

Incenter Capital Management LLC  
Part 2A of Form ADV  
The Brochure

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This brochure provides information about the qualifications and business practices of Incenter Capital Management LLC (“Incenter”). If you have any questions about the contents of this brochure, please contact us at 651-412-2002. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Incenter is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

**Item 2: Material Changes**

Since Incenter's last filing on July 22, 2016, there have been no material changes.

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## **Item 4: Advisory Business**

### **A. Description of Incenter and Principal Owners**

Incenter Capital Management LLC, a Delaware limited liability company (“Incenter”), is a privately-held investment adviser founded in 2016. Incenter is majority owned, through one or more intermediate entities, by BTO Urban Holdings LLC (“BTO Urban Holdings”), and minority owned, through one or more intermediate entities, by Libman Family Holdings, LLC (“Libman Family Holdings”). BTO Urban Holdings and Libman Family Holdings, LLC maintain their interests in Incenter through a number of subsidiaries including UFG Global LLC and UFG Holdings LLC. Incenter is directly, wholly owned by Incenter LLC.

Libman Family Holdings is held equally by Libman-Alpha Holdings, LLC, Libman-Eta Holdings LLC and Libman-Kappa Holdings LLC. Interests in BTO Urban Holdings are held by a series of limited partnership funds for which Blackstone Tactical Opportunities Associates – NQ L.L.C. serves as General Partner and Blackstone Tactical Opportunities Advisors L.L.C. serves as investment advisor. Information regarding Blackstone Tactical Opportunities Advisors L.L.C. is available in its form ADV filed with the Commission.

### **B. Description of Advisory Services**

Incenter provides investment advisory services on a discretionary basis to its clients (collectively, the “Clients”) that invest in residential mortgage loans, agency mortgage servicing rights (“MSRs”) and other mortgage related assets.

Services provided to the Clients are day-to-day operations of the Clients and services and activities relating to the Clients’ investments (the “Investments”), including:

- (i) identifying, investigating, evaluating, underwriting, analyzing and selecting possible investment opportunities and acquiring, financing, retaining, selling, restructuring or disposing of the Investments consistent with the Clients’ strategy;
- (ii) consulting with respect to decisions regarding any financings, securitizations and hedging activities undertaken by the Clients;
- (iv) with respect to prospective purchases, sales or exchanges of the Investments, conducting negotiations on behalf of the Clients with sellers, purchasers and brokers and, if applicable, their respective agents and representatives;
- (v) consulting with respect to arranging for the issuance of mortgage-backed securities from pools of mortgage loans or mortgage-backed securities owned by the Clients;
- (vi) negotiating and entering into, on behalf of the Clients, repurchase agreements, credit finance agreements, securitizations, agreements relating to borrowings under programs established by the U.S. government, commercial papers, interest rate swap

agreements, International Swaps and Derivatives Association agreements (“ISDAs”), Master Securities Forward Transaction Agreements (“MSFTAs”) and other hedging instruments, custodial agreements, warehouse facilities and all other agreements and engagements required for the Clients to conduct their business;

(vii) engaging and supervising, on behalf of the Clients and at the Client's expense, independent contractors which provide investment banking, securities brokerage, mortgage brokerage, other financial services, due diligence services, underwriting review services, legal and accounting services, and all other services as may be required relating to Investments;

(viii) coordinating and managing operations of any joint venture or co-investment interests held by the Clients and conducting all matters with the joint venture or co-investment partners;

(ix) providing executive and administrative personnel, office space and office services required in rendering services to the Clients;

(x) administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to the management of the Clients as may be reasonably directed, including the collection of revenues and the payment of the debts and obligations of the Clients and maintenance of appropriate computer and technological services to perform such administrative functions;

(xi) if authorized by applicable governing, offering and organizational documents, communicating on behalf of the Clients with the holders of equity or debt securities of the Clients (other than securities issued in connection with any securitization effectuated by the Clients) as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders;

(xii) counseling the Clients in connection with policy decisions to be made;

(xii) evaluating and recommending hedging strategies and engaging in hedging activities on behalf of the Clients, consistent with applicable governing, offering and organizational documents;

(xiii) making available to the Clients Incenter's knowledge and experience with respect to mortgage backed securities (“MBS”), mortgage loans, MSRs, real estate, real estate-related securities, other real estate-related assets and non-real estate-related assets;

(xiv) furnishing reports and statistical and economic research to the Clients regarding their activities and services performed for the Clients by Incenter;

(xv) monitoring the operating performance of the Investments and providing periodic reports with respect thereto, including comparative information with

respect to such operating performance and budgeted or projected operating results;

(xvi) investing and reinvesting any moneys and securities of the Clients (including investing in short-term Investments pending investment in other Investments, payment of fees, costs and expenses, or payments of dividends or distributions to stockholders and partners of the Clients) and advising the Clients as to their capital structure;

(xvii) subject to authority provided to Incenter within the applicable governing, offering and organizational documents of the Clients, causing the Clients to retain qualified accountants and auditors and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and testing systems with respect to financial reporting obligations;

(xviii) assisting the Clients in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xix) assisting the Clients in complying with all legal and regulatory requirements applicable to them in respect of their business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Securities Exchange Act of 1934 (the “Exchange Act”), the Securities Act of 1933 (the “Securities Act”), or, if applicable, by the New York Stock Exchange (“NYSE”) or such other national securities exchange;

(xx) to the extent applicable, assisting the Clients in taking all necessary action to enable them to make required tax filings and reports;

(xxii) placing, or arranging for the placement of, all orders pursuant to Incenter’s investment determinations for the Clients, either directly with the issuer or with a broker or dealer (including any affiliated broker dealer and originator);

(xxiii) assisting the Clients in handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Clients may be involved or to which they may be subject arising out of their day-to-day operations, subject to such limitations or parameters as may be imposed from time to time;

(xxiv) representing (including negotiating on behalf of) and making recommendations to the Clients in connection with the issuance, purchase and financing of, and commitment to issue, purchase and finance, MBS, mortgage loans (including on a portfolio basis), real estate, real estate-related securities and loans, mortgage servicing rights, other real estate-related assets and non-real estate-related assets, and the sale and commitment to sell such assets;

(xxv) advising the Clients with respect to obtaining appropriate repurchase agreements, warehouse facilities or other secured and unsecured forms of borrowing for their assets;

(xxvi) advising the Clients on preparing, negotiating and entering into applications and agreements relating to programs established by the U.S. government;

(xxvii) advising (including negotiating on behalf of) the Clients with respect to and structuring long-term financing vehicles for their portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing; and

(xxviii) using commercially reasonable efforts to cause the Clients to comply with all applicable laws.

Without limiting the foregoing, Incenter will perform portfolio management services (the "Portfolio Management Services") on behalf of the Clients with respect to the Investments. Such services may include consulting with the officers of the Clients on the purchase and sale of, and other investment opportunities in connection with, the Clients' portfolio of assets; the collection of information and the submission of reports pertaining to the Clients' assets, interest rates and general economic conditions; periodic review and evaluation of the performance of the Clients' portfolio of assets; acting as liaison between the Clients and banking, mortgage banking, investment banking and other parties with respect to the purchase, financing and disposition of assets; and other customary functions related to portfolio management.

Incenter may provide advisory services to additional clients in the future, including separately managed accounts and pooled investment vehicles. The advisory services provided to such additional clients shall be as described in the applicable advisory agreement or as set forth in the organizational and offering documents of any private funds engaging Incenter to provide advisory services. The term "Clients" as used in this Brochure includes, as the context suggests, such additional clients.

### **C. Tailoring Advisory Services to Individual Needs**

Incenter tailors its advisory services to each Client in conjunction with the investment guidelines identified in the applicable advisory agreement or as set forth in the organizational and offering documents of any private funds engaging Incenter to provide advisory services.

### **D. Wrap Fee Programs**

Incenter does not participate in wrap fee programs.

### **E. Assets Under Management**

As of the date of this Brochure, Incenter manages approximately \$258,125,799 million on a discretionary basis. Incenter does not expect to manage any assets on a non-discretionary basis.

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

### **A. Fees**

Pursuant to the applicable advisory agreements (which may include sub-advisory agreements) or as set forth in the governing, organizational and offering documents of any private funds engaging Incenter to provide advisory services, Incenter's management fee (the "Management Fee") will generally vary between 0.02% and 0.25% per quarter of the assets under management.

In addition to Incenter's management fee, Incenter will also generally be entitled to receive incentive compensation with respect to investors in the Clients (the "Incenter Incentive Fee") which will generally vary between 5% and 25% of net gains.

The Management Fee and the Incenter Incentive Fee are negotiated in connection with and may vary as outlined within the applicable advisory agreement or as set forth in the governing, organizational and offering documents of any private funds engaging Incenter to provide advisory services.

Incenter may provide advisory services to additional Clients in the future, including separately managed accounts and pooled investment vehicles. The advisory fees may differ from Client to Client and shall be as described in the applicable advisory agreement or as set forth in the governing, organizational and offering documents of any private funds engaging Incenter to provide advisory services.

