actions because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

### **Item 18: Financial Information**

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