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This Form ADV Part 2A (this “Brochure”) provides information about the qualifications and business practices of Värde Management, L.P. (“VMLP”). If you have any questions about the contents of this Brochure, please contact us at 952.893.1554. 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.

Additional information about VMLP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC as an investment adviser does not imply that VMLP or any of its affiliates, personnel or employees possesses a particular level of skill or training.

Item 2 – Material Changes

In this Item VMLP is required to disclose material changes since its last annual update, which was the version dated March 29, 2019. The material changes are as follows:

- In Item 8, additional disclosure has been included regarding risks related to the Firm's (as defined below) significant investment activities, and descriptions of risks associated with particular investments by the Private Funds (as defined below), which are included in the relevant Offering Documents (as defined below) of the applicable Private Funds, have been removed.

If you are interested in receiving the most current copy of this Brochure, please contact Investor Services by email at investor.services@varde.com.

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Item 4 – Advisory Business

Värde Management, L.P. (“VMLP”) is the registered investment adviser in the broader Värde organization (“Värde” or the “Firm”), a global alternative investment firm. Värde was founded in 1993 and operates with partner-led offices in Minneapolis, London, Singapore and New York as well as additional offices in Asia Pacific, Europe and North America.

The Firm is managed by a group of senior professionals, including sixteen partners: George G. Hicks, Marcia L. Page, Bradley P. Bauer, Ilfryn C. Carstairs, Jeremy D. Hedberg, Giuseppe Naglieri, Jonathan A. Fox, Scott T. Hartman, Andrew P. Lenk, David A. Marple, Francisco Milone, Timothy J. Mooney, Rick J. Noel, Brian C. Schmidt, Elena Lieskovska and Haseeb K. Malik (together, the “Principals”). The Principals, together with retired partner Gregory S. McMillan, own 100% of the Firm.

Värde sponsors and manages a family of private investment funds (the “Private Funds”). The Private Funds are VMLP’s only clients (i.e., there are presently no direct advisory clients other than the Private Funds). A related entity of VMLP generally acts as the general partner of each Private Fund, and VMLP is the investment manager of each Private Fund. Värde currently categorizes the Private Funds into two primary categories: “closed-end funds” and “evergreen funds.” The closed-end funds are structured in a “private equity” format, typically having a stated investment period and term. The evergreen funds do not have a defined investment period, but generally permit investors to make redemptions on a periodic basis. In addition, Värde from time to time forms Private Funds that are co-investment vehicles designed to participate in particular investments or opportunities alongside other Private Funds. The terms of such co-investment vehicles, including but not limited to permitted investments, fees and governance, are negotiated between Värde and the participating Co-Investors (as defined herein). The section titled “*Methods of Analysis, Investment Strategies and Risk of Loss*” (Item 8 below) includes additional disclosure related to co-investments.

VMLP’s advisory services primarily consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Private Funds; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Private Funds. VMLP’s advisory services to each Private Fund are subject to the specific investment objectives and restrictions applicable to such Private Fund, as set forth in such Private Fund’s limited partnership agreement, confidential private placement memorandum and/or other governing documents (collectively, the “Offering Documents”). Investors and prospective investors in each Private Fund should refer to the Offering Documents of the applicable Private Fund for complete information regarding the investment objectives, investment restrictions and other information with respect to such Private Fund.

In accordance with common industry practice, one or more of the Private Funds’ general partners enter into “side letters” or similar agreements with certain investors pursuant to which the general partner grants the investor specific rights, benefits and/or privileges that are not made generally available to other investors. These side letters or similar agreements generally are disclosed only to investors in the applicable Private Fund that have the right to review such side letters or similar agreements or pursuant to a “most favored nations” provision.

VMLP, as the sole SEC-registered investment adviser within the broader Värde organization, has investment discretion with regard to all Private Fund assets. As of December 31, 2019, Värde's Regulatory Assets Under Management (as defined in Form ADV Part 1) are \$20.98 billion.

Item 5 – Fees and Compensation

The compensation each Private Fund pays Värde is set forth in each Private Fund’s Offering Documents. Värde is generally paid a management fee by each Private Fund monthly in arrears or otherwise in accordance with the Private Fund’s Offering Documents. Värde is authorized under the Private Funds’ Offering Documents to charge and deduct management fees directly from the assets of the Private Funds. Please refer to the Offering Documents of each applicable Private Fund for complete information on the fees and compensation payable with respect to such Private Fund.

The fee percentage and/or the base upon which the fee is calculated varies by Private Fund and may also vary over the life of a particular Private Fund, as negotiated and determined at the time the Private Fund is established and as set forth in its Offering Documents. Management fees, performance-based fees and incentive allocations are sometimes waived or reduced with respect to investments in the Private Funds by Värde and/or its related persons. Värde reserves the right to waive, reduce or defer any compensation or allocations payable to it by a Private Fund, including with respect to certain participants in such Private Fund, at any time it deems appropriate in its sole discretion.

In addition, the Private Funds (directly or indirectly) and/or portfolio investments of the Private Funds may engage Värde or its affiliates to provide services, including asset management services, insurance services or country-specific management or service functions. Värde and/or its affiliates will retain the benefit of the fees paid for such services to the extent set forth in each Private Fund’s Offering Documents. The section titled “*Other Financial Industry Activities and Affiliations*” (Item 10 below) includes additional details regarding the services that may be provided.

Each Private Fund will bear and be charged (or reimburse Värde) for certain organizational, operational and other permissible expenses as described in the Offering Documents for each Private Fund. The permissible organizational expenses vary among Private Funds, but the expenses borne by each Private Fund generally include: all fees, costs, charges, expenses, liabilities, obligations and other amounts (including amounts paid to outside legal counsel, accountants and tax advisors, including in each case professionals on secondment to Värde) incurred in connection with or incidental to the formation, organization, and establishment of the Private Fund and its general partner and the marketing and offering of interests in the Private Fund to investors and prospective investors, including Travel-Related Expenses (as defined below) and amounts incurred in connection with or incidental to (i) preparing, printing, mailing or otherwise distributing Offering Documents, prospectuses, presentations, disclosure documents, side letters and similar agreements, comment responses, diligence materials, legal opinions and other documentation; (ii) complying with any law or regulation related to the formation, organization, establishment, marketing and offering of the Private Fund and its general partner (including any “blue sky” and “world sky” filing fees, costs and expenses); (iii) the engagement of placement agents; and (iv) negotiating with investors or prospective investors.

The permissible operational and other expenses vary among Private Funds, but the expenses borne by each Private Fund generally include all fees, costs, charges, expenses, liabilities, obligations and other amounts (including amounts paid to outside legal counsel, accountants and tax advisors, including in each case professionals on secondment to Värde) incurred in connection with or

incidental to the Private Fund's and its related entities') investments, potential investments, portfolio companies, operations and/or business (whether undertaken directly by the Private Fund or indirectly by another entity, including a special purpose vehicle, co-investment vehicle, portfolio company or alternative investment vehicle and whether incurred by VMLP, the Private Fund's general partner, their respective related entities or their respective investments, potential investments or portfolio companies), including organizational expenses, management fees payable to VMLP and fees, costs, charges, expenses, liabilities, obligations and other amounts incurred in connection with or incidental to: (i) the evaluation, sourcing, structuring, organizing, acquisition, purchase, sale, disposition, operating, holding, valuing, carrying, financing, restructuring, taking public or private, winding-up, liquidating, refinancing, discovery, investigation, development, execution, trading, hedging or management of investments, follow-on investments and related transactions (whether or not consummated), including (A) amounts incurred in connection with or incidental to engaging service providers and advisors (including financial advisors, investment banks, brokers, broker-dealers, finders, financing sources, asset managers, developers, joint venture partners, consultants, third-party research providers, information services, work-out specialists, valuation services and other third-parties), (B) amounts incurred in connection with or incidental to entering into derivative transactions or short sales, (C) sales and brokerage commissions, clearance charges, commitment fees, origination fees, debt service fees, underwriting commissions and discounts, broken deal expenses, reverse break-up and termination fees, (D) Travel-Related Expenses, (E) amounts incurred in connection with or incidental to acquiring or licensing software, obtaining research (including payments relating to research contemplated by Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets and financial instruments and any rules and regulations related thereto), subscribing to publications, attending and sponsoring conferences (including Travel-Related Expenses), conducting business entertainment and printing; (ii) the maintenance of books and records and the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s (or similar schedules) or any other administrative, compliance, regulatory or other related reporting or filing obligations, including amounts incurred in connection with or incidental to engaging third-party service providers and developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Private Fund and/or its investors; (iii) the engagement of consultants (including with respect to environmental, social, governance, manufacturing, sales, hedging, marketing, pricing support, legal, technology, human resources, finance, commercial, acquisition integration/rationalization, insurance, sourcing, operating, research, industry and other matters), senior advisors, asset managers, due diligence service providers, administrative service providers and other service providers (including companies owned by Värde or other Private Funds), in each case regardless of whether or not such persons are engaged in a dedicated or exclusive capacity and whether or not such persons are compensated with fixed fees (such as retainers) and/or performance-based fees and allocations, including in the form of cash, options, warrants, stock or otherwise; (iv) the transfer, receipt, safekeeping, servicing and accounting for investments, cash and other property, including all charges of depositories (including any depositary appointed pursuant to the European Union Directive on Alternative Investment Fund Managers (2011/61/EU) (the "AIFMD") or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), any Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended) and the implementation thereof) or similar

agents in other jurisdictions, custodians, trustees, asset managers, title companies and other agents, if any; (v) the engagement of third-party administrators (if any) and independent auditors; (vi) local agents (including distribution agents, broker-dealers, representatives, or similar agents) required to be appointed in order to comply with any law, rule, or regulation; (vii) registering or complying with any law, rule or regulation, including Form PF, the AIFMD and related European Economic Area national private placement laws, laws, rules and regulations related to anti-money laundering, know-your-customer, data protection, freedom of information and any similar laws, rules, regulations or procedures in any jurisdiction, including those related to the activities of the Private Fund's general partner or any other related entity; (viii) non-recurring matters, including amounts incurred in connection with or incidental to (A) actual, threatened or otherwise anticipated litigation, actions, suits, proceedings, mediation, arbitration or other dispute resolution processes, (B) any governmental inquiry, investigation or proceeding, including judgments, fines, other awards and settlements paid in connection therewith, (C) indemnification obligations or guarantees, including the Private Fund's legal obligation to provide indemnification under the Offering Documents (including amounts incurred in connection with or incidental to indemnifying any investor or other person or entity pursuant to the Offering Documents and advancing amounts incurred by any such person or entity in defense or settlement of any claim that is subject to a right of indemnification pursuant to the Offering Documents and the management agreement with VMLP) and indemnification obligations in other contracts, including agreements with agents and other service providers; (ix) taxes and governmental fees payable to any U.S. federal, state or other governmental authority, domestic or non-U.S., including real estate, stamp or other transfer taxes, including in connection with any tax audit, investigation or review, or any settlement thereof, and, in the discretion of Värde, certain withholding taxes (including fees, costs, charges, expenses, liabilities, obligations and other amounts incurred by the "tax matters partner" or "partnership representative"); (x) complying with the U.S. Foreign Account Tax Compliance Act, the Common Reporting Standard issued by the Organisation for Economic Cooperation and Development, or similar legislation, regulations or guidance enacted in any other jurisdiction, which seeks to implement equivalent tax reporting and/or withholding tax regimes as well as any intergovernmental agreements and other laws of other jurisdictions with similar effect; (xi) insurance, including premiums for general liability, errors, omissions, fidelity, crime, general partner liability, fiduciary, directors' and officers' liability, cybersecurity and other coverage, including in respect of any investment, the Private Fund's general partner and/or VMLP; (xii) the winding up, dissolution or liquidation of the Private Fund and its related entities, including the Private Fund's general partner; (xiii) any restructuring or amendments to the constituent documents of the Private Fund and related entities, including the Private Fund's general partner; (xiv) the valuation and appraisal of the assets of the Private Fund (including third-party valuation firms and software), including in connection with the Private Fund acquiring an investment from or selling an investment to another account, and third-party assessments of fees for services, including services provided by companies owned by Värde or other Private Funds; (xv) the formation, management, governance, operation, restructuring, maintenance, winding up, dissolution or liquidation of entities, including feeder vehicles, alternative investment vehicles, co-investment vehicles, special purpose vehicles and any other entities (including expenses in connection with raising and putting in place co-investment or joint venture vehicles where desirable for accomplishing an investment or joint venture, to the extent not borne by the applicable Co-Investors or joint venture partners and/or co-investment or joint venture vehicle); (xvi) co-investments or joint ventures (whether or not consummated) that are not borne by Co-Investors or

joint venture partners; (xvii) capital contributions from (including expenses relating to defaults in the payment thereof) and distributions to the Private Fund investors; (xviii) meetings of the Private Fund investors or the operation of the Private Fund’s advisory committee, including Travel-Related Expenses of Värde and its employees and their representatives and Private Fund investors, out-of-pocket expenses of advisory committee members and their designees in connection with the performance of their duties (including any non-voting members or persons with observer rights), professional service fees, venue rental, meals and entertainment; (xix) complying with the Offering Documents, any side letters or similar agreements and any “most favored nations” election processes; (xx) extraordinary expenses under U.S. Generally Accepted Accounting Principles (“GAAP”) or other required accounting standard; (xxi) the engagement of placement agents (including any such fees, costs and expenses that do not otherwise constitute organizational expenses); (xxii) borrowings and indebtedness (including any credit facility) and any transactions having a similar leveraging effect, including amounts incurred in connection with or incidental to arranging financing and indebtedness (including obtaining lines of credit, loan commitments and letters of credit for the account of the Private Fund) and in guaranteeing the obligations of any portfolio investments or any assets thereof); (xxiii) the transfer or proposed transfer of interests in the Private Fund, secondary transactions (including transactions in which the Private Fund’s general partner participates) or a Private Fund investor’s name change, internal restructuring or change in agent of any, in each case to the extent not borne by such Private Fund investor; (xxiv) protecting the confidential or non-public nature of any information or data; (xxv) printing, communications, marketing and publicity (including any such fees, costs and expenses that do not otherwise constitute organizational expenses); (xxvi) directors of the Private Fund (as applicable), and expenses associated with meetings of such directors; and (xxvii) any other expenses approved by the Private Fund’s advisory committee or investors or otherwise set forth in the Private Fund’s Offering Documents. “Travel-Related Expenses” include costs, expenses and amounts related to transportation (including the use of air transportation not to exceed commercial-equivalent first class (or comparable tier) airfare), lodging and accommodations, meals and entertainment. To the extent that any of the foregoing expenses relate to the operations of more than one Private Fund, Värde will allocate such expenses based on a good faith determination of the relative benefits (or anticipated benefits) of such expenses to all Private Funds benefiting from such expenses. From time to time, Värde pays for certain of these expenses out of its own assets and seeks reimbursement from the Private Funds. The section titled “*Brokerage Practices*” (Item 12 below) describes the factors Värde considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation. The section titled “*Client Referrals and Other Compensation*” (Item 14 below) describes certain management, monitoring, consulting, directors’ or other fees that Värde may receive from portfolio investments held by Private Funds.