## **B. Fee Methodology**

The Management Fee is generally calculated and paid quarterly in advance. The Incenter Incentive Fee is generally calculated and paid quarterly or yearly in arrears.

## **C. Fees and Expenses Generally Applicable to Client Accounts**

As more particularly set forth or described in the applicable advisory agreement or as set forth in the governing, organizational and offering documents of any private funds engaging Incenter to provide advisory services, the Clients may bear some or all of the following costs and expenses:

(i) all costs and expenses associated with the formation and capital raising activities of the Clients, if any, including, without limitation, the costs and expenses of the preparation of the Clients' registration statements, any and all costs and expenses of the initial public offering, any subsequent offerings and any filing fees and costs of being a public company, including, without limitation, filings with the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA") and the NYSE (or any other exchange or over-the-counter market), among other such entities;

(ii) all costs and expenses in connection with the acquisition, origination, disposition, securitization, development, modification, protection, maintenance, financing, refinancing, hedging, rating, administration and ownership of the Investments (including costs and expenses incurred for transactions that are not subsequently completed), including, without limitation, costs and expenses incurred in contracting with third parties, including affiliates of Incenter, to provide such services, such as legal fees, accounting fees, rating agency fees, consulting fees, due diligence fees, loan servicing fees, trustee fees, appraisal fees, insurance premiums, commitment fees, brokerage fees, guaranty fees, ad valorem taxes, costs of diligence, foreclosure, maintenance,



repair and improvement of property and premiums for insurance on property owned or leased by the Clients; provided, if such services are provided by certain affiliates of Incenter, such costs and expenses shall be in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;

(iii) all costs and expenses in connection with legal, accounting, due diligence (including due diligence, legal and other costs for assets that are not subsequently acquired), salaries included with operating companies purchased as assets, financing, securitization, property management, brokerage, leasing and other services that outside professionals or outside consultants perform or otherwise would perform on a Client's behalf and, subject to the approval of certain Clients, that are performed by Incenter or certain affiliates thereof; provided, if such services are provided by certain affiliates of Incenter, such costs and expenses shall be in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;

(iv) costs and expenses incurred in connection with the issuance and transaction costs incident to the acquisition, disposition, financing, hedging, rating and securitization of the Investments;

(v) costs of legal, tax, accounting, consulting, auditing, administrative, and other similar services rendered for the Clients by providers retained by Incenter or, if provided by Incenter's or certain of its affiliates' personnel, in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;

(vii) costs associated with the establishment and maintenance of any of the Clients' repurchase agreements, warehouse facilities, securitizations, hedging agreements and other secured and unsecured forms of borrowings (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Clients' securities offerings;

(viii) expenses in connection with the application for, and participation in, programs established by the U.S. government;

(ix) expenses connected with communications to holders of the Clients' securities (including securities issued by securitizations established by the Clients) 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 governmental bodies or agencies, including all costs of preparing and filing required reports with the Securities and Exchange Commission, the costs payable by the Clients to any transfer agent and registrar in connection with the listing and/or trading of a Client's stock on any exchange, the fees payable by the Clients to any such exchange in connection with their listing, and costs of preparing, printing and mailing a Client's annual report to its stockholders and proxy materials with respect to any meeting of a Client's stockholders;

(x) expenses incurred by managers, officers, employees, personnel and agents of Incenter for travel or entertainment on the Clients' behalf and other out-of-pocket expenses incurred by managers, officers, employees, personnel and agents of Incenter in connection with the purchase,

financing, securitization, refinancing, hedging, sale or other disposition of the Investments or establishment and maintenance of any repurchase agreements, warehouse facilities, securitization, hedging agreements, borrowings under programs established by the U.S. government, other secured and unsecured forms of borrowings or any of the Clients' securities offerings;

(xiii) all costs and expenses related to the design and maintenance of a Client's website or sites and associated with any computer software, hardware, electronic equipment or purchased information technology services from third party vendors that is used primarily for the Clients;

(xiv) all expenses of organizing, modifying or dissolving the Clients and costs preparatory to entering into a business or activity, or of winding up or disposing of a business activity of the Clients, if any;

(xvi) all expenses relating to payments of dividends or interest or distributions in cash or any other form to or on account of holders of the securities of the Clients, including, without limitation, in connection with any dividend reinvestment plan;

(xvii) compensation and expenses of a Client's custodian and transfer agent, if any;

(xviii) the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency;

(xix) all taxes and license fees payable by the Clients with respect to their investment activities, assets and operations;

(xx) all insurance costs incurred in connection with the operation of the Clients' business;

(xxi) costs and expenses incurred in contracting with third parties, including affiliates of Incenter, for servicing and special servicing of the Investments;

(xxii) all other costs and expenses relating to the business of the Clients and investment operations, including the costs and expenses of acquiring, owning, protecting, maintaining, financing, securitizing, developing and disposing of Investments, including appraisal, valuation, reporting, audit and legal fees;

(xxiii) expenses relating to any office(s) or office facilities, including disaster backup recovery sites and facilities, maintained for the Clients separate from the office or offices of Incenter;

(xxv) any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Clients, or against any trustee, director or officer of the Clients in his capacity as such for which a Client is required to indemnify such trustee, director or officer by any court or governmental agency;

(xxvi) any costs and expenses (including those described above) incurred by a sub-adviser engaged by Incenter in connection with the provision of sub-advisory services in respect of Incenter; provided, however, that the reimbursement of any such costs and expenses shall

generally be subject to the same limitations on the reimbursement of the costs and expenses of Incenter; and

(xxvii) all other out-of-pocket expenses actually incurred by Incenter or its affiliates or their respective managers, officers, trustees, directors, employees, members, representatives or agents, or any affiliates thereof, that are reasonably necessary for the performance by Incenter of its duties and functions under the applicable advisory agreement (generally subject to limitations). For the avoidance of doubt, these expenses include costs and expenses incurred with respect to market information systems and publications, research publications and materials, and computer software or hardware, electronic equipment or purchased information technology services from third party vendors that is used for the Clients.

Notwithstanding anything to the contrary set forth in the applicable advisory agreement, except to the extent approved by the applicable Client, the Clients shall have no obligation to pay or reimburse Incenter for (i) the salary, bonus, benefit and other compensation costs of the personnel of Incenter and its affiliates who provide services to the Clients under the applicable advisory agreement, or (ii) any rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of Incenter and its affiliates required for the operations of the Clients..

Incenter may, at its option, elect not to seek reimbursement for certain expenses to which it may be entitled during a given quarterly period, which determination shall not be deemed to construe a waiver of reimbursement for these and similar expenses in future periods. Because certain expenses may be shared by more than one Client, Incenter has adopted policies and procedures for the allocation of such fees and expenses among the Clients, although the policies and procedures may change from time to time and may differ materially from those described below. Incenter will seek to allocate non-investment-related expenses shared by more than one Client to such Clients in a manner that is fair and equitable taking into consideration all relevant factors, including, without limitation, the relevant benefit to each such Client derived from such expenses.

With respect to expenses attributable to one or more of the Clients, Incenter seeks to allocate such expenses fairly, taking into consideration (i) the extent of the Clients' and/or Incenter's utilization of the services associated with the expense, (ii) the relative benefit to each Client and/or Incenter derived from the expense and (iii) the association of the expense with a legal, contractual or other obligation of one or more of the Clients and/or advisory services.

#### **Item 6: Incentive Allocations and Side-by-Side Management**

Incenter may receive performance-based compensation in the form of the Incenter Incentive Fee or another incentive fee or similar performance-based fee/allocation in the case of additional Clients. Such incentive fees are based on investment profits and, as a result, may create an incentive for Incenter to make Investments on behalf of certain Clients that are riskier or more speculative than would be the case in the absence of such incentive fee. Performance-based fee/allocation arrangements may create an incentive to favor Clients that have greater performance

fee/allocation arrangements over other Clients that have lesser or no performance fee/allocation arrangements.

Incenter seeks to address these conflicts through careful vetting of investment opportunities by Incenter's investment professionals, and full disclosure of Investments to the Clients by way of periodic reports.

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

Incenter currently advises a pooled investment vehicle (and its direct and indirect subsidiaries) pursuant to an advisory agreement. Incenter may, in the future, provide investment management services and advice to private funds, special purpose investment vehicles and managed accounts. Underlying investors in private funds may include high net-worth individuals, financial institutions, corporations, sovereign wealth funds, endowment funds, charitable organizations, public and private pension funds and other investment funds. Generally, each underlying investor in a client must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Certain employees of Incenter who qualify as "knowledgeable employees" under Rule 3c-5 of the 1940 Act may be permitted to invest directly or indirectly in private funds advised by Incenter. The offering and/or organizational documents of each private fund may set minimum amounts for investment by prospective investors in such private funds.

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

The general investment strategy and methods of analysis that Incenter employs in managing accounts, as well as the primary associated risks, are described below.

Clients should note that it is not possible to identify all of the risks associated with investing and that the particular risks applicable to a Client account will depend on the nature of the account, its investment strategy and the characteristics of securities or assets held. Each Client's investment strategy is predicated upon credit analysis and a research-based approach to financing and asset management designed to reduce risk while maximizing returns to investors. Incenter will seek to structure Investments with downside protection and risk management through actively managing leverage ratios and hedging strategies prescribed by the Client's investment guidelines, and strict, research-based underwriting criteria.

Incenter currently identifies opportunities to invest primarily in residential mortgage loan related assets, with an emphasis on new issue non-agency and opportunistic conforming residential mortgage assets, including mortgage loans and mortgage servicing rights. Incenter also seeks to manage each account so that risks are appropriate to the mandate prescribed by each of the Clients. However, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved.

Because Incenter limits its advice to particular types of Investments, Client's accounts are not diversified and are not intended as a complete investment program.

Clients, as applicable, are responsible for appropriately diversifying assets to guard against the risk of loss. Incenter does not offer any products or services that guarantee rates of return on Investments for any period to any Client. Clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers or products and should be prepared to bear the risk of loss.

#### Methods of Analysis and Investment Strategies

Incenter uses a range of methods to identify, analyze and assess potential and existing investment opportunities. This may include arrangements with affiliated or unaffiliated advisors for purposes of obtaining analyses that would assist Incenter in its investment decision-making recommendation process. As a general matter, analytical methods used by Incenter can include gain/loss forecast models, cash-flow models, other financial modeling and simulation, risk sensitivity analyses, charting, and fundamental, technical and cyclical analysis.

Incenter's analysis involves a variety of factors, such as cash yield, risk-adjusted returns, macro-economic environment, market concentration limits, credit concentration limits, liquidity, costs and availability of financing and hedging activities. Incenter seeks Investments that it believes will generate both current income and capital appreciation.

However, as noted below, not every investment will perform as anticipated and Investments may lose value, fail to produce current income and/or produce insufficient gains or income to offset expenses or other losses. Investing in securities and other instruments of the type and kind selected by Incenter involves risk of loss that Clients and investors should be prepared to bear.

#### *Certain Risk Factors*

Highly Competitive Market for Certain Types of Investment Opportunities. The activity of identifying, completing and realizing on attractive residential mortgage assets that fall within the Clients' investment objectives may be, in certain cases, highly competitive and involves a high degree of uncertainty and will be subject to market conditions. The Clients may expect to encounter competition from other entities having similar investment objectives and others pursuing the same or similar opportunities. Potential competitors include other alternative investment firms, financial sponsors, corporations, business development companies, strategic industry participants, sovereign wealth funds, hedge funds, other institutional investors and one or more affiliates of Incenter. Further, over the past several years, an increasing number of real estate and real estate debt funds and other similar vehicles have been formed and others have been consolidated. Other funds (including affiliates of the Clients and/or Incenter) with overlapping investment objectives may be formed in the future which may compete with the Clients for appropriate investment opportunities and participate in certain Investments alongside the Clients. The Clients may also incur bid, due diligence or other costs on investments which may not be successful. As a result, the Clients may not recover all of their costs, which may adversely affect returns. There can be no assurance that Incenter will be able to identify, consummate and exit Investments satisfying the Clients' investment criteria or that such Investments will satisfy the Clients' rate of return objectives. Likewise, there can be no assurance that the Clients will be able to realize upon the values of their Investments or that they will be

able to fully invest their committed capital. To the extent that the Clients encounter competition for investments, returns may decrease. The Clients will be dependent upon the judgment and ability of Incenter in sourcing transactions and investing and managing the capital of the Clients.

Limited Number of Investments. The Clients will invest solely in mortgage related assets. The Clients will seek to acquire a diverse and balanced portfolio of Investments, but the number of Investments in which the Clients are invested may be limited. The Clients have no assurance as to the degree of diversification of the Investments. The Clients' investment portfolio may be concentrated into a limited number of investment opportunities. As a consequence, the aggregate return of the Clients may be adversely affected by the unfavorable performance of one or a limited number of Investments or the underlying real property or the borrower. Moreover, there are no assurances that all of the Investments will perform well or avoid loss. Therefore, if certain Investments perform unfavorably, for the Clients to achieve above-average returns, one or a few of their Investments must perform very well. There are no assurances that this will be the case.

Investments Acquired From or Otherwise Involving Affiliates. The Clients expect to acquire Investments, including newly-originated mortgage loans, MSRs and other mortgage-related assets, from affiliates of Incenter and may otherwise engage in Investments with, including through servicing or co-investment relationships, or dispose of Investments to, affiliates of Incenter. Incenter shall seek to agree to arm's length market term arrangements for any services provided by Incenter's affiliates. To the extent an affiliate of Incenter agrees to transact with Clients, conflicts of interest may arise, including with respect to the determination of prices and terms for certain assets or the placement of assets into the Clients' accounts. Incenter will seek to take protective measures to mitigate these conflicts which may include using rate sheets, market testing (to the extent available) and obtaining third party valuations or fairness opinions. Implementing these protective measures such as the comparison of terms offered by other originators for similarly qualified borrowers may result in higher operating costs for the Clients.

While protective measures with respect to such conflicts will be reviewed on a periodic basis, there is no assurance that any such review will lead to market terms and ensure the arms' length nature of the relationships. It is expected that, to the extent practicable, the terms for services will be market-tested on a regular basis against the terms from independent third party providers providing similar services (to the extent such information is reasonably available), but there is no assurance that the terms of such transactions will be fair and reasonable to both the Clients and any affiliate of Incenter.

Investments and Joint Ventures with Third Parties. In light of the Clients' investment objectives, the Clients are expected to make mortgage Investments, which may not provide the Clients with control or influence over the underlying mortgage holder or the underlying property. Therefore, the Clients may have a limited ability to protect the underlying property which secures the mortgage. The Clients may also co-invest with other Clients and/or affiliates of Incenter (including other funds) and/or third parties through partnerships, joint ventures or other similar arrangements, thereby acquiring portfolios of mortgage interests in certain real estate assets and property in conjunction with participation by one or more third

parties in such investment or which may involve the sharing (or allocation) of certain rights, including foreclosure rights, to one or more such affiliates or other parties. Although the Clients may not have full control (such as the ability to foreclose) over these joint venture Investments and therefore may have a limited ability to protect their position therein, Incenter expects that appropriate rights will be negotiated to protect the Clients' interests. Nevertheless, such Investments may involve risks not present in Investments where another participant is not involved, including the possibility that such other participant may have economic or business interests or goals which are inconsistent with those of the Clients or may be in a position to take (or block) action in a manner contrary to the Clients' investment objectives. In addition, the Clients may in certain circumstances be liable for the actions of their third party partners or co-investors (including other affiliates of Incenter). In certain circumstances involving a third party management group, such third parties may receive compensation arrangements relating to such Investments, including incentive compensation arrangements.

Mortgage-Related Investment Risks Generally. The Clients will make Investments primarily relating to residential mortgage credit and prepayment-sensitive assets, including but not limited to, mortgage whole loans such as jumbo and Federal Housing Administration ("FHA") insured reverse mortgages, second lien mortgages, jumbo prime and expanded criteria mortgages, residential construction loans, mortgage servicing rights and securities and/or participation interests whose value is derived from mortgage credit and prepayment-sensitive assets. The Investments will be subject to the risks inherent in the ownership of mortgages. Deterioration of real estate fundamentals generally may negatively impact the performance of the Clients by making it more difficult for mortgage holders to satisfy their debt payment obligations, increasing the default risk applicable to mortgage holders, and/or making it relatively more difficult for the Clients to generate attractive risk adjusted returns. Other risks include, but are not limited to, the financial resources of borrowers, changes in availability of debt financing, changes in interest rates, the availability of mortgage funds, increased mortgage defaults, increases in borrowing rates, negative developments in the economy and other factors that are beyond the control of Incenter and its affiliates. The mortgages in which the Clients are expected to invest may be subordinated to substantial amounts of senior indebtedness. The Clients' Investments may be subject to refinancing options, pre-payment options, or similar provisions which, in each case, could result in the borrower repaying the principal on an obligation held by the Clients earlier than expected, resulting in a lower return to the Clients than anticipated or underwritten. There can be no assurance that there will be a ready market for the resale of mortgage Investments because such Investments will generally not be liquid. Illiquidity may result from the absence of an established market for the Investments, as well as legal or contractual restrictions on their resale by the Clients. Accordingly, there can be no assurance that the Clients' rate of return objectives will be realized.

Jumbo Reverse Mortgages. A reverse mortgage is generally a loan that enables homeowners age 62 or older to borrow money against the value of their home. Reverse mortgages can be either insured or uninsured. The FHA provides insurance for certain types of loans under the Home Equity Conversion Mortgage ("HECM") program. With reverse mortgage loans, the payment of interest and repayment of principal is typically not triggered until a maturity event such as death, non-occupancy, sale of the property or other conveyance of title to the property. The loan balance of a reverse mortgage loan accrues at a fixed or floating rate of interest and the borrower

continues to live in the home and remains responsible for maintaining the home in good repair and paying real estate taxes and property insurance premiums for the life of the loan.