Certain of the fees payable to Värde are based on the value and performance of the assets held in the Private Funds. Värde has adopted and implemented a Valuation Policy that governs the valuation of the securities and other assets held by the Private Funds. The Valuation Policy generally provides that liquid investments will be valued at readily ascertainable market values. In the case of assets that lack such a readily ascertainable market value, the Valuation Policy requires Värde to determine a value for these investments in accordance with the terms of the policy. Värde faces a conflict of interest in valuing assets that lack a readily ascertainable market value, because their value can impact certain of the fees payable to Värde and its performance returns. With respect to these investments, Värde uses various valuation methodologies based on the nature of the assets. These methodologies are inherently subjective and capable of producing

a range of values that may be considered reasonable to different parties and that may be different than valuations done by others applying their own judgment at different or similar dates. There is no assurance that the valuations determined by Värde represent values that can or will be realized in a sale or exchange of investments with an independent third party. Värde documents its valuation decisions and reviews them on a periodic basis. Värde has a Valuation Committee that is responsible for overseeing the Valuation Policy and the related procedures. The Valuation Committee meets no less than quarterly and on an as-needed basis. On an annual basis, Värde's valuations are reviewed in connection with each Private Fund's independent external financial statement audit.

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

The general partner of each Private Fund is a Värde-affiliated entity, and the calculation and role of the performance compensation, if any, paid by each Private Fund to its general partner is described in the Private Fund's Offering Documents. Performance-based fee and allocation arrangements create an incentive for Värde to make more speculative investments in the assets purchased for a Private Fund than it might otherwise make in order to increase the likelihood that Värde would be paid incentive fees or receive incentive allocations. As a general matter, these conflicts are mitigated by provisions requiring Värde (in its capacity as general partner) to invest at least 1% of the Private Fund investors' capital commitments in each Private Fund (other than certain co-investment vehicles), as well as restrictions on the distribution of any incentive compensation relating to the closed-end Private Funds until after the return of all principal to investors and payment to them of any preferred return. These conflicts are further mitigated by Värde's suitability obligation with respect to Private Fund investments and its disciplined investment process.

Different Private Funds have different incentive compensation arrangements. For example, the incentive compensation for the evergreen funds is generally payable annually, while the incentive compensation for the closed-end funds is generally paid only after investors have received distributions equal to their invested capital and a preferred return. This creates a conflict of interest relating to the allocation of investment opportunities and the time and attention of Värde personnel to the extent Värde (in its capacity as general partner) can collect the incentive compensation sooner (or collect higher incentive compensation) from one Private Fund than it can from the others. Värde believes that this conflict is mitigated by its investment allocation procedures (as described in the section titled "*Brokerage Practices*" (Item 12 below)) and its disciplined investment process.

Item 7 – Types of Clients

VMLP's only clients are the Private Funds (i.e., there are no direct advisory clients other than the Private Funds). Investors in the Private Funds include various global institutional investors (e.g., trusts, endowments, foundations, pensions, corporations and other types of entities, including private funds-of-funds) as well as high net worth individuals that, in each case, meet the regulatory and other requirements under which the Private Fund operates and desire to invest in accordance with the Private Funds' investment objectives.

Interests in the Private Funds are offered in private placements under the U.S. Securities Act of 1933 (as amended, the "Securities Act"). As a result, Värde generally offers limited partnership (or equivalent) interests in the Private Funds to a limited number of "accredited investors" as defined in Regulation D under the Securities Act, and exclusively to "qualified purchasers" as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (as amended, the "1940 Act") due to the Private Funds' exempt status from registration as investment companies. Employees who qualify as "knowledgeable employees" under Rule 3c-5 of the 1940 Act are also permitted to invest (directly or indirectly) in the Private Funds. Investors and prospective investors in each Private Fund should refer to the Offering Documents of such Private Fund for complete information on minimum investment and other requirements for participation in such Private Fund.

In connection with the formation and management of a Private Fund, Värde may form certain related entities for such Private Fund. Värde may establish vehicles to address tax, legal or regulatory issues or requirements of certain investors in such Private Fund or for other purposes. Värde may also form parallel funds to invest alongside a Private Fund. In addition, Värde may form alternative investment vehicles, holding companies or other special purpose vehicles for the purpose of facilitating certain investments by one or more Private Funds. Please refer to the Offering Documents of the applicable Private Fund for complete details regarding entities that Värde may form in connection with the formation and management of such Private Fund.

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

The core of Värde’s investment philosophy has four key tenets:

1. Apply a rigorous, fundamental, value-based approach, with a view of value across the liquidity spectrum as well as the full capital structure of individual investments.
2. Identify opportunities where the Firm has the ability to deliver value through scale or where there is the potential to invest at a discount to intrinsic value and where catalysts exist for this value to be recognized, often through unlocking complexity.
3. Build portfolios with a focus on downside protection, including risk management tools that utilize the Firm’s deep expertise in credit.
4. Maintain high standards of integrity and seek to establish a right to play wherever the Firm operates.

In applying this philosophy, Värde draws upon the process, discipline, and rigor that have been developed throughout the Firm’s long history in the investing business. The Firm seeks to unlock complexity in areas of the market where there is mismatch of supply and demand for capital and identify attractive risk-award across a global set of opportunities. In managing the Private Funds, the Firm focuses on the portfolio view, deploying capital efficiently to build a sensibly diversified portfolio, and maintains a focus on risk management.

Significant Investment Strategies

Details regarding the investment and liquidity profile pursued by each Private Fund, as well as additional information regarding Värde’s investment strategies and activities, are set forth in the Offering Documents related to each Private Fund. Subject to the investment parameters set forth in each Private Fund’s Offering Documents, Värde pursues investment strategies across geographies in a broad range of asset classes. Värde’s investing activity is conducted by five global investment teams:

- *Corporate and Traded Credit*: This team focuses on restructurings, liquidations and opportunistic traded credit and equity in both corporate and government issued instruments.
- *Mortgages*: This team focuses on commercial and residential mortgages including new originations, secondary loans and portfolios, securities, mortgage servicing rights (“MSRs”) and commercial loan servicing.
- *Financial Services*: This team pursues private equity investments in financial services businesses, including insurance, specialty finance, trust and corporate services, payments and asset management.
- *Real Estate*: This team focuses on opportunistic and value-add investments in real estate assets (both residential and commercial), operating companies, and real estate secured debt.

- *Real Assets and Infrastructure:* This team focuses on private credit and asset-level equity investments in energy, energy-related infrastructure, transportation and logistics, and related industries.

General Methods of Analysis

Värde invests across global markets, asset classes and industries, and individual investment opportunities will require varying levels of review and customized processes depending upon the investment, the status of the markets and the participants involved. Depending on the nature of the investment, Värde will apply the following methods of analysis:

- Performance of quantitative and qualitative fundamental research to identify potential investments and determine the suitability of a particular investment on both its own merits as well as its “fit” in terms of industry or macro theme.
- Completion of a financial analysis based on comparable valuations in the liquid and illiquid markets, a discounted cash flow analysis, a re-organization and/or liquidation analysis and/or an analysis of potential returns for the investment.
- Review of the corporate structure and specific collateral packages (as applicable).
- Performance of an operational review of the investment, including assessment of management and ESG considerations (as applicable).

Material Risks

A summary of the material investment strategy risks generally applicable to the Private Funds is set forth below. Additional information with respect to each particular Private Fund is contained in the Offering Documents related to such Private Fund, including risks that are particular to such Private Fund or its investment strategy or method, such as the types of investments it makes, the types of instruments it holds or the types of transactions it enters into. Such additional information in the Offering Documents of a Private Fund includes descriptions of risks associated with:

-
- Bankruptcy Claims
- Below Investment Grade Investments
- Capital Structure Arbitrage and Spread Trading
- Changes to the Regulatory Framework
- Commercial Mortgage Loans and CMBS
- Controlled Group Risk
- Convertible Securities
- Credit Risk; Collateral
- Debt Generally
- Debtor-In-Possession (“DIP”) Loans
- Distressed Debt
- Distressed Investments
- Early Prepayment
- Environmental Matters
- Equity Securities Issued by CDOs and CLOs

- Exchange Rate Risk Exposure
- Financial Services Company Investments
-
- Formalization of Agreements
- Forward Trading
- Futures Contracts
- Harmful Mold and Other Air Quality Issues
- Highly Leveraged Companies
- Highly Regulated Industries and Investments
- Illiquid Investments
- Investments in Asset Managers, Operating Platforms and Similar Entities
- Investments in Asset-Backed Securities
- Investments in CMBS
- Investments in Equity Generally
- Investments in Land/New Development
- Investments in Less Established Companies
- Investments in Loans
- Investments in Public Companies
- Investments in RMBS and Residential Mortgage Loans
- Investments related to Bankruptcy Proceedings
- Lack of Liquidity
- Lender Liability and Equitable Subordination
- Loan Amortizations
- Loan Origination
- Loan Participations
- Loan Repayment Income
- Loans to Private Companies
- Lower Credit Quality Instruments
- Mezzanine Investments
- Non-Performing Nature of Loans and Other Debt Securities
- Non-U.S. Investments
- Operating and Financial Risks of a Portfolio Company
- Private Company Investments
- Real Estate Assets
- Real Estate Loans, Consumer Loans and Participations
- Sale-Leaseback Transactions
- Sales into Emerging Markets
- Sector Concentration
- Senior Secured Loans
- Short Selling
- Sovereign Debt Investments
- Specialty Finance Credit Investments
- Structural and Legal Risks of RMBS and Residential Mortgage Loans
- Subordinated Loans or Securities

- Synthetic Investment Strategies
- Systemic Risk
- Time Required for Maturity of Investments
- Transportation, Energy and Infrastructure Assets
- Zero Coupon and Payment-In-Kind (“PIK”) Bonds

This Brochure does not purport to be a complete disclosure of all risks that will be relevant to a prospective investor’s decision to purchase an interest in a Private Fund. Investing involves risk of loss that an investor should be prepared to bear. Investments by Värde involve significant risks. As a result of these factors, as well as other risks inherent in investments generally, there can be no assurance that Värde will meet the investment objectives of any particular Private Fund or otherwise be able to execute successfully its investment program.

Global Economic Conditions: The Private Funds are affected by conditions in the global financial markets and economic conditions throughout the world. These factors are outside Värde’s control and may adversely affect the liquidity and value of the Private Funds’ investments, and Värde may fail to, or may not be able to, manage their exposure to these conditions. In such circumstances, the financial performance of the Private Funds will be negatively impacted and investors may incur material losses. In addition, if global financial markets were to experience adverse conditions, a negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Private Funds and these or similar events will affect the ability of Värde to execute the Private Funds’ investment strategies. The response by governments, central banks and other policy makers to financial crisis situations could impair the ability of private sector investors (like the Private Funds) to pursue investment opportunities in certain markets and could cause artificial market prices or result in other unanticipated consequences that could adversely affect the performance of the Private Funds.

Government, Regulatory and Political Risks: There is often a high degree of government regulation of economies, including in the global financial markets. Action by governments could directly affect investments and have a significant indirect effect on the market prices of assets and of the payment of dividends or interest. Changes in policy with regard to taxation, fiscal and monetary policies, repatriation of profits and other economic regulations are possible, any of which could have an adverse effect on investments. Non-U.S. economies may differ favorably or unfavorably from the U.S. economy and other economies with regard to the rate of growth of gross domestic product, the rate of inflation, currency controls, currency appreciation or depreciation, capital reinvestment, resource self-sufficiency and balance of payments.

Governments in certain countries participate to a significant degree, through ownership interests or regulation, in their respective economies. Action by these governments could have a significant adverse effect on market prices of assets and payment of dividends and interest.

Many countries have undergone a substantial political and social transformation. There can be no assurance that the economic, educational and political reforms necessary to complete political and economic transformation will continue. The state of development of certain political systems makes them susceptible to changes and potential weakening from economic hardship and social instability. In certain countries, the extent of the success of economic reform is difficult to

evaluate. Information on these economies is often contradictory or absent. In certain countries, much of the workforce remains underemployed or unemployed. Continued unemployment could hinder the ability of various governments to keep deficit spending in check.

Changing political environments, regulatory restrictions, and changes in government institutions and policies could adversely affect the Private Funds' investment activities and opportunities. Civil unrest, ethnic conflict or regional hostilities can contribute to instability in some countries. Such instability would impede business activity and adversely affect the environment for investments. The Private Funds do not intend to obtain political risk insurance. Actions in the future of one or more governments could have a significant effect on the various economies, which could affect market conditions, prices and yields of investments in the Private Funds' respective portfolios. Political and economic instability in any of the countries in which the Private Funds invest could adversely affect the Private Funds' respective investments.

Market Disruptions: The Private Funds may incur major losses in the event of market disruptions and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The availability of credit is typically reduced during market disruptions. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Private Funds and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Highly Volatile Markets: The prices of financial instruments in which the Private Funds invest can be highly volatile. The price of equity, debt and other assets in which the Private Funds invest are influenced by numerous factors including interest rates, currency rates, default rates, governmental policies and political and economic events (both in the U.S. and globally). Moreover, political or economic crises, or the occurrence of other events can be highly disruptive to the markets in which Värde invests. In addition, governments from time to time intervene (directly and by regulation), and such intervention could adversely affect the performance of the Private Funds and Värde's investment activities. The Private Funds are also subject to the risk of a temporary or permanent failure of certain markets used by the Private Funds in connection with their investment activities. Sustained market turmoil and periods of heightened market volatility will make it more difficult to produce positive results and there can be no assurance that Värde's strategies will be successful in such markets.

Extreme Events: The Private Funds' investments may be subject to catastrophic events. These events could include fires, floods, earthquakes, adverse weather conditions, assertion of eminent domain, strikes, acts of war (declared or undeclared), riots, terrorist acts, outbreak of disease, epidemics, pandemics, "acts of God" and similar risks. For example, as of the date hereof, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"). As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

The extent of the impact of any such events on the Private Funds' and their portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such event, the extent of any public reaction and/or government intervention, the impact

of the event on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of such events may materially and adversely impact the value and performance of the Private Funds' portfolio companies, the Private Funds' ability to source, manage and divest investments and the Private Funds' ability to achieve their investment objectives, all of which could result in significant losses to the Fund. Some risks stemming from such events are uninsurable and, in some cases, investment project agreements can be terminated if an event is so catastrophic that it cannot be remedied within a reasonable time period. In addition, the operations of the Private Funds, their portfolio companies, the general partners of such Private Funds and VMLP may be significantly impacted, or even temporarily or permanently halted, as a result of such events, the government response, and the potential adverse impact on the such entity's personnel.

Availability of Suitable Investments: The business of identifying, structuring, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. There can be no assurance that investment opportunities will be available or that available investments will continue to meet a Private Fund's investment criteria. Furthermore, there can be no guarantee that Värde will be able to identify a sufficient number of investment opportunities for each Private Fund to enable it to invest fully its capital commitments in opportunities that satisfy such Private Fund's investment objectives, or that such investment opportunities will lead to successful investments by such Private Fund.

In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.

Broad Investment Charter; Concentration of Investments: The Private Funds have broad investment charters and only a few formal diversification requirements and constraints on the type of investments in which the Private Funds are permitted to invest, subject to their Offering Documents. For example, the cumulative cost basis of a single investment, at the time of making such investment or any related follow-on investment, may constitute a significant portion of a Private Fund's aggregate capital commitments. Although, subject to each Private Fund's Offering Documents, Värde will follow a general policy of making investments across a range of issuers, industries, sectors and asset classes, at certain times, a Private Fund may hold a few relatively large positions or be more heavily concentrated in a particular region and/or market sector, and as a result, adverse movements in the value of a single investment or investments in a single region and/or market sector could be considerably greater than if such Private Fund were not permitted to concentrate its investment to such an extent. Accordingly, a Private Fund's assets will be subject to greater risk of loss than if they were more widely diversified since the failure of one or a limited number of investments or sectors could have a material adverse effect on such Private Fund.

Global Mandate: In some non-U.S. countries, there is (among other things) the possibility of expropriation or confiscatory taxation, limitations on the removal of securities, property or other assets of the Private Funds, political, economic or social instability or diplomatic developments, each of which could have an adverse effect on the Private Funds' investments in such non-U.S.

countries. Additional risks include: (i) the imposition or modification of foreign exchange controls; (ii) the unpredictability of international trade patterns; (iii) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such non-U.S. investments; (iv) the imposition of regulatory limits on debt issuance, holdings, minimum hold periods or concentration; (v) different bankruptcy laws and customs; (vi) less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors; (vii) price volatility; and (viii) fluctuations in currency exchange rates. While Värde will take these factors into consideration in making investment decisions for the Private Funds, no assurance can be given that Värde will be able to evaluate and successfully minimize these risks.

To the extent that a Private Fund makes any investment in one or more emerging markets, it will be subject to risks and special considerations that are not typically associated with investing in more established economies or markets, including, among other things, (i) higher dependence on exports and the corresponding importance of international trade; (ii) greater risk of inflation; (iii) inability to exchange local currencies for U.S. dollars; (iv) increased likelihood of governmental involvement in and control over the economy; (v) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (vi) less developed compliance culture; (vii) differing cultural expectations and norms regarding business practices; (viii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (ix) less developed, reliable or independent judiciary systems for the enforcement of contracts or claims; (x) greater regulatory uncertainty; (xi) the maintenance of the Private Funds' investments with non-U.S. broker-dealers, securities depositories, asset servicers or custodians; and (xii) threats or incidents of corruption or fraud, all of which could adversely affect the return on the Private Funds' investments.

Corruption: Corruption remains a significant problem in some countries and its effects seriously constrain the development of local economies, erode stability and trust and its macro-economic and social costs are immense. There often exists insufficient anti-corruption legislation and coordination of anti-corruption initiatives. Specifically, in some countries, there is a greater acceptance than in the U.S. of government involvement in commercial activities, and of the resulting potential for corruption. See the section titled "FCPA Considerations" below for related risks with respect to compliance with the FCPA (as defined below) and other U.S. and non-U.S. anti-corruption, anti-bribery and anti-boycott laws and regulations.

U.S. Government Sanctions and Intervention Risks: Economic sanction laws in the U.S. prohibit Värde, Värde's professionals and/or the Private Funds from transacting with or in certain countries and with certain individuals and companies. In the U.S., the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons and the Sectoral Sanctions Identifications List, as such lists may be amended from time to time, can be found on the OFAC website. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists

maintained by OFAC. Many of the regulators to which Värde, the Private Funds and their respective affiliates are expected to be subject, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction, or the sanction imposed is small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm Värde, the Private Funds or their respective affiliates' reputations in a manner that adversely affects the investment performance of the Private Funds by hindering their ability to obtain desired financing or consummate a potentially profitable investment. In addition, the enactment of new U.S. economic and trade sanctions could significantly restrict a Private Fund's investment activities, or require the divestment of existing Private Fund investments.

Additionally, a major governmental intervention into industry, including newly implemented or modified tariffs or other trade agreements applicable to certain products, industries or countries, the nationalization of an industry, or the assertion of control over one or more industry sectors or related assets, could result in a loss to the Private Funds, including if a Private Fund investment is canceled, unwound, acquired or otherwise adversely affected (which could be without what Värde considers to be adequate compensation). These types of interventions may significantly restrict the Private Funds' investment activities in certain industries or countries.

Dependence on Key Personnel: The success of the Private Funds will be highly dependent on the financial and managerial expertise of the Principals. The Offering Documents for certain Private Funds contain provisions addressing the departure of one or more of the Principals and, in some instances, other key employees, including terms whereby the Private Fund's investment period ends upon the departure of certain Principals and, in some instances, other key employees. The loss of, or reduction of service by, one or more of these individuals could have a material adverse effect on the performance of the Private Funds and on the Private Funds' ability to achieve their investment objectives. Although the Principals have committed, and will continue to commit, business efforts to Värde and the Private Funds, Värde and the Principals do not intend, and are not required, to devote all of their time to any particular Private Fund's affairs. The Principals will be under no contractual obligation to remain with Värde for the term of any specific Private Fund. As a result, the ability of the Private Funds to carry on their activities successfully will be dependent upon the skill and experience of the remaining Principals.

Certain Consultants: Värde, the Private Funds and/or a portfolio investment are each permitted to retain certain consultants (including external executives), senior advisors and other companies and individuals, including affiliates of Värde, employees of such affiliates, or portfolio investments of other Private Funds, to provide services to, or in connection with, the Private Funds in relation to their activities or one or more portfolio investments, including due diligence, industry analysis and identification, acquisition, holding, improvement and disposition of such portfolio investments, including operational aspects of such portfolio investments. Subject to the Offering Documents, fees, costs and expenses of such parties (which may, at the discretion of Värde taking into account the particular services, include a profits or equity interest in a portfolio investment or other incentive-based compensation, which will be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the party, a percentage of the value of the portfolio investment, the invested capital exposed to such

portfolio investment, amounts charged by other providers for comparable services and/or a percentage of cash flows from such portfolio investment) may be paid and/or reimbursed by the Private Funds and/or such portfolio investment, as applicable, but do not reduce or offset against any management fees payable to Värde under the applicable Offering Documents.

Asset Managers: In connection with certain investments, Värde employs asset managers that specialize in converting certain types of assets and portfolios of assets into cash. These asset managers also assist in acquisition and valuation activities from time to time. If an asset manager breaches its servicing agreement or otherwise fails to perform its responsibilities adequately, the Private Funds will be adversely affected. In addition, given the specialized nature of these service providers, they are difficult to replace if needed and transfers of servicing could cause a disruption of cash flow on the related investment.

Portfolio Company Management Team: In the case of investments made by the Private Funds with respect to companies, each such company's day-to-day operations will be the responsibility of such entity's management team. There can be no assurance that the existing management team, or any successor management team, will be able to operate the company in accordance with Värde's plans or expectations. Many of the Private Funds' investments will represent minority and/or non-voting positions in portfolio companies, and, although the Private Funds, in certain circumstances, have representatives that serve on the boards of directors, such representatives may not have the power individually to exert significant control over such portfolio companies' boards of directors and management. In such cases, the Private Funds will rely significantly on the existing management and boards of directors of such portfolio companies, which may include unseasoned directors, managers and representatives of other investors with whom the Private Funds are not affiliated and whose interests or views conflict with the interests of the Private Fund. To the extent that the management of a portfolio company performs poorly, or if a director or key manager of a portfolio company engages in misconduct, commits material errors in carrying out his or her duties, or terminates his or her employment or association with such company, the applicable Private Fund's investment in such company will be adversely affected.

Counterparty Risk: In connection with their investment activities, the Private Funds will be dependent upon one or more counterparties, including counterparties that hold certain assets of the Private Funds. The failure of a counterparty can have a devastating impact on investment vehicles (like the Private Funds). If any counterparty used by the Private Funds (or any investment) becomes insolvent or files for bankruptcy, the Private Funds could suffer losses and their financial performance could be materially and adversely affected. In addition, the insolvency or bankruptcy of any counterparty that is in possession of any assets of the Private Funds could undermine the Private Funds' access to such assets on a temporary or permanent basis and result in a partial or complete loss of the related investments. The failure of a counterparty to fulfill its obligations could have a material adverse effect on the related investment and the overall performance of the Private Funds.

Some of the markets in which the Private Funds effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Private Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide)

or because of a credit or liquidity problem, thus causing the Private Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events intervene to prevent settlement, or where the Private Funds have concentrated their transactions with a single or small group of counterparties. The Private Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, it is possible that the Private Funds will not accurately evaluate the creditworthiness of their counterparties or such evaluation will prove insufficient. The lack of a complete evaluation of the financial capabilities of the Private Funds’ counterparties and the absence of a regulated market to facilitate settlement increases the potential for losses by the Private Funds.

The Private Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. Because securities owned by the Private Funds that are held by broker-dealers are typically not held in a Private Fund’s name, the bankruptcy of any such broker-dealer could have a greater adverse impact on the Private Funds than if such securities were registered in each Private Fund’s name.

In situations where the Private Funds are required to post margin or other collateral with a counterparty, the counterparty could fail to segregate the collateral or could commingle the collateral with the counterparty’s own assets. As a result, in the event of the counterparty’s bankruptcy or insolvency, the Private Funds’ excess collateral would be subject to the conflicting claims of the counterparty’s creditors, and the Private Funds would be exposed to the risk of a court treating the Private Fund as a general unsecured creditor of the counterparty, rather than as the owner of such collateral.

In addition, the Private Funds use counterparties located in various jurisdictions. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Private Funds’ assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Private Funds and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Private Funds, which could be material.

Execution Risks and Manager Error: In order to seek positive returns in global markets, Värde’s investments for the Private Funds involve multiple instruments, multiple brokers and counterparties and multiple strategies. As a result, the execution of the investment strategies employed by Värde for the Private Funds often require complex investments, difficult to execute investments, use of negotiated terms with counterparties (such as in the use of derivatives) and/or the execution of trades involving less common or novel instruments or structures. In each case, Värde seeks best execution and has trained execution and operational staff. However, in light of the high volumes, complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties can occur and could result in losses to the Private Funds. In such circumstances, Värde will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault and, to the extent practicable, will seek to recover losses from those parties. Värde is permitted to choose, in its sole discretion, to forego pursuing claims against brokers and counterparties on behalf of the Private Funds for any reason,

including the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties. In addition, Värde's own execution and operational staff may be solely or partly responsible for errors in placing, processing, and settling transactions that result in losses to the Private Funds. See "*Investment and Allocation Errors*" in the section titled "*Brokerage Practices*" (Item 12 below) for details on reimbursement for errors made by Värde personnel.

Additional Capital: Certain companies or other assets with respect to which the Private Funds make investments will require additional financing from time to time to satisfy their working capital requirements, capital expenditure and acquisition strategies or in response to market developments, regulatory requirements or contractual obligations. The amount of additional financing needed will depend upon, among other things, the maturity and objectives of the particular investment. If the funds provided are not sufficient, such investment may have to raise additional capital at a price unfavorable to existing investors, including the Private Funds. In addition, the Private Funds are permitted to make additional debt and equity investments or exercise warrants, options or convert convertible securities that were acquired in the initial investment in order to preserve the Private Funds' proportionate ownership when a subsequent financing is planned or to protect the Private Funds' investment. The availability of capital is subject to capital market conditions that are beyond the control of the Private Funds or any investment. There can also be no assurance that Värde will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

Need for Follow-On Investments: The Private Funds are often called upon to provide follow-on funding for an investment or have the opportunity to increase their original investment. There can be no assurance that the Private Funds will wish to make follow-on investments or that the Private Funds will have sufficient funds to do so. Any decision by the Private Funds not to make follow-on investments or their inability to make them could have a substantial negative impact on an investment or could diminish the Private Funds' ability to influence the investment's future development. Moreover, to the extent that a Private Fund does not make such follow-on investment, capital may be provided by Co-Investors and/or other Private Funds; any such arrangements with Co-Investors and/or other Private Funds could rank senior to or otherwise have different terms, and/or cause the dilution of, the investment by a Private Fund. In addition, follow-on investments may occur under circumstances in which an investment is performing poorly, in which case the follow-on investment will be riskier than the initial investment, or when such investment is performing well.

Co-Investments: To the extent that a particular investment opportunity exceeds the desired allocation to the Private Funds, or there are prospective investors that Värde believes will be of benefit to the Private Funds or that are expected to provide a strategic, sourcing or similar benefit to Värde, the Private Funds or one or more of their respective affiliates (including funds sponsored by others in so-called "club deals," through joint ventures or other entities (as further discussed in "*—Other Party Involvement*" below)) due to industry expertise, end-user expertise or otherwise, Värde is permitted, in its discretion, to offer the opportunity to co-invest alongside the Private Funds to, or otherwise partner with, one or more of such investors or any other person or entity (including Värde, existing investors in the Private Funds, employees of the Firm, a portfolio company's management team members, consultants or advisors, or other third parties)

(collectively, “Co-Investors”). In any event, no Private Fund investor should have any expectation of receiving a co-investment opportunity or to be owed any duty or obligation in connection therewith.