To the extent the Clients invests in reverse mortgages, the Clients will be subject to substantial risks including but not limited to mortality risk, market risk, credit risk, interest rate risk, liquidity risk, reputational risk and legal and regulatory risk. Mortgage loans issued under the HECM program are dependent on FHA insurance. There is no assurance that the FHA will continue to support such programs or that material changes to laws and regulations will not disrupt the HECM reverse mortgage industry. If the Clients service reverse mortgages, the Clients may be required by contract to advance funds to pay property taxes and insurance premiums and advance funds to maintain, repair and market the underlying property. A repayment of such costs and advances may be delayed until the mortgage loan is repaid or liquidation occurs, which could negatively impact the Clients' liquidity and operations.

Jumbo reverse mortgages, which have a larger maximum loan amount, are not insured by the FHA, and therefore, the FHA will not cover the difference if the underlying property is worth less than the original loan amount, which may lead to a significant loss upon maturity or in the event of a default. To the extent a borrower defaults and the Clients subsequently foreclose on the reverse mortgage, the Clients may become subject to negative publicity in the event that foreclosure leads to evictions of elderly homeowners.

The value of reverse mortgages is dependent on the timing of the principal and interest, which is uncertain and may be made upon a maturity event, voluntary prepayment by the borrower or assignment of the reverse mortgage to the FHA when the loan balance reaches 98% of the maximum claim amount (the maximum dollar amount that the FHA will pay on a claim for insurance benefits with respect to a mortgage loan). The timing of payments depends on a variety of economic social, geographic, demographic, legal and other considerations, including but not limited to changes in home prices, prevailing interest rates and borrower mortality. If the Clients' estimates are inaccurate, the value of the reverse mortgage may be affected, which could have an adverse effect on the Clients.

Second Lien Mortgages. Second lien mortgages generally allow the borrower to take a second loan on a property. Such mortgages will be considered second lien debt to the first mortgage and will be subordinate to the first mortgage in terms of return of principal. In the event that there is insufficient equity to pay off the first mortgage or the first and second mortgages, completely, the holder of the second mortgage may not receive the full amount it is owed. Accordingly, a second lien mortgage is usually considered riskier than the first mortgage and requires a higher interest rate because the lender generally will only receive proceeds from a foreclosure of a property after the first lien holder is paid in full.

In the event the Clients invests in second lien mortgages, such Investments will generally be subordinated to substantial amounts of senior secured indebtedness. Investments in subordinate mortgage-related debt have a higher risk of loss and credit default than Investments in first lien mortgages, and second lien mortgages absorb losses from default before first lien mortgages are put at risk. Subordinated second lien mortgages are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under



relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) liabilities that may arise with respect to collateral securing the obligations.

Mortgage Servicing Rights. MSRs provide an MSR owner with the right to service a pool of mortgages in exchange for a portion of the interest payments of the underlying mortgages.

To the extent the Clients invests in MSRs, the Clients will be required to perform servicing obligations for the underlying mortgages. The Clients expect to retain subservicers to service mortgage loans within their portfolio, including the mortgage loans underlying their MSR Investments. As a result, the Clients could be adversely affected if the Clients' subservicers are unable to properly service the mortgages due to a failure to comply with applicable laws and regulations, a downgrade in the subservicer rating or issues raised by external audits.

When the mortgages underlying the MSRs are prepaid, the related cash flows payable to the servicer cease. Borrowers of residential mortgage loans are generally permitted to prepay their loans at any time without penalty. An increase in the speed at which mortgage borrowers prepay their loans will reduce the ultimate cash flows to the servicers and may have an adverse effect on the Clients. In addition, to the extent the underlying mortgage borrowers become delinquent on payments and the delinquent loans are resolved through foreclosure, such loans will be liquidated and the related cash flows to the servicers will cease. An increase in delinquencies may also lead to higher cost of service due to increased resources expended to collect payments from delinquent borrowers and increased expenses as a result of the servicer advancing the payments, which could have an adverse effect on the Clients. Generally, the value of MSRs is based on cash flows projected from servicing the underlying mortgage loans and can vary based on factors including but not limited to prepayment speeds, changes in interest rates, costs to service the loans, and delinquency rates. Accordingly, the Clients' estimates and assumptions utilized to value the MSRs may be inaccurate and if loan delinquencies and prepayment speeds are higher than anticipated, the value of the MSRs may decrease, which could adversely affect the Clients.

The value of MSRs are particularly sensitive to changes in interest rates. Typically the value of servicing related assets decrease when interest rates fall due to the effect on prepayment estimates because borrowers tend to refinance their mortgages when prevailing interest rates fall below the interest rates on their mortgage loans. In the event an underlying mortgage borrower refinances, the servicer may, subject to applicable law, be able to recapture the MSRs related to the borrower and assign the new MSR to the Clients. There can be no assurance that the servicer will be able to recapture the servicing rights, which could negatively impact the Clients. Derivatives may be used to hedge the risks associated with interest rates, but no hedging strategy can protect against interest rate risks completely.

Jumbo Prime / Alternative Criteria Mortgages. Jumbo mortgage loans have original principal amounts that exceed the statutory conforming limit for loans from government-sponsored enterprises ("GSEs") such as Fannie Mae or Freddie Mac. Prime mortgage loans are mortgage loans that are issued to borrowers with strong credit histories, who make relatively significant down payments on properties they purchase. Nonetheless, jumbo prime mortgages are not guaranteed by the GSEs or other governmental authority and, therefore, have a greater potential for risk of loss.

Alternative criteria loan programs provide loans to borrowers who have loan or underwriting characteristics that do not fall within the guidelines established by traditional “prime” jumbo or conventional loan programs. These borrowers may be self-employed, may not be United States citizens or have difficult-to-document income and assets. Similar to “prime” jumbo mortgages, alternative criteria loans are not insured by the GSE’s or other governmental authority and, therefore, have a greater potential for risk of loss. Additionally, alternative criteria mortgage loans have historically experienced higher default rates than “prime” jumbo mortgage loans. Certain such borrowers may be subject to reduced requirements with respect to verifying income or asset information. Minimal documentation requirements increase the risk of fraud and also may limit the ability of the Clients to properly underwrite the loans. The Clients may be adversely affected if mortgages are given to borrowers that are not sufficiently creditworthy. Moreover, the negative public image of offering alternative criteria loans to mortgage borrowers may damage the Clients, Incenter and their respective affiliates.

Risks of Acquiring Mortgages. Mortgages acquired by the Clients may become nonperforming following their acquisition for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout counseling, negotiations and / or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of such loan. Purchases of mortgages raise many risks, such as risks of illiquidity and lack of control. It is possible that the Clients may find it necessary or desirable to foreclose on collateral securing one or more residential mortgage assets purchased by the Clients. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive, and the ability of the Clients to access the collateral through repossession may also be limited by bankruptcy or other insolvency laws. Borrowers often resist foreclosure actions, which often prolongs and complicates an already difficult and time consuming process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process.

Foreclosure litigation tends to create a negative public image of the mortgage lender and the servicer, which can damage the reputation of the Clients, Incenter and their respective affiliates. Reputational damage can lead to increased operating, capital and regulatory costs as well as have an adverse effect on the Clients’ operations and investment performance. Reputation risk may lead to brand value loss and regulatory scrutiny and governmental investigations, given the sensitivity surrounding the mortgage and housing industry. The Clients’ reputation is a matter of perception that is a function of their perception among their various stakeholders such as investors, customers, counterparties, service providers, suppliers, employees, regulators, non-governmental organizations, and relationships with these stakeholders may be harmed as a result of reputational damage.

Risks of Acquiring Real Estate Property Through Foreclosure. If the Clients forecloses on collateral securing one or more real estate mortgages or other Investments, the Clients may acquire real property, which will subject the Investments to various risks, liabilities and uncertainties, including the risk that the Clients are only able to sell the property at a price less

than the amount of the outstanding balance of the mortgage and the risk that the Clients are only able to sell the property after an extended period of time. During that period, the Clients will continue to bear fixed expenses such as interest, real estate taxes and maintenance. Ultimately, to the extent that the Clients are unable to sell any property, decreased cash flow will result, which could adversely impact the Clients' operating results.

The Clients may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the Clients will have funds available to correct those defects or to make those improvements. In addition, ownership of real property as a result of the foreclosure process involves a variety of risks, including penalties associated with various federal, state and local laws, ordinances and regulations. These factors and others that could impede the Clients' ability to respond to adverse changes in the performance of their properties could significantly affect the Clients' financial condition and operating results.