Värde will select Co-Investors and allocate co-investment opportunities based on a number of relevant factors, including those specific to the investment opportunity. These factors include: any requirements or restrictions relating to co-investment opportunities in any relevant Offering Documents or side letters; the strategic value of a prospective Co-Investor to the underlying investment opportunity; how quickly a prospective Co-Investor is able to conduct its own due diligence and provide a commitment with respect to the investment opportunity; whether the prospective Co-Investor has the financial and other resources to make the investment; whether the prospective Co-Investor has indicated a desire to make investments of the type offered by the investment opportunity; any relevant confidentiality restrictions or obligations relating to the investment opportunity; Värde’s past experience and relationship with the potential Co-Investor; the size of the potential Co-Investor’s commitment to any Private Fund; Värde’s belief that allocating all or a portion of the co-investment opportunity to a potential Co-Investor will help establish, strengthen and/or cultivate a relationship that is expected to provide indirect benefits to any existing or future Private Funds; whether the profile or characteristics of the potential Co-Investor are expected to have an impact on the viability of the proposed investment and the ability of the applicable Private Funds to pursue the opportunity; and any other factor reasonably determined by Värde to be relevant to the relationship of a particular investment opportunity to a given prospective Co-Investor.

Co-Investors will typically bear their pro rata share (relative to capital invested) of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments and will typically be required to pay their pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as breakup fees or broken deal expenses. Although Värde endeavors to allocate such fees, costs and expenses on a fair and reasonable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated proportionately. In addition, Co-Investors may not agree to pay or otherwise bear fees, costs or expenses related to consummated or unconsummated co-investments. In such event, such fees, costs and expenses (including broken deal expenses) will be considered operating expenses of and be borne by the applicable Private Funds. Investments made with Co-Investors also may involve a portion of transaction or other fees being allocated to such Co-Investors or, in lieu of such fees being allocated to such Co-Investors, to Värde.

In certain cases, co-investments will be funded or committed before or after the time that the applicable Private Funds make their funding or commitment. Any co-investment will be provided on such terms and conditions as Värde and the Co-Investors participating therein agree. Some of the Co-Investors with whom a Private Fund co-invests could also have pre-existing investments with Värde, and the terms of such pre-existing investments often differ from the terms upon which such persons or entities co-invest with the Private Fund.

From time to time, the Private Funds co-invest through partnerships, joint ventures or other entities or arrangements. It is more difficult for a Private Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. In

order to facilitate certain co-investments, Värde has formed Private Funds that are co-investment vehicles designed to allow Co-Investors to invest alongside other Private Funds in one or more particular investments or opportunities, and Värde expects to form similar vehicles again in the future. To the extent agreed upon with Co-Investors, co-investment vehicles will be allocated a pro rata share (relative to capital invested) of transaction fees, portfolio monitoring fees, management fees and any similar payments from portfolio companies or assets. To the extent also agreed upon with Co-Investors, Värde may earn carried interest, receive a management fee and/or retain transaction fees or portfolio monitoring fees or other remuneration allocated to Co-Investors, and/or receive other compensation with respect to such co-investment, and such remuneration or compensation will be retained by Värde and will not reduce the compensation paid to Värde by the Private Funds. The Firm and its employees often make an investment, or otherwise participate, in co-investment entities that are managed by VMLP.

Other Party Involvement: The Private Funds from time to time enter into one or more joint venture, consortium, “club deal” or other arrangements with one or more third parties to act as joint venture partners, developers or asset managers in connection with the acquisition, development, construction, operation or renovation of their investments. The payment of any development fees, incentive fees, asset management fees, property management fees and other amounts in connection with investments made with joint venture partners will increase the costs to the Private Funds. In addition, the Private Funds often participate in investment opportunities alongside other Private Funds with overlapping, similar or identical investment objectives (as discussed in the section titled “*Allocation of Investment Opportunities*” in Item 13 below).

The commitments of any such other party that invests alongside a Private Fund in such an opportunity may be substantial and such arrangements typically involve risks not present in investments where another party is not involved, including the possibility that: (i) the Private Fund and such other party reach an impasse on a major decision that requires the approval of both parties, including with respect to the management and disposition of the investment, which would increase the risk of deadlocks, which in turn could delay the execution of the business plan for the opportunity or require the Private Fund to engage in a buy-sell of the venture with such other party or conduct the forced sale, enforcement or other realization of such investment; (ii) such other party fails or is unable to comply with agreed-upon plans, budgets or timetables; (iii) such other party at any time has economic or business interests or goals that are inconsistent with those of the Private Fund (including, in the case of another Private Fund, different return and duration expectations, as well as different investors with accordingly different economic or business interests or goals) and accordingly takes a different view from Värde as to the appropriate strategy for the investment; (iv) such other party encounters liquidity or insolvency issues or becomes bankrupt or otherwise experience financial, legal or regulatory difficulties; (v) such other party (including due to its pro rata interest, the negotiated terms of its participation or its operation control of the investment) is in a position to control major decisions with respect to the investment or to otherwise take action with respect to the investment, and such actions are contrary to the Private Fund’s investment objectives; (vi) the Private Fund relies upon the abilities and management expertise of such other party; (vii) such other party takes actions that subject the property (or other assets) to liabilities in excess of, or other than, those contemplated; or (viii) in certain circumstances, the Private Fund becomes liable for actions or obligations (including obligations entered into on a joint and several basis) of such other party. As a result of these risks, the Private Funds may be unable to fully realize their expected return on any such investment.

In circumstances where such other parties include a member of a portfolio company's management team, operating consultants, senior advisors or other joint venture partners serving on the portfolio company's board of directors or in another professional capacity with such portfolio company, such other parties may receive compensation arrangements relating to the arrangement, including incentive compensation arrangements, which compensation expenses will be borne directly or indirectly by the Private Fund. Such other parties could have pre-existing investments in the investment and the terms of such pre-existing investment often differ from the terms upon which the Private Fund invests.

Secondary Transactions: Except as otherwise set forth in the Offering Documents, Värde will not be prohibited from seeking out (or may be solicited by) one or more potential purchasers (including any investor, Värde and/or its affiliates, and/or any partners, members or shareholders thereof) to purchase (i) all or any portion of an investor's direct interests in the applicable Private Fund or (ii) the investors' interests in the applicable Private Fund that indirectly relate to one or more investments (a "Secondary Restructuring"). Värde's determination of whether its consent to any secondary transaction is desirable may include factors beyond the interests of the investors. In connection with any secondary transaction, Värde will not be prohibited from requiring a secondary purchaser to make a capital commitment (or, if applicable, increase the amount of its existing capital commitment) to a Private Fund and/or another Account in connection with such transaction. Such a "stapled" commitment creates incentives for Värde to pursue the secondary transaction in a manner that is not aligned with the interests of the selling investor and/or other investors of the applicable Private Fund. To the extent not prohibited by the Offering Documents, the applicable Private Fund(s) will generally bear all expenses, costs, fees (including, in connection with any Secondary Restructuring or other secondary liquidity offering led by Värde, placement agent fees and expenses) and charges incurred in connection with activities related to a secondary transaction that are not paid by the transferring parties.

If an investor requests Värde to assist it in finding a purchaser for all or any portion of its interest in a Private Fund, Värde will be permitted, in its sole discretion and to the extent not prohibited by the Offering Documents, to elect (directly or on behalf of its designees) to purchase (including through one or more affiliates) all or a portion of such interest, and may do so without notifying (or offering such purchase opportunity to) the other investors. Värde will be under no obligation to purchase any interest from any investor. Värde's purchase of an interest from a particular selling investor may be at a price that is different from the price that Värde would be willing to buy a comparable interest from one or more other investors. Värde will have different (and likely more) information available to it, which will inform its decision to purchase an interest from an investor, as well as the price at which it would be willing to do so.

Asset Valuation: All or a portion of each Private Fund's investments will be in investments that are not liquid assets, *i.e.*, in readily marketable securities for which prices are available from third parties. Independent quotations for such positions will not necessarily be available, and, where available, will not necessarily provide a reliable indication of current value. In addition, for an investment to be deemed by Värde to be a liquid investment for valuation purposes, there need only be market quotations available from one independent market source at the time of investment. Such quotations will not assure that the investment is as liquid as investments in the secondary market for more traditional investments, such as stocks and bonds. As a result, if Värde is forced

to sell such an investment prematurely, it may not be able to fully realize the potential underlying value of such investment, and, in some cases, will have to sell such investment at a loss.

After a distribution in kind is made to the investors in a Private Fund, many such investors may decide to liquidate such investment within a short period of time, which could have an adverse impact on the price of such investment. The price at which such investment is sold by such investors could be lower than the value of such investment determined pursuant to the Offering Documents, including the value used to determine the amount of carried interest available to the general partner of such Private Fund with respect to such investment.

Subject to any limitations set forth in the Offering Documents of a particular Private Fund, investments will be priced at their respective fair values in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) as determined in good faith by Värde in accordance with its then-current valuation policies and procedures. Situations involving uncertainties as to the valuation of portfolio investments could have an adverse effect on a Private Fund’s net assets if Värde’s judgments regarding appropriate valuations should prove incorrect. In calculating fair values, Värde relies upon, and will not be responsible for the accuracy of, financial data furnished to it by automatic processing services, third-party financial models, brokers, market makers or intermediaries, third parties and any administrator or valuation agents. To the extent that Värde relies on information supplied by any brokers or other financial intermediaries engaged by a Private Fund or by Värde, in connection with calculating fair values, Värde’s liability for the accuracy of such calculation is limited to the accuracy of its computations. Värde is not liable for the accuracy of the underlying data provided to it. If market quotations for a Private Fund’s investments are not readily available, Värde may seek to value such Private Fund’s investments by testing possible sales prices for such investments with at least one potential investor or, if there are market makers, by obtaining quotations and may sell investments through such pricing mechanism. Should no quotes be available for a particular investment, Värde will seek to determine the fair value of such investment in good faith. Determining fair value is not exact and can be especially difficult for illiquid investments, and prices can vary significantly from one period to the next.

There can be no assurance that the value assigned to an investment at a certain time will equal the value that a Private Fund is ultimately able to realize. In the absence of manifest clerical error, the value determinations of Värde will be conclusive and binding on all investors in a Private Fund.

For purposes of financial reporting compliant with GAAP, the Private Funds are required to follow the requirements for valuation set forth in Accounting Standards Codification 820 (“ASC 820”), “Fair Value Measurements,” which defines and establishes a framework for measuring and reporting fair value under GAAP. Additional Financial Accounting Standards Board (“FASB”) Statements and guidance and additional provisions of GAAP that are adopted in the future will likely also impose additional, or different, specific requirements as to the valuation of assets and liabilities for purposes of GAAP financial reporting.

ASC 820 and other accounting rules applicable to investment funds and various assets they invest in are evolving. As a result, Värde reviews the application of relevant FASB Statements and guidance to the valuation of the Private Funds’ assets and liabilities. Certain changes could adversely affect the Private Funds. For example, the evolution of rules governing the

determination of the fair value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair value. This would in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair value. In certain circumstances, a Private Fund pays a service provider for valuation, administration or other services relating to the investments held by it that are expected to also be held by other Private Funds. These arrangements present conflicts of interest because in certain circumstances such other Private Funds receive an indirect benefit in connection with the services provided to the contracting Private Fund that will be bearing the related expense.

Litigation: It is likely that many of the Private Funds' investments or companies with respect to which the Private Funds invest will involve various types of restructurings, foreclosures or other activist efforts, which can be contentious and adversarial. It is by no means unusual for participants in any transaction to use the threat of, as well as actual, litigation or notification of regulators as a negotiating technique. During the term of a Private Fund, it and one or more of its affiliates (including Värde) may be named as defendants in civil proceedings. Furthermore, the adoption of new or enhancement of existing laws and regulations could increase the risk of litigation still. Any such litigation would likely have a negative financial impact on the Private Funds and may continue without resolution for long periods of time. For instance, the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, subject to certain exceptions, be borne by the respective Private Fund and would reduce such Private Fund's net assets. Under a Private Fund's Offering Documents, Värde and others are entitled to be indemnified by the related Private Fund in connection with any such litigation, subject to certain conditions. In addition, any litigation would likely consume substantial amounts of Värde's time and attention, and such time and the devotion of these resources to litigation could, at times, be disproportionate to the amounts at stake in the litigation.

Use of Leverage: Subject to any limitations set forth in the Offering Documents of a particular Private Fund, the Private Funds are permitted to (i) employ leverage in the acquisition, operation and ownership of their investments, (ii) refinance their investments, if desirable, and (iii) make use of leverage by having a portfolio company or acquisition vehicle incur debt to finance a portion of their investments in a given portfolio company. The Private Funds are permitted to lever their assets through various types of financings and through various securitization vehicles and repurchase agreements. With respect to the Private Funds' real estate investments, debt could take the form of mortgage or other financing at the property level or ownership level. The Private Funds will also be permitted to guaranty indebtedness (such as a guaranty of an investment's debt) and to enter into recourse and non-recourse borrowings, primarily from banks, securities firms and other providers of capital, in such amounts and on such terms and conditions as Värde, in its sole discretion, deems appropriate, subject to any applicable restrictions set forth in the Offering Documents of a particular Private Fund. The Private Funds are also permitted to leverage their investment returns with options, short sales, swaps, forwards and other derivative instruments.

The Private Funds may incur leverage on a joint and several basis or a cross-collateralized basis with one or more other Private Funds and/or other related entities and may have a right of contribution, subrogation or reimbursement from or against such entities.

A Private Fund's assets, including any investments made by the Private Fund and any capital held by the Private Fund, will be available to satisfy all liabilities and other obligations of the Private Fund. If a Private Fund or a portfolio company defaults on secured indebtedness, for example, the lender would be permitted to foreclose and the Private Fund could lose its entire investment in the security for such loan. If the Private Fund itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Private Fund's assets generally and may not be limited to any particular asset, such as the investment giving rise to the liability. In addition, there can be no guarantee that (i) debt facilities will be available at commercially attractive rates throughout the term of a Private Fund or when due for refinancing, and accordingly the Private Fund or the applicable portfolio company would be exposed to less favorable terms or rates upon a refinancing, or (ii) any facilities negotiated will be fully utilized. The investors in a Private Fund will not be personally liable for the Private Fund's obligations under any borrowing or similar arrangements. However, such borrowing arrangements are permitted to be secured by, among other things, the right of the Private Fund's general partner to call capital and capital commitments made by (and/or enforce other payment obligations of) the Private Fund's investors and to recall distributions previously made to the Private Fund's investors, and the inability of the Private Fund to repay borrowings under a credit facility secured by such rights or the capital commitments and/or enforcement of other payment obligations could enable a lender to take action against any investor in the Private Fund to the extent of its unfunded capital commitment and/or other payment obligations with respect to the Private Fund (including being required to make capital contributions or other payments or return distributions directly to one or more lenders instead of the Private Fund).