Underlying Default Risks. To the extent underlying default rates with respect to the residential mortgage assets in which the Clients invests occur or otherwise increase, the performance of the Investments may be adversely affected. The rate of defaults and losses on residential mortgage assets will be affected by a number of factors, including economic conditions, the residential real estate market, the borrower's equity and the financial circumstances of the borrower. A decline in specific markets or regional commercial and residential property values may result in higher delinquencies or defaults as borrowers may not be able to retire or refinance their outstanding debt obligations at their due dates due to insufficient value of equity in the properties, which may adversely affect the performance of the Investments.

Residential Real Estate Investments. The Clients are expected to invest in financing opportunities relating to certain residential real estate assets or portfolios thereof. In such circumstances, the performance of such Investments may become increasingly susceptible to adverse changes in prevailing economic and employment conditions in the United States. The Clients' ability to invest in residential mortgage assets (including providing financing for potential owners and operators of residential real estate assets or portfolios thereof) may depend upon their ability to strategically partner with established and sophisticated operating partners and third parties. Any downturn in the U. S. or global economies may adversely affect the financial condition of residential owners, making it more difficult for them to meet their periodic repayment obligations relating to certain residential real estate properties, which could adversely impact the Clients' investment performance. In addition, there can be no assurance that the Clients will be able to effectively partner with suitable operating partners and third parties in connection with their residential real estate- related investment activities, which may impact the Clients' ability to effectively identify and consummate such Investments.

Senior and Secured Debt. The Investments are expected to include residential mortgage assets, including first lien senior secured debt, and may also include selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting first and second lien mortgage loans are complex. For example, the imposition of prior liens on the Clients' collateral would adversely affect the priority of the liens and claims held by the Clients and could adversely affect the Clients' recovery on their mortgage loans. Any

mortgage is secured only to the extent of the underlying assets and underlying assets are subject to credit, liquidity and interest rate risk. In addition, it is possible that the proceeds of a sale or disposition will not be equal to the amount of principal and interest owing to the Clients with respect to their investment.

Market Conditions; Discounts to Par Value. The Clients' investment strategy with respect to certain Investments (or types of Investments) may be based, in part, upon the premise that residential mortgage assets that are otherwise performing may from time to time be available for purchase by the Clients at "discounted" rates or at "undervalued" prices. Purchasing debt instruments and/or other interests at what may appear to be "undervalued" or "discounted" levels is no guarantee that these Investments will generate attractive risk-adjusted returns to the Clients or will not be subject to further reductions in value. No assurance can be given that residential mortgage assets can be acquired at favorable prices or that the market for such interests will continue to improve since this depends, in part, upon events and factors outside the control of Clients, Incenter and their respective affiliates. In addition, there can be no assurance that the market conditions for investing in residential mortgage assets may not deteriorate further, which could have an adverse effect on the performance of the Investments. While due diligence will be performed in connection with each of the Investments, there may be an increased risk that the documentation relating to an Investment in residential mortgage assets may contain a material statement, omission or misrepresentation, which may adversely affect the performance of such Investment.

Interest Rate Fluctuations. General fluctuations in the market prices of securities and interest rates may adversely affect the value of the Investments and/or increase the risks associated inherent in such Investments. Interest rate changes may affect the value of a debt instrument directly (in the case of adjustable rate instruments) or indirectly (in the case of fixed rate instruments). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. In addition, interest rates affect the mortgage industry and the housing market generally with respect to the property value securing the mortgage, the amount of mortgages that originators can provide, the number of borrowers eligible to obtain mortgages and whether existing borrowers can refinance their mortgages. To the extent the borrowers of mortgages held by the Clients refinance with another lender, the Clients may be adversely affected.

Acquisition Risk. The success and pace of the Clients' acquisition of Investments depends on the availability of residential mortgage assets that meet the Clients' purchase criteria. The supply of mortgages whose borrowers have criteria that meet the Clients' borrowing standards may be limited by the supply of the originators such as Finance of America Mortgage LLC and Finance of America Reverse LLC (together, "Finance of America") and thus the period required for the Clients to build up a portfolio could be extremely long and the prices for such mortgages may be higher than standard pricing models predict. Terms of mortgages are subject to change based on a variety of factors and there can be no assurance that the Clients will be able to source mortgages on terms acceptable to the Clients.

Changes in the economy and other changed circumstances may result in a reduced supply of residential mortgage assets. Such changes could result from, among other things: (i)

deterioration in the economy; (ii) increased interest rates; (iii) changes in law requiring the Clients to apply more stringent credit standards in purchasing mortgages; (iv) the entry into the market of less reputable originators who submit inaccurate or false origination information to the Clients; or (v) the establishment of new licensing requirements for market participants and a delay in complying or an inability to comply with such new requirements. A change in the availability of mortgages could adversely affect the ability to execute the Clients' investment strategy and meet their investment objectives.

Structured Products. The Clients may make Investments in various real estate related structured products, including "equity" or residual tranches in collateralized loan obligation ("CLO") products and other securitizations, which are generally limited recourse obligations of the issuer ("Securitization Vehicles") payable solely from the underlying assets ("Securitization Assets") of the issuer or proceeds thereof. Consequently, holders of equity or other securities issued by Securitization Vehicles ("Collateralized Securities") must rely solely on distributions on the Securitization Assets or proceeds thereof for payment in respect thereof. The Securitization Assets may include, without limitation, mortgages, real estate investment trusts ("REITs"), second-lien mortgage loans and other mortgage-related debt, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. Structured products are also subject to complex payout structures, with product features that vary from product to product, and the lack of transparency may lead to limits or formulas that lower the Clients' returns. The Clients may invest in "equity" or residual tranches of structured products, which receive payments after all other tranches in the structure, which increases the risk of loss. To the extent the Clients holds structured products, there is liquidity risk when selling such complex securities to a limited number of buyers on the secondary market.

The Clients' investment strategy with respect to certain types of Investments may be based, in part, upon the premise that certain Investments (either held directly, or through a CLO or securitization vehicle) that are otherwise performing may from time to time be available for purchase by the Clients at "undervalued" prices. Purchasing interests at what may appear to be "undervalued" or "discounted" levels is no guarantee that these Investments will generate attractive risk-adjusted returns to the Clients or will not be subject to further reductions in value. No assurance can be given that Investments can be acquired at favorable prices or that the market for such Investments will continue to improve since this depends, in part, upon events and factors outside the control of the Clients, Incenter and their respective affiliates.

Derivatives; Hedging; Policy and Counterparty Risk. The Clients may engage in derivative or similar transactions as part of their mortgage and real estate debt and risk management programs, the use of which is a highly specialized activity that may entail greater than ordinary investment risks. These transactions may involve the use of forward contracts, swap agreements (such as credit default swaps, interest rate swaps or total return swaps), put and call options, floors, collars, bilateral agreements or other arrangements. Such instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation. The Clients may also seek to utilize derivative instruments to replicate the economics of an otherwise permitted investment in lieu of making such investment directly. Derivative instruments related to mortgages may be illiquid, highly-volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost, and any such hedging

transactions for debt and interest rates may not be effective in mitigating risk in all market conditions or against all types of risk (including unidentified or unanticipated risks), thereby resulting in losses to the Clients. The investment techniques related to derivative instruments are highly specialized and may be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of the Clients, Incenter and/or their respective affiliates. Engaging in hedging and derivative transactions may result in a poorer overall performance for the Clients than if they had not engaged in any such hedging transaction, and Incenter may not be able to effectively hedge against, or accurately anticipate, certain risks that may adversely affect the Clients' investment portfolio. In addition, the Clients' investment portfolio will always be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties. Moreover, derivative agreements and contracts entered into by the Clients may be subject to the risk that one or more counterparties may experience financial hardship or default on their payment obligations to the Clients, which may adversely affect the value and/or effectiveness of such derivative instruments. Concentrations of such derivatives in any one counterparty would subject the Clients to an additional degree of risk with respect to defaults by such counterparty. For all of the foregoing reasons, the use of derivatives and related techniques with respect to residential mortgage assets can expose the Clients and the Investments to significant risk of loss.

Risks Relating to Due Diligence of Investments. The Clients will rely on service providers and originators to conduct due diligence of the underlying mortgage borrowers before making Investments. The asset managers and originators will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each mortgage-related asset and the underlying collateral. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental, real property and legal issues. Outside consultants, legal advisors, accountants, real property surveyors, investment banks and other third parties will be involved in the due diligence process to varying degrees depending on the type of investment. Although the Clients, Incenter and other managers will conduct diligence of the advisors and consultants, reliance on such advisors or consultants may present a number of risks primarily relating to the Clients' reduced control of the functions that are outsourced. In addition, if the Clients are unable to timely engage such service providers, their ability to evaluate and acquire more complex pools of loans could be adversely affected. When conducting due diligence and making an assessment regarding an Investment, the Clients will rely on the resources available to it, including information provided by the originators of the Investment and, in some circumstances, third party investigations. The due diligence investigation that the Clients carries out with respect to any debt investment opportunity may not reveal or highlight all relevant facts relevant to the underlying real property or borrower that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the Investment being successful. There can be no assurance that attempts to sufficiently due diligence possible investment opportunities will achieve their desired effect.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur during the term of the Clients that may adversely affect the Clients. For example, from time to time the market for

private equity real estate transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions.