Net internal rates of return in respect of investment and performance data, as reported by the Private Funds from time to time, are based on the payment date of capital contributions received from and distributions returned to the investors of each Private Fund. This treatment also applies in instances where a Private Fund utilizes borrowings under such Private Fund's subscription-based credit facility in advance of receiving capital contributions from the investors, or under such Private Fund's post-investment period credit facility to return capital to the investors prior to the receipt of investment proceeds. As a result, use of a subscription-based or post-investment period credit facility will (in a positive return scenario and to the extent not offset by expenses associated with the use of such facility) result in a higher reported internal rate of return than if the facility had not been utilized and instead the investors' capital had been contributed at the inception of an investment and/or distributions returned upon receipt of investment proceeds.

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

If a Private Fund is unable to obtain desired financing for its investments or maintain a desired or optimal amount of financial leverage, the Private Fund will have to maintain a larger than expected

capital allocation to the investments and will realize lower than expected returns from such investments that would adversely affect the Private Fund's ability to generate investment returns for its investors. Any failure by lenders to provide previously committed financing could also expose the Private Fund to potential claims by sellers of assets that the Private Fund have contracted to purchase.

Potential Restrictive Covenants: The Private Funds may enter into a credit facility with one or more lenders in order to finance their operations (including the acquisition of the Private Funds' investments) and the Private Funds' subsidiaries and investments are permitted to enter into various other financing arrangements and other transactional agreements. It is anticipated that any such transactions will contain a number of common covenants that, among other things, might restrict the ability of the Private Funds and their subsidiaries and investments to: acquire or dispose of assets or businesses; incur additional indebtedness; make expenditures, distributions or capital calls; create liens on assets; enter into leases, investments or acquisitions; consent to transfers; restrict the use of information; make amendments to the Offering Documents; or engage in certain transactions with affiliates, and otherwise restrict activities of the Private Funds, their subsidiaries and investments without the consent of the lenders or other counterparties. In addition, such a transaction may require the Private Funds and their subsidiaries and investments to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. Multiple Private Funds are permitted to be co-borrowers under a credit facility or other agreement, and/or Private Funds may co-invest in assets that are subject to the terms of a credit facility entered into by one or more co-investing Private Funds. In such a case, a default by another Private Fund or such other Private Fund's inability to meet such ratios or comply with such tests would limit the activities of the other Private Funds and have other adverse consequences on the other Private Funds, including triggering cross-default provisions and providing the lender with recourse against the other Private Funds and their assets.

Misrepresentation, Fraud and Misconduct: Of significant concern in lending and investing is the possibility of material misrepresentation or omission by a counterparty or other parties involved in the transaction. Such misrepresentation or omission could adversely affect the valuation of the collateral underlying the investment or adversely affect the ability of a Private Fund to realize a return on its investment. The Private Funds often rely upon the accuracy and completeness of representations made by counterparties, but cannot guarantee such accuracy or completeness.

Instances of fraud and other deceptive practices committed by third parties in connection with any Private Fund's investments would undermine Värde's due diligence efforts with respect to such investments, and if such fraud is discovered, negatively affect the valuation of such Private Fund's investments. In addition, when discovered, financial fraud would likely contribute to overall market volatility, which can negatively impact a Private Fund's investment program.

Misconduct by employees of Värde, portfolio companies or their respective affiliates or third-party service providers could also cause significant losses to a Private Fund. Examples of employee misconduct include binding a Private Fund to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, would result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers, including failing to recognize trades and

misappropriating assets. In addition, employees and third-party service providers might improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Private Fund's business prospects or future marketing activities. Adverse employee relationships and inadequate control over assets each increases the possibility of misappropriation of a Private Fund's assets. Such misappropriations would be difficult to identify in a timely manner and, once identified, adequate legal remedies might not be available, or may be ineffective if the assets or proceeds in question are not recoverable. No assurances can be given that the due diligence performed by Värde will identify or prevent any such misconduct.

Due Diligence: The Firm will conduct, and is permitted to use third parties to conduct, due diligence on prospective investments. In conducting such due diligence, the Firm's investment professionals often use publicly available information as well as information from their relationships with former and current management teams, consultants, competitors, potential counterparties and investment bankers. Such level of due diligence may not, however, reveal all matters and issues, material or otherwise, relating to prospective investments.

Expedited Transactions: Investment analyses and decisions by Värde will often be undertaken on an expedited basis in order for the Private Funds to take advantage of investment opportunities. In such cases, the information available to Värde at the time of an investment decision will be limited, and Värde may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, Värde often relies upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

Material, Non-Public Information: By reason of their responsibilities in connection with the Private Funds and other investment activities, and notwithstanding procedural safeguards including restricted securities lists, personnel of Värde at times will acquire confidential or material, non-public information that would limit the ability of the Private Funds to buy and sell certain of their investments. The Private Funds' investment flexibility are constrained due to the inability of Värde to use such information for investment purposes. Moreover, Värde is restricted from initiating transactions in certain securities or selling certain investments, due to its acquisition of confidential or material, non-public information, at a time when Värde would otherwise take such action.

Hedging Transactions: The markets in which the Private Funds invest are subject to fluctuations and the market value of any particular investment can be subject to substantial variation. The entire market, or particular securities traded on a market, will, at times, decline even if earnings or other factors improve since the prices of debt securities and equity securities are subject to numerous economic, political, procedural and other factors that have little or no correlation to the performance of a particular company. The Private Funds expect to use a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, to endeavor to manage the Private Funds' or any investment's currency exposures, interest rate exposures or other exposures and are permitted (but are not obligated) to use such financial instruments for investment purposes as well. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged will prevent the Private Funds from achieving

the intended hedging effect or expose the Private Funds to risk of loss. Even if the Private Funds enter into hedging transactions to seek to reduce risk, such transactions could result in a poorer overall performance for the Private Funds than if they had not engaged in any such hedging transaction. Värde is permitted to determine not to hedge a position and may not identify appropriate risks to hedge. Moreover, it should be noted that the Private Funds' portfolios will always be exposed to certain risks that cannot be hedged.

In connection with a hedging transaction, the Private Funds are often required to allocate funds or provide a credit line to be used as collateral for the margin capital of the hedge. Such a requirement would tie up a portion of the Private Funds' capital that could otherwise have been available for investment. This could cause the Private Funds to be less invested in their core investment strategy than they would have been absent such hedging transaction and could possibly result in an adverse effect on the overall returns of the Private Funds.

FCPA Considerations: Värde, Värde's professionals and the Private Funds are committed to complying with the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption, anti-bribery and anti-boycott laws and regulations, including under U.S. and non-U.S. law, to which they are subject. As a result, the Private Funds may be adversely affected because of their intention not to participate in transactions that violate such laws or regulations. Such laws and regulations will make it difficult in certain circumstances for the Private Funds to act successfully on investment opportunities and for investments to obtain or retain business.

While Värde has developed and implemented policies and procedures designed for compliance by Värde and its personnel with the FCPA and other applicable anti-bribery laws, such policies and procedures may not be effective in all instances to prevent violations. In addition, notwithstanding Värde's policies and procedures, affiliates of portfolio investments, particularly in cases where the Private Funds do not control such portfolio investment, may engage in activities that could result in violations of the FCPA or other applicable laws. Any determination that Värde has violated the FCPA or other applicable anti-corruption, anti-bribery or anti-boycott laws could subject Värde and/or the Private Funds to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Värde's business prospects and/or financial position, as well as the Private Funds' ability to achieve their investment objectives and/or conduct their operations.

No Assurance of Investment Return: Värde's task of identifying and evaluating investment opportunities, managing such investments and realizing a return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize returns on investments successfully. There is no assurance that the Private Funds will be able to invest their capital on attractive terms or generate returns for their investors. There can be no assurance that the Private Funds' investments will increase in value or that the Private Funds or their investments will not incur significant losses. The Private Funds could lose all or substantially all of their capital.

Projections: The Private Funds make investments relying upon projections developed by Värde or other third-party sources concerning such investment's future performance. Projected performance for the Private Funds' investments normally will be based primarily on financial

projections. In all cases, projections are only estimates of future results that are based upon information relating to investments and third parties and assumptions made at the time the projections are developed. Projections are inherently subject to uncertainty and factors beyond the control of Värde or such other sources. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of investments to realize projected values. In particular, general economic factors, which are not predictable, can have a material effect on the reliability of projections. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections.

Fund Expenses: Each Private Fund will pay and bear all expenses related to its operations as set forth in such Private Fund's Offering Documents. The amount of these expenses are expected to be substantial and will reduce the actual returns realized by investors on their investment in the Private Funds (and will reduce the amount of capital available to be deployed by the Private Funds in investments). These expenses include recurring and regular items, as well as extraordinary expenses for which it is often difficult to budget or forecast. As a result, the amount of these expenses ultimately incurred or incurred at any one time could exceed expectations.

Illiquidity of Interests in the Private Fund: Prospective investors should be aware of the long-term nature of their investment in the Private Funds, particularly with respect to the closed-end Private Funds. There will be no public market for the interests in the Private Funds and none is expected to develop. Interests in the Private Funds are not able to be assigned or transferred without the written consent of Värde, which may be withheld in its sole discretion. Investors desiring to transfer interests in a Private Fund are required to reimburse the Private Fund's expenses of such transfer which can, in certain circumstances, be substantial.

No Right to Control the Private Fund's Operations: The investors in the Private Funds have no right or power to take part in the management or control or conduct of the business of the Private Funds. The Private Funds are managed solely by Värde. Investors in the Private Funds must rely solely on the judgment of Värde in selecting investments and should not invest in the Private Funds unless willing to entrust all aspects of the portfolio management of the Private Funds to Värde. For example, in order to safeguard their limited liability for the liabilities and obligations of the Private Funds, investors in a Private Fund must rely entirely on Värde and the general partner or manager of such Private Fund and/or its affiliates (as the case may be) to conduct and manage the affairs of the Private Funds.

Cybersecurity and Business Continuity: The Private Funds, Värde, their portfolio companies, their respective affiliates and their respective service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyberattacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. While Värde intends to maintain insurance to protect against certain cybersecurity-related losses, the Private Funds could experience losses that are outside the scope or exceed the amount of such coverage. It is expected that a portion of the expenses related to maintaining such insurance will be allocated to the Private Funds. Cybersecurity attacks are evolving and include malicious

software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, including information regarding the investors in and investment activities of the Private Funds, and corruption of data. Such damage or interruptions to information technology systems would cause losses to the Private Funds or their investors by interfering with the processing of transactions, affecting the Private Funds' ability to conduct valuations or impeding or sabotaging trading. The Private Funds would also likely incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Private Funds and Värde to civil liability as well as regulatory inquiry and/or action. Investors in the Private Funds could also be exposed to losses resulting from unauthorized use or dissemination of their personal information.

The Private Funds depend on Värde to develop and implement appropriate systems for their activities. Värde relies heavily on computer programs and systems (and expects to rely on new systems and technology in the future) for various purposes in connection with its activities on behalf of its investors, including to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to the oversight of such investors' activities. Certain of Värde's and the Private Funds' activities will be dependent upon systems operated by third parties, including prime brokers, market counterparties and other service providers, and Värde may not be in a position to verify the risks or reliability of such third-party systems. The Private Funds' service providers also depend on information technology systems and, notwithstanding the diligence that the Private Funds may perform on their service providers, the Private Funds may not be in a position to verify the risks or reliability of such information technology systems. The failure, corruption or breach of one or more systems (including as a result of the occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in Värde's disaster recovery systems, or a support failure from external providers) or the inability of such systems to satisfy investors' needs, including the execution of orders, could have a negative effect on Värde's ability to conduct business and thus, the Private Funds, particularly if those events affect Värde's computer-based data processing, transmission, storage and retrieval systems or destroy Värde's data. If a significant number of Värde's personnel were to be unavailable in the event of a disaster or other event, Värde's ability to effectively conduct the Private Funds' business could be severely compromised.

Värde depends heavily upon computer systems to perform necessary business functions. Despite its implementation of a variety of security measures, Värde's computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, Värde experiences threats to its data and systems, including through malware and computer virus attacks, unauthorized access, system failures and disruptions. The occurrence of one or more of these events could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, Värde's computer systems and networks, or otherwise cause interruptions or malfunctions in its operations, which could result in damage to its reputation, financial losses, litigation, increased costs,

regulatory penalties and/or customer dissatisfaction or loss and could have a material effect on the Private Funds.

Special Purpose Vehicles: Värde often forms special purpose vehicles to hold Private Fund investments. In certain circumstances, depending on the jurisdiction of organization, applicable tax treaties and other tax, legal or business considerations, special purpose vehicles through which multiple Private Funds make investments will not provide for complete segregation of assets and liabilities in respect of the applicable Private Funds holding such investments through such special purpose vehicles. Accordingly, if any Private Fund is unable to meet all of its obligations to the underlying investment in which it holds an interest through a special purpose vehicle, other Private Funds that hold investments through such special purpose vehicle would be adversely affected.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any material legal or disciplinary events that would be material to an evaluation of Värde or the integrity of Värde's management. Värde does not have any material legal or disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Other Investment Advisers/Sponsors of Private Funds

VMLP is the investment manager of each Private Fund. The general partner of VMLP is Värde Management, Inc., a Delaware corporation. VMLP's direct subsidiary sub-advisers are: Värde Partners Europe Limited, Varde Partners Asia Pte. Ltd, Värde Partners Australia LLC, Varde Partners Hong Kong Limited, Varde Partners Japan and Varde India Investment Adviser Private Limited. In addition, VMLP has other subsidiaries established in certain other jurisdictions to support its operations. VMLP and its direct and indirect subsidiaries share compliance personnel, and the personnel of such other Värde entities will be subject to substantially similar compliance policies and procedures and Code of Ethics requirements as the personnel of VMLP (in addition to any other compliance requirements of applicable regulatory authorities in the their respective jurisdictions).

VMLP is affiliated, and has material business relationships, with Värde Partners, L.P. (“VPLP”). VPLP is a Delaware limited partnership and serves as the direct or indirect general partner of each Private Fund. The general partner of VPLP is Värde Partners, Inc., a Delaware corporation. Please see the section titled “*Performance-Based Fees and Side-By-Side Management*” (Item 6 above) regarding performance-based fees that may be paid by a Private Fund to its general partner. In addition, as disclosed above, the general partner of each Private Fund is generally required to invest at least 1% in each Private Fund (other than certain co-investment vehicles).