The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of Investments held by the Clients and the ability of the Clients to effectively employ their investment and trading strategies. Increased scrutiny and newly proposed legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on Incenter and may divert time and attention from portfolio management activities. In addition and in particular in light of the changing global regulatory climate, the Clients may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain jurisdictions in order to market interests to potential investors. The effect of any future regulatory change on the Clients could be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

Change of Law Risk. The Clients expect to operate in an environment with increasing regulatory scrutiny and heightened potential for material changes in laws and/or regulations, which could affect the Clients and the Investments. Any such legal, tax and/or regulatory changes during the term of the Clients may adversely affect the Clients, the funds industry and/or the Clients' operations. The Clients also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations or policy-making that impose more comprehensive or stringent requirements on the Clients or the Investments. Governments have considerable discretion in implementing regulations, including, for example, the possible imposition or increase of taxes on income earned by the Clients or gains recognized by the Clients that could impact the Clients' business and the Clients' return on investment with respect to the Clients' business. In addition, current and/or future legislation related to residential mortgage assets may also restrict the ability of certain types of investors from participating in the Clients or restrict the ability of the Clients to make certain Investments.

Terrorist Activities. The continued threat of global terrorism and the impact of military and other action will likely continue to cause volatility in equity and debt markets and could affect the Clients' financial results. To the extent the Clients invests in mortgages, the Investments may involve mortgages secured by real estate exposed to a greater risk of being the subject of a terrorist attack. Any terrorist attacks that occur at or near real estate in which a Client holds a mortgage would likely cause significant harm to homeowners, property and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage. As a result of global events and continued terrorism concerns, insurers significantly reduced the amount of insurance coverage available for liability to persons other than employees for claims resulting from acts of terrorism, war or similar events. As a result of a

terrorist attack or terrorist activities in general, the Clients may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all.

Force Majeure Risk. Investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including the Clients or a counterparty to the Clients) to perform their obligations until they are able to remedy the force majeure event. In addition, the cost to the mortgage borrower and underlying holder of real estate of repairing or replacing damaged real estate assets resulting from such force majeure event could be considerable, which would negatively affect the mortgage borrower's ability to repay residential mortgages and mortgage-related debt. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Clients may invest specifically. Additionally, a major governmental intervention into industry, including the re-nationalization of an industry (including the mortgage industry) or the assertion of control over the Clients or their assets, could result in a loss to the Clients, including if their Investments are canceled, unwound or acquired (which could be without what the Clients considers to be adequate compensation). Any of the foregoing may therefore adversely affect the performance of the Clients and the Investments.

Financial Leverage; Incurrence of Indebtedness. The use of leverage will increase exposure of the Clients to adverse economic factors such as rising interest rates, downturns in the economy, or deteriorations in the condition of the Clients, the Investments or the mortgage industry. Moreover, any rise in interest rates may significantly increase the underlying mortgage borrower's interest expense, causing losses and/or the inability to service their debt obligations. If a mortgage borrower cannot generate adequate cash flow to meet mortgage and debt obligations, the Clients may suffer a partial or total loss of capital.

The Clients may utilize substantial leverage in connection with the investment activities of the Clients generally, and may enter into one or more credit facilities, guarantees or other credit support arrangements, which may be secured by the assets of the Clients.

The use of leverage involves a high degree of risk and will increase the exposure of the Investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the credit markets generally. Although borrowings by the Clients have the potential to enhance overall returns that exceed the Clients' cost of funds, they will further diminish returns (or increase losses) to the extent overall returns are less than the Clients' costs of funds. Leverage provides the Clients with advantages, but exposes each to greater market risks and higher expenses. If the Clients default on secured indebtedness, the lender may foreclose and the Clients could lose their entire investment in the security for such loan. A credit facility at the fund level may also place restrictions on payments to equity holders, including prohibitions on payments in the event of any default (or continuance thereof) under such credit facility.



To the extent that the Clients co-invest funds with vehicles managed or controlled by Incenter and/or its affiliates, the Clients may incur indebtedness and guarantee obligations together with such vehicles on a joint and several or cross-collateralized basis on an investment-by-investment or portfolio wide basis. Such arrangements may not necessarily impose reciprocal joint and several obligations on all such vehicles. As a result, the Clients may be required to contribute amounts in excess of their *pro rata* share, including additional capital to make up for any shortfall if such vehicles are unable to repay their *pro rata* share of such indebtedness. Moreover, the Clients could also lose their interests in performing Investments in the event such performing Investments are cross-collateralized with poorly performing or non-performing Investments.

Illiquid and Long-Term Investments; Investments Longer than Term. The success of the Clients will depend on a long-term commitment to mortgages and real estate debt with no certainty of return. Most of the Investments will be highly illiquid, and there can be no assurance that the Clients will be able to realize on such Investments in a timely manner. Although Investments by the Clients may generate some current income, the return of capital and the realization of gains, if any, from an Investment generally will occur only upon the partial or complete disposition, refinancing or securitization of such debt Investment. While an Investment may be sold at any time, it is not generally expected that this will occur for a number of years after the Investment is made, and some Investments may not be advantageously disposed of prior to the date the Clients will be dissolved, either by expiration of the Clients' term or otherwise. It is unlikely that there will be a public market for the Investments and securities held by the Clients at the time of their acquisition. Therefore, no assurance can be given that, if the Clients are determined to dispose of a particular Investment held by the Clients, it could dispose of such Investment at a prevailing market price, and there is a risk that disposition of such Investments may require a lengthy time period or may result in distributions in kind to investors. The Clients may have to sell, distribute or otherwise dispose of Investments at a disadvantageous time as a result of dissolution. The Clients will generally not be able to sell the Investments through the public markets unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Additionally, there can be no assurances that the Investments can be sold on a private basis. In addition, in some cases the Clients may be prohibited by contract or legal or regulatory reasons from selling certain securities for a period of time.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of an Investment, the Clients may be required to make certain representations about the business, financial affairs and other aspects (such as environmental, property, tax, insurance, and litigation) of such Investment typical of those made in connection with the sale of real estate. The Clients also may be required to indemnify the purchasers of such Investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities.

Bridge Financings. From time to time, the Clients may provide interim financing to the extent necessary to consummate the purchase of Investments prior to completion of longer term debt financing or prior to the receipt of capital contributions. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Clients' control, such long-term securities issuance or other refinancing or syndication may not

occur and such bridge loans and interim Investments may remain outstanding. In such event, the interest rate on such loans or the terms of such interim Investments may not adequately reflect the risk associated with the unsecured position taken by the Clients.

Uncertainty of Estimates and Financial Projections. Estimates or projections of real estate and market conditions and supply and demand dynamics are key factors in evaluating potential investment opportunities and valuing the Investments and related assets. These estimates are subject to wide variances based on changes in interest rates, market conditions, underlying assumptions and technical or investment-related assumptions. Accordingly, it is possible for such estimates to be significantly revised from time to time, creating significant changes in the value of the company subject to such factors. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

General Economic and Market Conditions. The success of the Clients' investment activities will be affected by general economic, real estate and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in applicable laws (including laws relating to taxation of the Investments), trade barriers, currency exchange controls, the rate of inflation and local, national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the Clients' Investments, which could impair the Clients' profitability or result in losses. There are also no assurances that yields on the Investments will be stable, and volatility in yields may materially adversely affect the Clients' performance. In addition, general fluctuations in the market prices of securities and interest rates may affect the Clients' investment opportunities and the value of the Clients' Investments. A recession, slowdown and/or sustained downturn in the U.S. or global economy and real estate market (or any particular segment thereof) or weakening of credit markets (including a perceived increase in counterparty default risk) could adversely affect the Clients' profitability, impede the ability of the Investments to perform under or refinance their existing obligations, and impair the Clients' ability to effectively deploy their capital and realize Investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Clients in respect of certain of the Investments, which losses will likely be exacerbated by the presence of leverage in the Clients' capital structure. Any market turmoil, coupled with the threat of an economic slow-down, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of the Clients to sell or liquidate Investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of the Clients, restrict the Clients' investment activities and/or impede the Clients' ability to effectively achieve their investment objective.

Financial Market and Interest Rate Fluctuations. General fluctuations in the market prices of securities and/or interest rates may adversely affect the value of the Investments and / or

increase the risks associated inherent in the Investments. The uncertain state of global credit markets may make it difficult for the Clients to obtain favorable financing terms for their Investments. Any deterioration of the global debt markets (particularly the U. S. debt markets), any possible future failures of certain U. S. financial services companies and a significant rise in market perception of counterparty default risk, interest rates and / or taxes will likely significantly reduce demand and liquidity for debt, which in turn is likely to lead certain lenders to be unwilling or significantly less willing to finance new Investments or to only offer committed financing for Investments on less favorable terms than had been prevailing in the recent past. The Clients' ability to generate attractive investment returns may be adversely affected to the extent the Clients are unable to obtain favorable financing terms for their Investments. In the event that the Clients are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, the Clients may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned. Any market turmoil, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally and may lead to an overall weakening of the U. S. and global economies. Such an economic downturn could adversely affect the financial resources of mortgage borrowers in which the Clients have invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Clients may suffer a partial or total loss of capital invested in such mortgages, which could, in turn, have an adverse effect on the Clients' returns. Such marketplace events may also adversely affect or restrict the ability of the Clients to sell or liquidate Investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of the Clients. Interest rate changes may also affect the value of mortgages directly (in the case of adjustable rate mortgages) or indirectly (in the case of fixed rate mortgages). In general, rising interest rates will negatively impact the price of a fixed rate mortgage and falling interest rates will have a positive effect on price. While interest rates are currently expected to remain at favorable rates in the near term, the U.S. Federal Reserve is expected to increase benchmark interest rates in the future, which would be expected to negatively impact the price of debt securities and could adversely affect the value of the Clients' Investments.

Valuation Matters. The carrying value of an Investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of the Investments will affect the amount and timing, under certain circumstances, of the amount of Management Fees and Incenter Incentive Fees payable to Incenter.

Underwriting Standards. Incenter may acquire residential mortgage assets from various unaffiliated savings institutions, finance companies and other sellers. In selecting residential mortgage assets, Incenter expects to obtain information as to the underwriting standards that were applied in originating the mortgage loans, but may not be able to do so in whole or in part. Certain of the residential mortgage assets may not have been underwritten to the standards or requirements expected for the product type, even if the seller has represented that such residential mortgage assets have been properly underwritten, in which case the risk of loss may be increased.

In addition, to the extent that the failure to comply with underwriting standards relates to an agency MSR, the Client may be subject to the enforcement of rights and remedies by Fannie or Freddie, such as repurchasing the related residential mortgage loan or providing an indemnity payment.

Geographic Concentration of Mortgage Loans. The mortgage loans in which Incenter invests on behalf of Clients may be concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the ability of borrowers to repay their mortgage loans on time. Properties in certain jurisdictions may be more susceptible than homes located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, floods, hurricanes, wildfires, mudslides and other natural disasters, which may result in reduced value of such homes as collateral of prepayments of mortgage loans. In addition, any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans.

Litigation. In the ordinary course of business, Incenter or a Client may become a party to litigation, disputes and other potential claims. There are no known current or pending material litigation, disputes and other potential claims.

Risks Associated with Forward Trades. Clients may invest in forward transactions. Forward contracts and options thereon are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which a Client has a forward contract. Although Incenter will seek to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose such Client to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to a lower volume than that which Incenter would otherwise recommend, to the possible detriment of the Clients. Market illiquidity or disruption could result in significant losses to the Clients.

Risks Associated with Repurchase Agreements. A Client may enter into repurchase agreements. When a Client enters into a repurchase agreement, such Client effectively sells assets to a broker-dealer or financial institution, and agrees to repurchase such assets for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. A Client may enter into repurchase agreements to, among other things, increase its leverage, subjecting it to the risks noted above. In addition, the Client may be forced to post margin or repurchase the assets under the terms of the repurchase agreements. To the extent that the Client is unable to provide the funds for such margin or repurchase – or otherwise defaults under a repurchase agreement – the repurchase counterparty may exercise rights and remedies (such as the sale of assets) resulting in losses to the Client.

Certain Risks Associated with Cybersecurity. Investment advisers, including Incenter, rely in part on digital and network technologies (collectively, “cyber networks”) to conduct their businesses. Such cyber networks might in some circumstances be at risk of cyberattacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data, or causing operational disruption. Cyberattacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Incenter maintains an information technology security policy and various technical and physical safeguards designed to protect the confidentiality of its data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in unauthorized access to sensitive information about Incenter and/or its clients.

#### **Item 9: Disciplinary Information**

Incenter is not aware, after having conducted reasonable due diligence on itself and its management personnel, of any legal or disciplinary events that would be material to a Client (or prospective Client), or a Client’s evaluation of Incenter’s advisory business or the integrity of its management personnel.

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

As described below, Incenter may have business arrangements with affiliates that are material to its advisory business and the Clients. In some cases, these business arrangements may create a potential conflict of interest or the appearance of a conflict of interest. Incenter will review each of these arrangements to ensure that they do not adversely impact the Clients and will have in place policies and procedures to address conflicts if and as they arise.

The entities comprising Finance of America are affiliates of Incenter and are in the business of originating and servicing forward and reverse residential mortgage loans. Incenter, in connection with its portfolio management responsibilities to the Clients, expects to recommend that the Clients purchase their portfolio residential mortgage loans, mortgage servicing rights and other mortgage related assets (including securitization assets created by Finance of America) from Finance of America.

An affiliate of Incenter, Incenter Securities Group LLC (“Incenter Securities Group”), is a registered broker-dealer with the SEC and a member of FINRA. Incenter is also affiliated with Incenter LLC (“I”), Incenter Insurance Solutions LLC (“IIS”), IMAC Advisory Services (“IMAC”), Incenter Mortgage Advisors LLC (“IMA”), Incenter Secondary Market Advisors LLC (“ISMA”), Boston National Holdings LLC (“BHM”) and its related subsidiaries and ICMS LLC (“ICMS”) (Incenter Securities Group, I, IIS, IMAC, IMA, and ICMS are collectively referred to herein as the “Incenter Affiliates”).

The Incenter Affiliates provide services to mortgage loan and specialty finance originators and servicers. Such services include, without limitation: (i) brokering lender placed insurance policies, (ii) loan origination fulfillment services and (iii) whole loan and mortgage servicing rights brokerage services, pipeline management advisory services, and valuation, reporting and analytics services (collectively, the “Incenter Affiliate Services”) as well as broker-dealer services (upon registration with the SEC and membership with FINRA). The Incenter Affiliates may from time to time enter into agreements with Clients to provide Incenter Affiliate Services.

The Blackstone Group L.P. and its affiliates (the “Blackstone Affiliates”), have engaged Incenter to provide asset management and other services to the Clients, which are sponsored by the Blackstone Affiliates. Incenter’s status as a subsidiary of BTO Urban Holdings may give rise to potential conflicts of interest. There is no assurance that the applicable advisory agreements will not benefit one party more favorably. Any such advisory agreements are expected to be subject to periodic renewal, allowing for market-testing. Incenter expects to receive both the Management Fee and the Incenter Incentive Fee for its services. To the extent Incenter recommends that the Clients purchase residential mortgage loans, MSRs or other mortgage related assets originated and/or serviced by Finance of America, there is no assurance that any such purchases will not benefit one party more favorably than the other parties to the transaction. A number of other potential conflicts of interest exist with respect to the Blackstone Affiliates, as more fully detailed under “Potential Conflicts of Interest” or similar headings in the respective Client organizational and offering documents.

In addition, neither Incenter nor any of its management persons are registered or have an application pending to register as a commodity pool operator, futures commission merchant or commodities trading adviser.

### **Other Financial Industry Affiliations**

Incenter is an affiliate of these other entities:

<b>Broker-Dealer Entities</b>	
Blackstone Advisory Partners L.P.	Provides a variety of limited investment banking services

FEF Distributors LLC	Serves as distributor and principal underwriter to the First Eagle mutual funds and private investment funds
<b>Investment Advisor Entities</b>	
Blackstone Alternative Asset Management L.P.	Manages a series of private and closed-end funds engaged in multi-manager investment programs ( <i>i.e.</i> , fund of hedge funds)
Blackstone Alternative Investment Advisors L.L.C.	Provides investment advisory services to open end mutual funds
Blackstone Alternative Solutions L.L.C.	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Clean Technology Advisors L.L.C.	Provides investment advisory services to private investment funds specializing in the cleantech energy sector
Blackstone Communications Advisors I L.L.C.	Provides investment advisory services to a private investment fund specializing in communications-related private equity investments
Blackstone Core Equity Advisors L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Debt Advisors L.P.	Provides investment advisory services to a number of debt-focused private investment funds
Blackstone Management Partners L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Management Partners IV L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Mezzanine Advisors L.P.	Provides investment advisory services to private investment funds specializing in mezzanine financing
Blackstone Property Advisors L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors Europe L.P.	Provides investment advisory services to various real estate investment funds

Blackstone Real Estate Income Advisors L.L.C.	Provides investment advisory services to one or more registered closed-end real estate investment funds
Blackstone Real Estate Advisors International L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors IV L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors V L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Special Situations Advisors L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C.	Provides investment advisory services to private investment funds and accounts which invest primarily in public and private debt and other interests of real estate assets and real estate-related holdings
Blackstone Strategic Alliance Advisors L.L.C.	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C.	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
Blackstone Tactical Opportunities Advisors L.L.C.	Provides investment advisory services to multi-discipline, multi-asset class private funds
Blackstone Multi-Asset Advisors L.L.C.	Provides investment advisory services to various private investment funds focusing on investments across Blackstone’s private equity, real asset, credit, hedge fund and opportunistic alternative asset management strategies
Blackstone Treasury Solutions Advisors L.L.C.	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
Blackstone / GSO Debt Funds Europe Limited	Provides investment advisory services to a number of debt-focused private investment funds