The investment advisory and fund management business operated by Värde is governed by a Partners Committee, the members of which are the Principals. The Principals are Värde's primary investment advisory professionals.

Investments in Asset Managers, Operating Platforms and Similar Entities

Certain of the Private Funds have acquired, and may in the future acquire, interests in or complete ownership of one or more asset managers, operating platforms or similar entities (each, a “Platform”). These Platforms (i) provide various services that are purchased by the Private Funds, including converting certain types of assets and portfolios into cash; providing collection, due diligence and underwriting services; or otherwise servicing financial assets, and/or (ii) originate assets that are subsequently purchased by one or more Private Funds, including commercial loans and consumer receivables. The Private Funds' investments in Platforms have been structured to provide the Private Funds with a range of ownership interests (from minority interests to complete ownership). The board of directors (or its equivalent) of any such Platform will generally include Värde employees and/or nominees. Certain other control rights may also be retained by the related Private Funds to protect the investments made in or through the Platform by such Private Funds.

The Platforms from time to time enter into contractual relationships with the Private Funds (or their investments). The performance under such contracts is dependent on the Platform's personnel, not on personnel or other affiliates of Värde, and Värde does not typically exercise day-to-day control over or management of the Platform.

A Private Fund's engagement of a Platform to provide services to a Private Fund and/or its investments, and/or sell originated assets to a Private Fund and/or its investments creates certain conflicts of interest for Värde.

First, there is the incentive for Värde to pursue unsuitable or unnecessary investments on behalf of a Private Fund in order to generate fees for a Platform and/or purchase unsuitable or unnecessary investments from a Platform on behalf of a Private Fund to generate proceeds for a Platform.

Second, Värde has an incentive to transact with a Platform regardless of the quality of the services provided or assets available for sale in order to support the Platform's business.

Third, Värde will, depending on the circumstances, have incentives to engage with Platforms on terms that are inconsistent with the terms that are otherwise available in the market in order to benefit the Private Funds that own the Platform or the Private Funds that are engaging with the Platform.

Finally, Värde will be incentivized to refrain from asserting remedies, including litigation, against a Platform if it breaches its contractual obligations or otherwise fails to perform its responsibilities adequately.

These conflicts are mitigated in instances where the Private Funds that own the Platform are the same as the Private Funds that are hiring the Platform to perform services or are acquiring assets from the Platform, since a proportionate share of any benefits that accrue to the Platform (including any servicing and origination fees) will accrue to the Private Funds as owners of the Platform. In circumstances where the Private Funds transacting with the Platform are different than the Private Funds that own the Platform (or where a Private Fund's economic interest in a Platform deviates significantly from its economic interest in the services or assets received from the Platform), the potential conflicts of interest will be more pronounced. Värde will seek to resolve these conflicts using its best judgment considering all factors it deems relevant, including the best interests of each of the affected Private Funds, and Värde may request that the third-party, non-Private Fund owners of the Platform (if any) agree to indemnify and hold harmless the Private Fund owners in connection with the Platform's performance of its obligations.

Sponsors of Limited Partnerships

Värde and its related entities are, directly or indirectly, the general partners, limited partners and/or managing members of the general partner of each of the Private Funds. This creates conflicts in the allocation of time, resources and investment opportunities among the Private Funds. Värde believes these conflicts of interest are mitigated by its allocation procedures. Investors are encouraged to refer to the Offering Documents of each Private Fund for complete information on the requisite time commitments of Värde and its related persons to the Private Funds.

Affiliate Services

As an extension of its investment advisory services, Värde has established businesses that provide services to (1) the Private Funds, (2) portfolio investments and/or prospective portfolio investments of the Private Funds, and/or (3) other parties, including third parties and investment

holding entities that are wholly or partially owned and/or controlled by Värde and/or certain Private Funds (collectively, “Affiliate Service Clients”). These businesses are:

- A real estate asset management business with capabilities for overseeing and managing the provision of services with respect to certain real estate investments, including oversight of construction, development and other property management services; asset-level financial reporting and accounting services; procurement and oversight of other asset-level service providers; business planning and asset-level budgeting; and other similar asset-level services (e.g., management, operations, servicing);
- A joint venture that operates as an asset reconstruction company in India; and
- A joint venture with Agam Capital (“Agam”) to form an entity organized principally to pursue the acquisition, reinsurance and management of life insurance businesses and related assets globally (the “Insurance JV”). Värde and Agam each hold a 50% interest in the Insurance JV, with Värde maintaining ultimate control over the Insurance JV governance matters. In connection with the Insurance JV, (i) Värde made a minority investment in Agam and (ii) Agam granted the Insurance JV an exclusive and perpetual license to use Agam’s proprietary insurance solutions software (the “Software”) in connection with the Insurance JV’s insurance and investment-related activities.

In addition to these businesses, Värde may, from time to time, form or acquire other businesses (all such businesses, “Affiliate Service Providers”).

Affiliate Service Providers may charge fees, costs or expenses for their services to Affiliate Service Clients, and Värde intends to cause certain Private Funds to invest in other Affiliate Service Clients to the extent such investments are consistent with the applicable Private Fund’s investment objectives. In many instances, Värde and/or the applicable Private Funds are expected to have control over the governance of such other Affiliate Service Clients, and in such instances Värde intends to cause Affiliate Service Clients to engage one or more Affiliate Service Providers for services.

Värde’s control of, and substantial economic interest in, Affiliate Service Providers, the engagement of Affiliate Service Providers by Private Funds, and the investment by certain Private Funds in other Affiliate Service Clients present certain conflicts of interest. The conflicts of interest described above with respect to Platforms also generally apply to such affiliate service arrangements along with those described below.

Additional Fees and Other Compensation: By virtue of its beneficial ownership in the Affiliate Service Providers, Värde will receive all or a significant portion of any profits arising from any fees, costs or expenses paid to such Affiliate Service Providers. Except as otherwise set forth in the Offering Documents of the applicable Private Funds, the fees, costs and expense reimbursements paid to the Affiliate Service Providers, and any proceeds received by Värde in connection therewith, will not be reduced by any fees or expenses paid or payable to Värde in respect of such Private Funds. Accordingly, the receipt of additional compensation creates an incentive for Värde to cause the Private Funds to engage Affiliate Service Providers, and/or to cause the Private Funds to invest in other Affiliate Service Clients and have such Affiliate Service Clients engage Affiliate Service Providers. Such engagements will result in additional fees and

expenses being borne, directly or indirectly, by the applicable Private Funds and may result in decreased returns. For additional information on general conflicts involving fees and compensation, please see the sections entitled “*Fees and Compensation*” (Item 5 above) and “*Performance-Based Fees and Side-by-Side Management*” (Item 6 above).

Going Concern Value: Värde will receive an indirect economic benefit from affiliate services provided by the Affiliate Service Providers because such services will facilitate the creation or continuation of a business with independent going concern value, even in circumstances where the amounts received by Värde from an Affiliate Service Provider result in a management fee offset. Värde’s decision to cause the Private Funds to engage Affiliate Service Providers, and/or to cause the Private Funds to invest in other Affiliate Service Clients and have such Affiliate Service Clients engage Affiliate Service Providers, will result in new or increased potential incremental enterprise value of the applicable Affiliate Service Providers and assist such Affiliate Service Providers in establishing a track record that will facilitate earning future business from third parties and/or other Private Funds or accounts managed by Värde.

Service Agreements: Värde will generally have the authority to negotiate any services agreements entered into between Affiliate Service Providers, on the one hand, and the applicable Private Funds and/or other Affiliate Service Clients in which the Private Funds invest. Such service agreements will not necessarily be subject to review or consultation by any third party. Värde will have a conflict of interest in determining the costs of such services that will be charged to the Private Funds and/or the other Affiliate Service Clients in which the Private Funds invest. In addition to determining the amount of compensation payable to the Affiliate Service Provider, Värde will have the authority to determine other key terms of the service arrangement, including terms relating to expense reimbursements, termination fees, indemnification payable to the Affiliate Service Provider and its personnel, and exculpation provided to the Affiliate Service Provider and its personnel. While Värde seeks to negotiate such arrangements on what it believes are market terms, there can be no assurance that such terms are market or that better terms could not be obtained from a different service provider. Fees charged by the Affiliate Service Provider may not be the lowest fees available for similar services offered by unrelated service providers.

Failure to Participate in Certain Investments: If a Private Fund does not permit the engagement of an Affiliate Service Provider with respect to its investment activities and/or has not agreed to directly or indirectly incur the fees and/or expenses charged by an Affiliate Service Provider in connection with any such engagement, the ability of such Private Fund to directly or indirectly enter into or participate in certain investments serviced by such Affiliate Service Provider may be limited.

Sharing of Personnel: Certain Affiliate Service Providers and other Värde entities will share certain personnel. The time and attention spent by such personnel on the Affiliate Service Provider activities creates a conflict of interest in that the time and effort of such personnel will not be devoted exclusively to the business of Värde, and vice versa.

In an effort to mitigate the conflicts noted above, Värde expects to implement the following procedural safeguards: (i) Värde will periodically review the services provided by Affiliate Service Providers and evaluate such services, and the terms upon which they are provided, against other service providers in the market as appropriate; (ii) Värde will periodically disclose to the applicable

Private Fund investors any fees and expense reimbursements paid to an Affiliate Service Provider that are directly or indirectly borne by the applicable Private Funds as provided in each Private Fund's Offering Documents; (iii) to the extent applicable with respect to the relevant Private Fund, Värde will offset the Private Fund's management fee if and to the extent required by the Private Fund's Offering Documents; and (iv) Värde will retain underwriting discretion for all prospective investments by a Private Fund in any other Affiliate Service Client and will consider and potentially approve any such investment on a deal-by-deal basis. Värde intends to resolve all such conflicts using its best judgment considering all factors it deems relevant, including the best interests of each of the affected Private Funds.

Additional Considerations Specific to the Insurance JV: It is anticipated that the Insurance JV will also provide certain investment advisory services to certain Affiliate Service Clients, which may include asset allocation and/or other investment management-related services. Prior to providing any such investment advisory services, the Insurance JV will become a relying adviser of VMLP.

In addition to the conflicts described above applicable to all Affiliate Service Providers, Värde's control of, and substantial economic interest in, the Insurance JV, and Värde's minority economic interest in Agam, each present unique conflicts of interest with respect to the Private Funds and the Affiliate Service Clients of the Insurance JV.

If the Insurance JV is engaged to provide services to Affiliate Service Clients in which one or more Private Funds (the "Participating Funds") invest, the Participating Funds will, depending on the specific services provided by the Insurance JV, indirectly incur the relevant portion of the cost of any insurance solutions services fees, investment advisory fees and/or performance-based fees or allocations paid to the Insurance JV by such Affiliate Service Clients. The compensation paid by Affiliate Service Clients to the Insurance JV in connection with insurance solutions and/or investment advisory services will be set forth in the applicable services agreements between such Affiliate Service Clients and the Insurance JV. Any investment advisory fees paid to the Insurance JV will be in addition to any management fees, performance-based fees or allocations or other investment advisory fees paid directly by such Participating Funds to Värde in its capacity as the general partner of, and investment adviser to, such Participating Funds. In certain cases, and except as otherwise set forth in the Offering Documents of a Participating Fund, fees paid to the Insurance JV with respect to its investment advisory and other services to Affiliate Service Clients will not be reduced by any fees or expenses paid or payable to Värde in respect of the Participating Funds.

It is anticipated that the Insurance JV will recommend and/or direct certain Affiliate Service Clients to invest in one or more target funds for which Värde serves as the general partner and/or investment adviser (the "Target Funds") if the Insurance JV determines that such Target Fund investments are suitable with respect to the investment objectives of such Affiliate Service Clients. Any such recommendation or investment determination presents a conflict of interest, as Värde has an incentive to recommend investments in the Target Funds due to, among other reasons, the receipt of additional management fee, performance-based fees or allocations and other compensation in Värde's capacity as the general partner of, and investment adviser to, the Target Fund.

In situations where a Participating Fund owns all or a portion of an Affiliate Service Client, an investment by such Affiliate Service Client in a Target Fund will result in such Participating Fund owning an indirect interest in the applicable Target Fund. Unless otherwise approved by Värde or as otherwise set forth in the applicable Offering Documents, such Participating Fund will indirectly bear its proportional share of the Target Fund's management fee, performance-based fees or allocations and partnership expenses that are directly borne by such Affiliate Service Client. Such fees and expenses would be in addition to (i) any fees and expenses that are paid directly by the Participating Fund and (ii) any fees and expense reimbursements paid to the Insurance JV that are borne indirectly by the Participating Fund. Accordingly, investors in the Participating Fund would incur multiple levels of the management fee, performance-based fees or allocations and expenses in connection with any such investment.

It is likely that a Participating Fund and a Target Fund would have disparate investment periods and terms, which creates potential conflicts of interest with respect to the investment and liquidation time horizons of such Private Funds. For example, it may be in the best interests of an older vintage Participating Fund to seek liquidation of its assets (including its interests in the relevant Affiliate Service Clients), whereas the Target Fund may be relying on such Affiliate Service Clients (and, indirectly, the Participating Fund) to continue to fund capital commitments and/or fulfill other payment obligations as required under the Offering Documents of such Target Fund for several more years. In such situations, the Participating Fund's inability to liquidate its positions would have an adverse effect on the Participating Fund's investors, who would continue to incur ongoing operating expenses of such Participating Fund (for example, annual audit expenses) prior to its final liquidation. Conversely, the Participating Fund's disposition of its interest in the applicable Affiliate Service Client could impact the creditworthiness of the Affiliate Service Client in its capacity as an investor in the Target Fund, which would have an adverse impact on the Target Fund and its investors in the event of a default in payment of capital calls or other obligations. Moreover, if the Participating Fund permits investor redemptions, a substantial volume of investor redemptions could result in an inability for the Participating Fund to fund and/or continue to capitalize an Affiliate Service Client, and therefore in turn result in a failure of such Affiliate Service Client to fulfill its obligations to the Target Fund.

If an Affiliate Service Client owned by a Participating Fund encounters financial difficulties or fails to perform in a satisfactory manner, conflicts would arise with respect to Värde's determination as to whether to cause the Participating Fund to continue holding and/or capitalizing such Affiliate Service Client. A failure to continue to hold and/or provide capital to such Affiliate Service Client could result in material adverse consequences to the Target Fund and its investors, including a potential default by the Affiliate Service Client on its obligations to the Target Fund. This conflict would be particularly acute in a scenario where there is a significant disparity in fees and/or performance-based allocation thresholds as between the Participating Fund and the Target Fund (i.e., Värde would have an incentive to favor the Private Fund with the most significant future economic benefit, such as the highest performance-based fee or allocation, to Värde).