Blackstone / GSO Debt Funds Management Europe Limited	Provides investment advisory services to a number of debt-focused private investment funds and separately managed accounts
Blackstone / GSO Debt Funds Management Europe II Limited	Provides investment advisory services to a number of debt-focused private investment funds
BSCA Advisors L.L.C.	Provides investment advisory services to certain co-investment vehicles relating to funds managed by Blackstone Strategic Capital Advisors L.L.C.
BXMT Advisors L.L.C.	Provides investment advisory services to a REIT and other investment vehicles
BX REIT Advisors L.L.C.	Provides investment advisory services to a public, not traded REIT
CT High Grade Mezzanine Manager, LLC	Provides investment advisory services to assets owned by a third party insurance company
CT High Grade Partners II Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT Investment Management Co., LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
First Eagle Investment Management, LLC	Provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals
GSO Capital Advisors LLC	Provides investment advisory services to a number of debt-focused private investment funds and separately managed accounts
GSO Capital Advisors II LLC	Provides investment advisory services to a number of debt-focused separately managed accounts
GSO Capital Partners International LLP	Provides investment advisory services to a number of debt-focused private investment funds and separately managed accounts
GSO Capital Partners LP	Provides investment advisory services to a number of debt-focused private investment funds and closed-end funds
GSO/Blackstone Debt Funds Management LLC	Provides investment advisory services to a number of debt-focused private investment funds, closed-end funds and separately managed accounts

Strategic Partners Fund Solutions Advisors L.P.	Provides investment advisory services to a number of pooled investment and custom vehicles operating as private investment funds
<b>Registered Commodity Trading Advisor and/or Registered Commodity Pool Operator Entities</b>	
Blackstone Alternative Investment Advisors LLC (CTA/CPO)	Provides investment advisory services to open end mutual funds
Blackstone Alternative Solutions L.L.C. (CTA/CPO)	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Strategic Alliance Advisors L.L.C. (CTA/CPO)	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C. (CTA/CPO)	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
First Eagle Investment Management, LLC (CTA/CPO)	Provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals
Blackstone Treasury Solutions Advisors L.L.C. (CPO)	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
<b>Insurance Entities</b>	
Lexington National Land Services	Places title insurance and provide title services for real property owned by various funds and/or their portfolio entities
Rothsay Life Plc	Life insurer specializing in bulk annuities and other de-risking solutions for defined benefit pension schemes and insurance companies

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

Incenter has adopted a formal compliance code of conduct that includes a securities trading code of ethics, insider trading policies and procedures, and procedures to address “pay to play” rules and regulations. Among other things, the code of conduct requires that employees act with integrity, place the interests of Clients above their own, avoid actual and potential conflicts of interest, and comply with applicable provisions of all laws. The policies also require employees to pre-clear certain personal securities transactions, report most personal securities transactions on

at least a quarterly basis, and provide Incenter with a detailed summary of certain holdings annually.

A copy of Incenter's code of ethics compliance policy will be provided to any Client or prospective Client (or investor or prospective investor therein) upon request.

## **Item 12: Brokerage Practices**

In executing portfolio transactions and selecting brokers or dealers, Incenter will use its best efforts to seek on behalf of the Clients the best overall terms available. In assessing the best overall terms available for any transaction, Incenter considers all factors that it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In evaluating the best overall terms available, and in selecting the broker or dealer to execute a particular transaction, Incenter also considers whether such broker or dealer furnishes research and other information or services to Incenter.

Incenter does not generally seek in advance competitive bidding for the most favorable commission rate applicable to any particular purchase, sale or other transaction, or to select any broker-dealer on the basis of its purported or "posted" commission rate, but endeavors to be aware of the current level of charges of eligible broker-dealers and to minimize the expense incurred for effecting purchases, sales and other transactions to the extent consistent with the interests and policies of the Clients. Although Incenter will generally seek competitive commission rates, it is not required to pay the lowest commission or commission equivalent, provided that such decision is made to promote the best interests of the Clients.

Incenter's investment committee will meet periodically to evaluate the broker-dealers used by Incenter to execute trades using the foregoing factors.

Incenter may receive research or other products or services other than execution from broker-dealers in connection with securities transactions known as a "soft dollar" relationship. Incenter may utilize "soft dollars" to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of

trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Incenter's investment committee will review and evaluate its soft dollar practices to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or Incenter's overall responsibilities to the accounts or portfolios over which Incenter exercises investment discretion.

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

In the event Incenter has more than one Client, research and brokerage services obtained by the use of commissions arising from Incenter's portfolio transactions may be used by Incenter in its other investment activities and thus, a Client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided. However, because Clients are expected to be managed on a *pari passu* basis, each Client is expected to generally benefit from soft dollars proportionately to the soft dollar credits it generates.

For certain "mixed use" items where a portion of the services received by Incenter fall outside of Section 28(e), Incenter will use hard dollars to pay for the portion of the product or service's costs that are outside of the safe harbor. In such a case, Incenter will make a reasonable allocation of the cost of the product or service according to its use. The allocation of cost will generally be made based on the percentage of time devoted to Incenter's use of the product for research or non-research applications.

Incenter may acquire research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; data services (including services providing market data, company financial data and economic data, and trading software operated by a broker-dealer to route orders); software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and comparison services, electronic confirms or trade affirmations.

Relationships with broker-dealers providing soft dollar services to Incenter may influence Incenter's judgment in allocating brokerage business, and may create a conflict of interest in using the services of such broker-dealers to execute securities transactions for the Clients. While Incenter believes these relationships are generally beneficial, selecting broker-dealers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than may otherwise be the case. Nevertheless, Incenter is expected in the aggregate to derive substantial direct and indirect benefit from these services, particularly to the extent soft dollars are used to pay expenses that Incenter would otherwise be required to pay.

Subject to the foregoing, Incenter may utilize the services of IMAC with respect to mortgage related services and ISG as a securities broker-dealer upon registration as such.

Incenter does not permit Clients to direct brokerage.

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

Incenter's investment committee is responsible for evaluating investment opportunities, making investment decisions, reviewing Client portfolios and ensuring that transactions are properly executed.

The key aspects of Incenter's management process are as follows:

- Incenter regularly reviews international and domestic events to determine the effect on positions held by the Clients.
- Incenter holds regular meetings to discuss investment ideas, economic developments, current events, investment strategies, issues related to the Clients' holdings, etc.
- Incenter reviews its exposure levels and other criteria on a regular basis in an effort to ensure that it is operating within allowable risk parameters.
- Incenter reviews buy and sell levels at least weekly, and more frequently as warranted due to market fluctuations.
- All transactions are reconciled by Incenter on a periodic basis

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

Currently, Incenter does not provide compensation to any unaffiliated third party related to the solicitation of new investors for any of the Clients.

### **Item 15: Custody**

Rule 206(4)-2 promulgated under the Investment Advisers Act of 1940 (the "Custody Rule") (and certain related rules and regulations under the Investment Advisers Act of 1940) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Incenter is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a qualified custodian. Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions. Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including

underlying investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit if each pooled investment vehicle (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to its investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end. Incenter anticipates relying upon this audit exception with respect to the Clients.

In the event Incenter has custody of Client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to Incenter's Clients, Clients should carefully review those statements and are urged to compare any account statements received from the qualified custodian with those they receive from Incenter.

#### **Item 16: Investment Discretion**

Incenter serves as the adviser with discretionary authority to implement investment decisions for the Clients. Incenter's investment decisions and advice with respect to the Clients are subject to any guidelines included in the applicable advisory agreement.

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

Incenter's Clients primarily hold Investments which typically do not issue proxies. However, Incenter votes any applicable proxies with diligence, care, and in the best interests of the Clients. Incenter's voting policies and procedures ensure that in cases where Incenter votes proxies with respect to Clients' securities, such proxies are voted in the best interests of the Client. In voting proxies, Incenter generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). Generally, Incenter will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, Incenter will determine whether a proposal is in the best interests of the Clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Incenter's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Incenter's Clients are not permitted to direct votes in a particular solicitation.

If a material conflict of interest between Incenter and a Client exists, Incenter will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

Clients may obtain a copy of Incenter's proxy voting policies and procedures and information about how Incenter voted a Client's proxies by contacting Mr. Craig Opp, Chief Compliance Officer, using the contact information included on the cover page of this brochure.

#### *Class Actions*

Subject to the applicable advisory agreement with a Client or as set forth in the organizational and offering documents of any private funds engaging Incenter to provide advisory services, Incenter has the authority to direct the Clients' participation in class actions. The applicable investment committee or authorized investment personnel determine whether the Clients 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 Chief Compliance Officer 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 Incenter on behalf of the applicable Clients. Incenter 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**

Incenter has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to provide investment advisory services to the Clients.