In situations where a Participating Fund invests in an Affiliate Service Client, conflicts may arise among the Participating Fund, the Affiliate Service Client and the Target Fund with respect to cash management. For example, the Participating Fund will generally have an interest in receiving distributions of proceeds as soon as practicable from the Affiliate Service Client in order to pay distributions to its partners (including Värde), increase its internal rate of return, cease accruing

preferred return on outstanding investor capital contributions, and for other similar reasons. Conversely, it may be in the best interests of the Affiliate Service Client and the Target Fund for the Affiliate Service Client to establish reserves to meet future capital call and other future payment obligations to the Target Fund.

Värde expects to implement certain procedural safeguards in an effort to mitigate such conflicts in advance of any Affiliate Service Client investing in a Target Fund and will continue to evaluate additional relevant procedural safeguards as appropriate.

In addition, it is possible that the Insurance JV will provide insurance solutions services and/or advisory services to certain Affiliate Service Clients that may compete with Värde, the Private Funds and/or other Affiliate Service Clients, or have overlapping investment objectives with the Private Funds and/or other Affiliate Service Clients (for example, insurance companies that may compete with the Private Funds with respect to the acquisition of certain insurance-related investments). Accordingly, it is possible that services or advice provided by the Insurance JV to Affiliate Service Clients, or by Värde to the Private Funds, could result in a competitive advantage to the client receiving such services or advice and therefore be disadvantageous to other Affiliate Service Clients and/or Private Funds. In certain circumstances, the management fee and/or performance-based fee or allocation arrangements with Affiliate Service Clients and/or Private Funds will create incentives for Värde to (i) favor certain clients by, for example, allocating attractive investment opportunities to clients with terms that are more economically beneficial to Värde, (ii) dedicate additional time and resources to such clients, and/or (iii) invest in riskier assets in an attempt to achieve higher returns for such clients, each of which may have a detrimental effect on the performance of the Private Funds and/or the Affiliate Service Clients. Värde addresses these conflicts of interest by providing in its Code (as defined below) that all supervised persons have a duty to act in the best interest of each Värde client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are to be resolved under Värde's policies and procedures, and by maintaining written policies and procedures relating to investment allocation procedures. Värde will seek to resolve these conflicts using its best judgment considering all factors it deems relevant, including the best interests of each of the affected Private Funds. For additional information on Värde's allocation policy, please see the section entitled "*Allocation of Investment Opportunities*" (Item 12 below).

The Insurance JV's ability to provide the services described above will be dependent in part on the Insurance JV's ability to continue accessing the Software pursuant to its license with Agam and receiving certain support services provided by Agam personnel. The relevant Affiliate Service Clients (and, indirectly, the Participating Funds) will be adversely affected if the Insurance JV is no longer able to access or utilize the Software or such related support services.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Värde maintains a Code of Ethics (the “Code”) designed to reinforce the fiduciary principles that govern the conduct of Värde and its personnel. The Code, among other things, requires all employees to act with integrity, competence, dignity and in an ethical and professional manner.

The Code requires pre-clearance of personal securities transactions involving initial public offerings, limited offerings or private placement securities, investments in current client holdings and sales involving previous client holdings, and requires reporting and review of personal securities transactions in accounts in which employees and certain family and household members have an interest. These confirmations and statements are submitted to and reviewed by the Global Chief Compliance Officer or his or her designee.

Requests for trading authorization will be denied when, among other reasons, the proposed personal transaction would be contrary to the provisions of the Code. In addition to the pre-clearance requirements, the Code contains several provisions that subject such personnel to various trading restrictions and reporting obligations. These include disclosure of accounts in which Värde’s personnel have a beneficial interest, and disclosure of conflicts of interests by investment personnel before making a recommendation to any Private Fund concerning a security in which the investment person has an interest. Reportable transactions are reviewed for compliance with the Code.

In certain situations, Värde and/or related persons of Värde may purchase interests in the same securities in which one or more Private Funds is investing or has invested or, conversely, a Private Fund may purchase interests in a security in which Värde and/or related persons of Värde are investing or have invested. Because Värde does not prohibit employees from investing in the same securities in which the Private Funds invest (unless such securities are on Värde’s restricted securities lists as discussed below, in which case no employees are allowed to transact in them), in addition to the pre-clearance described above, Värde reviews the periodic personal securities transactions and holdings reports in an effort to safeguard against employees personally benefitting from, or trying to take advantage of, their knowledge of upcoming buys and sells within the Private Funds.

The Code also addresses the fiduciary duties expected of the persons subject to the Code, including gift and entertainment policies as well as charitable and political contribution and personal relationship policies. A copy of the Code is available to any investor or prospective investor upon request.

Any partner, member, officer, director or employee of Värde who fails to comply with the Code risks sanctions up to and including dismissal and personal liability.

Insider Trading

Värde and its related persons, from time to time, come into possession of material, non-public and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell

or hold a security. Under applicable law, Värde and its related persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether the other person is a Private Fund.

By reason of its responsibilities to the Private Funds and other investment activities, and notwithstanding procedural safeguards including restricted securities lists, Värde frequently acquires material, non-public or other confidential information that would limit its ability to direct the purchase and sale of certain investments. Moreover, Värde is restricted from initiating transactions in certain instruments or selling certain investments, due to its possession of material, non-public or other confidential information, at a time when it would otherwise take such action. At times, Värde, in an effort to avoid investment restrictions with respect to the Private Funds, may elect not to receive information that other market participants or counterparties are eligible to receive or have received.

Additional Conflicts of Interest

Liquidation of Investments: One or a subset of Private Funds will from time to time invest in assets that are eligible for purchase by the other Private Funds, which raises potential conflicts. Investors should be aware of the inherent conflicts of interest that arise if a Private Fund is required or desires to liquidate an investment that is also held by one or more other Private Funds. Especially with regard to illiquid investments, the Private Fund might not be able to liquidate such investment at the time it is required or would like to do so. Alternatively, if the Private Fund is able to sell its portion of the illiquid investment, such sale might impact the value of the investment held by the other Private Funds and may be at a price and/or on other terms that are more or less favorable than the price and/or other terms received by such other Private Funds when liquidating such investments.

Investments with Respect to Which Other Private Funds May Benefit: Certain of the Private Funds have made, and will in the future make, investments in entities or assets in which they have already invested (e.g., an additional investment) or that are held by other Private Funds. The purchase, holding or sale of these investments may enhance profitability of such investments to the related Private Funds and therefore present conflicts of interests with respect to the investing Private Fund.

Investments in Which Other Private Funds have a Different Interest: Conflicts also arise if the Private Funds invest in the same portfolio investment at different times, valuations or risk-return profiles or in different levels of an entity's capital structure. For example, if a Private Fund is investing in debt securities, it may have an interest in restructuring these securities in a manner that another Private Fund, as an existing equity owner, may not find desirable. In addition, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what actions should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest. A Private Fund may also participate in restructuring or recapitalization transactions (including those requiring additional investments of capital) involving companies in which other Private Funds have invested or may invest. These transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or low a price for the company or purchasing investments with terms that are more

or less favorable than prevailing market terms. There can be no assurance that the return on one Private Fund's investments will not be less than the returns obtained by other Private Funds participating in the same overall capital structure.

Joint Financing: Conflicts of interest may arise in connection with entering into financing arrangements for the Private Funds. The Private Funds may obtain joint financing with respect to their investments, and as a result, one Private Fund would be compelled to bear the liabilities incurred in respect of another Private Fund. For example, if two Private Funds enter into a financing facility that is secured by investments owned by the two Private Funds, and the assets owned by one Private Fund are insufficient to satisfy the Private Fund's obligations under the financing, the lender could, depending on the terms of the financing, look to the other Private Fund's investments to satisfy such unsatisfied obligation. In addition, a Private Fund may guarantee a credit facility obtained for investments in which it participates with other Private Funds and may also guarantee (on a joint or several basis with such special purpose vehicles and/or other Private Funds) certain payment, indemnification and/or other obligations in connection with investment transactions.

See "Execution Risks" in the section titled "*Methods of Analysis, Investment Strategies and Risk of Loss*" (Item 8 above) for further information related to common covenants that certain Private Funds are subject to pursuant to their financing arrangements and other similar risks associated therewith.

Management Conflicts with Other Private Funds: The Offering Documents of certain Private Funds set forth procedures whereby, upon the occurrence of certain events and/or with the approval of a certain percentage of investors in such Private Funds, Värde may be removed as investment manager and/or general partner (or equivalent managing entity) for such Private Funds and replaced with a controlling entity unaffiliated with Värde and/or such Private Funds may be dissolved and proceed into liquidation. If several Private Funds jointly own investments, the removal of Värde as investment manager and/or general partner of some, but not all, of the Private Funds that jointly own investments (or the failure of the Private Funds to appoint a single third party as a replacement of Värde as investment manager and/or general partner) will present risks in the ongoing management of the jointly owned investments, including (i) the Private Funds may reach an impasse on a major decision that requires the approval of all parties, including with respect to the management and disposition of an investment, which would increase the risk of deadlocks and could delay the execution of the business plan for the investment or require the Private Fund to conduct the forced sale of such investment; and (ii) the general partner and/or investment manager of certain Private Funds would be in a position to take action contrary to the investment objectives or strategy of the general partner and/or investment manager of other Private Funds.

Värde does not generally make investments alongside the Private Funds. As noted above, however, Värde (in its capacity as general partner) is generally required to invest at least 1% in each Private Fund (other than certain co-investment vehicles) and qualified employees of Värde are also permitted to invest in certain of the Private Funds. Additional conflicting interests can arise in connection with these investments.

Fund and Portfolio Company Services: Conflicts may arise in connection with the engagement of advisors and other service providers. Certain advisors and other service providers or their affiliates (including accountants, administrators, lenders, bankers, broker-dealers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) (including with respect to manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services) to the Private Funds or their investments may also provide goods or services to or have business, personal, financial or other relationships with Värde. Such advisors and service providers may be current or prospective investors in one or more Private Funds or their affiliates, sources of investment opportunities or Co-Investors or counterparties therewith. These relationships may influence Värde in deciding whether to select or recommend such a service provider to perform services for the Private Funds or a portfolio company (the cost of which will generally be borne directly or indirectly by the Private Funds).

In certain circumstances, advisors and service providers, or their affiliates, charge different rates or have different arrangements for services provided to Värde as compared to services provided to the Private Funds, which may result in more favorable rates or arrangements than those payable by the Private Funds. The compensation of such service providers may be structured as fixed fees and/or as performance-based fees or allocations with respect to investments. Notwithstanding the foregoing, investment transactions for the Private Funds that require the use of a service provider will generally be allocated to service providers on the basis of Värde's judgment as to best execution, as described in the section titled "*Brokerage Practices*" (Item 12 below). In addition, Värde may from time to time enter into business arrangements with service providers to operating companies whereby Värde will recommend the service provider to operating companies held by one or more Private Funds in circumstances deemed appropriate by Värde, and the service provider will agree to provide services to all such operating companies at a discounted rate. Although Värde does not receive a referral fee or other direct compensation in connection with such arrangements, such arrangements present a conflict of interest given the potential recommendation of a service provider that is providing other operating companies (in some cases, owned by other Private Funds) with services (at a discounted rate or otherwise).

Värde personnel serve as directors of certain companies or other legal entities in which the Private Funds have invested. In those instances where the Private Funds are not the sole owners of the applicable company or other legal entity, in addition to any fiduciary duties the Värde personnel owe to the Private Funds, as directors of companies or other legal entities, such personnel owe certain duties to the owners of the companies or other legal entities and to persons other than the Private Funds. Such director positions are often important to the Private Funds' investment strategy and are usually expected to enhance the ability of Värde personnel to manage investments. However, from time to time, such positions place Värde personnel in a position where a decision must be made that is either not in the best interests of the Private Funds or not in the best interests of the owners of the company or other legal entity. Should such Värde personnel make a decision that is not in the best interest of the owners of a company or other legal entity to whom they owe fiduciary duties, such decision would subject Värde and the Private Funds to potential claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, because of the potential conflicting duties, Värde would be restricted in choosing investments for the Private Funds or be

required to abstain from voting or otherwise participating in portfolio company decisions, which could negatively impact returns achieved by the Private Funds.

Värde, in connection with investments by the Private Funds, may represent creditors or debtors in insolvency proceedings or prior to such filings. From time to time, Värde may serve as advisor to, or a member of, creditor or equity committees. This involvement may limit or preclude the flexibility that the Private Funds may otherwise have to participate in restructurings or the Private Funds may be required to liquidate or refrain from selling any existing positions of the applicable issuer. In similarity to the potential conflicts that can arise from serving on the board of directors of a company, Värde personnel that serve as members of a bankruptcy committee may owe fiduciary or other legal duties to other stakeholders in the bankruptcy.

Allocation of Expenses and Liabilities: Värde will from time to time cause Private Funds to incur expenses on a collective basis or incur (or commit to incur) liabilities and other obligations on a joint and several or cross-collateralized basis or otherwise provide direct or indirect credit support for the benefit of other Private Funds and other persons and entities. In determining whether certain costs or obligations should be borne by one or more Private Funds, Värde will have a conflict of interest. This conflict will be particularly acute when determining whether an expense or obligation should be borne by one or more Private Funds, on the one hand, or Värde, on the other hand. Although Värde will attempt to allocate such expenses or the related repayment obligations or other related liabilities so that each person or entity bears its pro rata share of the applicable expense or liability or other obligation, there can be no assurance that such expenses, repayment obligations and other related liabilities will be in all cases allocated appropriately. As a result, the Private Fund would bear an expense or a liability or other obligation to which it does not receive a proportionate (or any) benefit.

In connection with the activities, investments and business of a Private Fund, Värde personnel may use private aircraft, including aircraft in which Värde has a proprietary interest. Värde may allocate expenses related to such use to the Private Funds as Travel-Related Expenses as described in the section titled “*Fees and Compensation*” (Item 5 above), it being understood that any such expenses allocated to the Private Funds in connection with travel to a specific destination shall not exceed commercial-equivalent first-class (or comparable tier) airfare to such destination.

While Värde endeavors at all times to act in the best interests of the Private Funds, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Värde and the Private Funds. Värde will seek to resolve the conflicts of interest discussed above using its best judgment and in a manner that it believes to be fair and reasonable to the Private Funds in accordance with its duties as an investment adviser. Värde also believes that these conflicts of interest are mitigated by its allocation procedures and its disciplined investment process.

Item 12 – Brokerage Practices

Selection Criteria for Broker-Dealers

The primary selection criterion employed by Värde in connection with selecting broker-dealers is the broker-dealers' ability to provide best execution. In assessing best execution, and its overall broker-dealer relationships, Värde considers a variety of factors including pricing, market/asset knowledge, market access, reliability, settlement risk, integrity/confidentiality, financial stability, infrastructure (technology/operations) and access/responsiveness. Värde generally gives primary consideration to obtaining the most favorable price and efficient execution. Värde may, however, pay a higher commission than would otherwise be necessary for a particular transaction when, in Värde's opinion, to do so would further the goal of obtaining the best available execution on an aggregate basis for the related investment. Commissions are negotiated with the broker-dealer on the basis of the quality and quantity of execution services that the broker-dealer provides, in light of prevailing commission rates with respect to any securities transactions involving a commission payment.

Värde may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect over-the-counter trades when, in Värde's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions. Värde will pay a commission to an ECN or ATS that, when added to the price, is believed to be better than the overall execution price that might have been attained trading "net" with a market maker.

Värde endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions. Although Värde seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services or unique sourcing considerations on the part of the broker-dealer involved, resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services. The reasonableness of commissions is based on the broker-dealer's ability to provide professional services, competitive commission rates and other services that will help Värde in providing investment management services to clients. The limited availability of a particular investment may also impact the selection of a broker-dealer and the related commission.

From time to time, Värde's prime brokers offer it opportunities to meet with potential investors and advisory clients as part of conferences or meetings it sponsors (commonly known as capital introduction services). Värde is not charged a fee nor is it obligated to provide any other form of consideration in connection with this service, and the prime broker is not acting as a placement agent or underwriter. Värde used the prime broker for several years before considering any capital introduction opportunities and intends to continue to use the prime broker regardless of Värde's use of such services, or their success, as long as Värde believes the prime broker is capable of providing the services necessary for Värde to fulfill Värde's obligations to clients. As such, any capital introduction services are not a factor in our continued use of the prime broker.

Soft Dollar and Directed Brokerage Policies

Värde may receive proprietary research from the broker-dealers with which it does business, although Värde generally does not request such research, does not have any arrangements to "pay

up” for such research and does not consider such research when directing brokerage transactions for client accounts to broker-dealers. Värde does not receive third-party research or any brokerage services (except proprietary research) paid for with client commissions. Should Värde decide to do so at some future time, Värde will adopt specific procedures for implementing any soft dollar policy. Värde also does not participate in directed brokerage commission arrangements and will not accept directed brokerage instructions from any investor.

Cross Transactions, Warehousing and Principal Transactions

The Private Funds may trade assets between the Private Funds. Any such cross transactions will generally be valued and priced at fair value and in accordance with any fiduciary obligation of Värde under applicable law and subject to any conditions or required consents under a participating Private Fund’s Offering Documents. Moreover, in order to facilitate an investment, certain Private Funds (the “Initial Funds”) may make (or commit to make) such investment with a view to selling a portion of such investment to other Private Funds or other parties or obtaining third-party financing prior to or within a brief period after the closing of the acquisition (“Warehoused Investments”), and other Private Funds (the “Acquiring Funds”) may commit to acquire such Warehoused Investments from the Initial Funds on terms set forth in the Operative Documents of such Acquiring Funds. In such event, the Initial Funds will bear the risk that any or all of the excess portion of any such Warehoused Investment may not be sold or financed or may only be sold or financed on unattractive terms and that, as a consequence, the Initial Funds may bear the entire portion of any breakup fee or other fees, costs and expenses related to such Warehoused Investment, hold a larger than expected portion of such Warehoused Investment (and thus the Initial Funds’ investment portfolios could become significantly concentrated in such Warehoused Investment) or may realize lower than expected returns from such Warehoused Investments. Värde endeavors to address such risks by requiring such Warehoused Investments to be in the best interests of the Initial Funds, regardless of whether any sell-down ultimately occurs.

Värde and/or certain related persons of Värde may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Private Funds in connection with Warehoused Investments or other transactions, provided that the sale is consistent with Värde’s fiduciary obligations to the Private Funds. Such transactions will be fully disclosed and the written consent of the appropriate Private Fund (which, in certain circumstances, may be provided by the Private Fund’s advisory committee) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”) (to the extent such transactions constitute “principal transactions”) and all other applicable state and federal securities laws.

Allocation of Investment Opportunities

Värde allocates investment opportunities to each Private Fund in a manner that in its judgment it believes to be appropriate and equitable in light of the investment objectives, liquidity, diversification and other similar factors applicable to the Private Funds. As a general practice, Värde endeavors to allocate investment opportunities pro rata among each of the actively investing Private Funds (assuming the investment satisfies the objectives of each such Private Fund) based on the amount of capital each has available for investment in such investment opportunity. In certain cases, however, investment opportunities may be made available other than on a pro rata

basis. In making its allocation decisions, Värde generally takes into account the following factors: (i) the investment objectives of each Private Fund; (ii) the liquidity position and anticipated liquidity needs of each participating Private Fund; (iii) the size and anticipated liquidity of the investment; (iv) diversification and/or concentration considerations; (v) maturity or duration considerations; (vi) applicable transfer or assignment provisions; (vii) the proximity of a Private Fund to the end of its investment period (if applicable); (viii) tax considerations; (ix) regulatory considerations; and (x) such other factors as Värde may reasonably deem relevant. Värde monitors allocations made on an other-than-pro rata basis in an effort to ensure that over time all Private Funds are treated fairly in light of their specific situations.

Transaction Aggregation

Transactions are executed by approved personnel. Generally, Värde purchases and sells the same securities for two or more Private Funds and may bunch orders where Värde deems this to be appropriate and consistent with Värde's fiduciary duties. The decision to aggregate is only made after Värde determines that: it does not intentionally favor any Private Fund over another; it does not systematically advantage or disadvantage any Private Fund; it does not receive any additional compensation or remuneration solely as the result of the aggregation; and each participating Private Fund will receive the average investment price and will share pro rata in the transaction costs. When a bunched order is filled in its entirety, each participating Private Fund will participate at the average investment price for the bunched order on the same business day. Transaction costs generally will be shared pro rata based on each Private Fund's participation in the bunched order. When a bunched order is only partially filled, the investments purchased generally will be allocated on a pro rata basis to each Private Fund participating in the bunched order or in such other manner that is consistent with Värde's allocation policy.

Investment and Allocation Errors

Värde will evaluate any investment or allocation errors to confirm that they are corrected by the appropriate party. Värde identifies and corrects any investment and allocation error affecting any Private Fund as expeditiously as possible. As a general practice, any error that results in a gain accrues to the benefit of the Private Fund in which the error was made; any error by Värde personnel that results in a direct loss will be reimbursed by Värde to the Private Fund in which the error was made; and if more than one error is made in any given Private Fund within reasonable proximity of each other, any error resulting in a gain may be netted against any error by Värde personnel resulting in a loss within the Private Fund in determining the net loss required to be reimbursed by Värde. However, in no event will gains and losses be netted across multiple Private Funds. Any damages (net of recovery expenses) received from a counterparty in connection with any losses sustained due to counterparty errors will be for the benefit of the Private Funds. However, Värde will not be responsible for reimbursing the Private Fund for any losses sustained due to counterparty errors in the absence of recovery from the counterparty. See "Execution Risks" in the section titled "*Methods of Analysis, Investment Strategies and Risk of Loss*" (Item 8 above) for details on Värde's recourse against counterparties in connection with any such errors.

Item 13 – Review of Accounts

Värde's investment and business professionals are responsible for ongoing diligence and reviews of investments entered into on behalf of the Private Funds. These professionals review investments on a periodic basis, and in some cases as frequently as daily. Key items reviewed include comparing an investment's actual performance versus its anticipated performance.

An independent auditor annually audits each Private Fund's financial statements.

Each investor in a Private Fund generally receives in writing monthly performance return information, capital statements, a quarterly report and a copy of the quarterly unaudited and annual audited financial statements for each Private Fund in which it is invested.

Item 14 – Client Referrals and Other Compensation

Värde and related persons of Värde may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Private Fund. Any sales charge or placement fees associated with such arrangements will ultimately be payable by Värde and/or its related persons, either directly or through an offset of the management fee payable by the relevant Private Fund to Värde. Notwithstanding the foregoing, in Värde’s discretion, reasonable out-of-pocket expense reimbursements and indemnification payments (if any) to such placement agents or third parties may be borne by the relevant Private Funds and not by Värde. Additionally, if an investor that is placed in a Private Fund by one of the placement agents retained by Värde has a brokerage, banking or other relationship with that placement agent, that investor may pay additional fees to the placement agent based on the terms of that relationship.

As noted above, VMLP’s only clients are the Private Funds. In the future, to the extent Värde intends to provide cash compensation to a party for the referral of separate account clients, Värde will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act. These requirements include that the referring party be eligible to receive such compensation under the rule, the existence of a written agreement between Värde and the referring party, and the referring party’s providing the prospective clients with a separate written disclosure statement describing, among other things, that Värde will be paying the referring party and the terms of such compensation arrangement.

Värde may provide certain real estate asset management services, insurance services and country-specific management functions with respect to certain investments for compensation. See the section titled “*Other Financial Industry Activities and Affiliations*” (Item 10 above) for additional information about these arrangements. In addition, Värde (or persons associated with Värde) may receive a management fee and/or monitoring, consulting, directors’ or other fees (whether in cash or options or other securities) from a portfolio investment, and/or Värde (or persons associated with Värde) may also receive commitment, structuring and/or other transaction fees from counterparties or portfolio investments in which one or more of the Private Funds invests or intends to invest. The amount of any fees that Värde or any of its associated persons receives from portfolio investments or counterparties is determined by negotiations between Värde and the applicable portfolio companies. These types of arrangements present potential conflicts of interest, including whereby Värde may be incentivized to favor itself or its affiliates to provide such services over other service providers. To help mitigate potential conflicts, the benefits received by Värde or its employees in connection with services rendered will be disclosed in the Offering Documents of the relevant Private Funds, and in some instances such benefits will be offset in whole or substantial part against (and therefore reduce) management fees payable by the relevant Private Funds. To the extent a benefit results in a management fee offset, Värde will generally calculate the applicable offset amount for each Private Fund by allocating the corresponding benefits among the Private Funds based on the relative amounts invested or proposed to be invested in the applicable portfolio investment by each Private Fund or on such other basis as Värde may determine is equitable and appropriate under the circumstances. Notwithstanding the foregoing, investors and prospective investors should note that in the event a specific Private Fund does not charge a management fee or its Offering Documents otherwise permit, Värde and its associated persons may retain such Private Fund’s proportional share of such amounts as additional compensation with no corresponding offset.

Item 15 – Custody

Värde does not serve as the qualified custodian of any of the assets owned by the Private Funds and does not maintain physical custody of any securities or cash owned by the Private Funds (other than certain privately offered securities to the extent permitted by the Investment Advisers Act and related SEC interpretive guidance). However, VMLP is deemed by the applicable regulatory rules to have constructive custody of the assets of each Private Fund as a result of its position as an affiliate of the general partner (or equivalent control person) of each Private Fund.

VMLP satisfies the applicable regulatory requirements related to custody by, among other things, confirming that each Private Fund is subject to an annual audit by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and that audited financial statements for each Private Fund are provided to its respective investors within the applicable required time frame. For these Private Funds, investors will not receive account statements from the bank or other qualified custodian holding physical custody of such Private Fund's assets.

Item 16 – Investment Discretion

Each Private Fund retains Värde to exercise investment discretion in accordance with the investment objectives and investment mandates of each Private Fund, all as set forth in the applicable Offering Documents. This authority is established through the subscription documents and/or other governing agreements completed and signed by each investor as well as the management agreements between VMLP and each Private Fund. The exercise of Värde's investment discretion includes the determination of:

- When to buy or sell investments;
- Which investments to buy or sell;
- The total amount of investments to buy or sell;
- The broker-dealer or other institution through which (or with which) investments are bought, sold or managed;
- The commission rates (or other fees) at which investment transactions are effected;
- The prices and terms at which investments are to be bought or sold, which may include spreads, mark-ups, fees and transaction costs payable to one or more third parties;
- The amount of research and/or due diligence that may be conducted and whether the transaction may be pursued on an expedited basis; and
- How to manage the investments after acquisition, including (for example) whether to pursue an activist role with respect to any investment or whether to engage an asset manager or other third-party service provider.

Item 17 – Voting Client Securities

Because Värde has the authority for investments held by the Private Funds, it has adopted written proxy voting policies and procedures. These policies and procedures generally provide that Värde will vote investments for the exclusive benefit, and in the best economic interest, of the relevant Private Funds and their beneficiaries, as determined by Värde in good faith. Värde's voting responsibilities will be exercised in a manner that is consistent with the general anti-fraud provisions of the Investment Advisers Act, as well as with Värde's fiduciary duties under applicable law to act in the best interests of the Private Funds. Värde considers each issue presented in a proxy on its merits and votes on a case-by-case basis consistent with the Private Funds' best economic interests. On occasion, Värde may determine not to vote a particular proxy. This may be done, for example, where: (a) the cost of voting the proxy outweighs the potential benefit derived from voting; (b) a proxy is received with respect to securities that have been sold before the date of the shareholder meeting and are no longer held in a client account; (c) the terms of an applicable securities lending agreement prevent Värde from voting with respect to a loaned security; (d) despite reasonable efforts, Värde receives proxy materials without sufficient time to reach an informed voting decision and vote the proxy; or (e) the terms of the security or any related agreement or applicable law preclude Värde from voting. It is possible Värde may have a conflict of interest in connection with voting on a particular matter. If a conflict exists that cannot be otherwise addressed, Värde may choose one of several options including: (i) voting in accordance with its standard proxy procedures, if it involves little or no discretion; (ii) voting as recommended by a third-party service, if employed by Värde; (iii) "echo" or "mirror" voting the proxies in the same proportion as the votes of other proxy holders that are not Värde clients; (iv) if possible, erecting information barriers around the person or persons making the voting decision sufficient to insulate the decision from the conflict; or (v) abstaining from voting. Investors in the Private Funds may request a copy of Värde's written proxy voting policies and procedures as well as information about how Värde has voted securities for the Private Fund in which an investor has invested.

Item 18 – Financial Information

Each registered investment adviser is required to disclose whether it has any financial condition that could impair its ability to meet its contractual commitments to its clients, and whether it has been the subject of a bankruptcy proceeding. Värde does not have any adverse financial conditions to disclose and has not been the subject of a bankruptcy proceeding.