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**PART 2A OF FORM ADV: FIRM BROCHURE**

**GSCP (NJ), L.P.**

**March 30, 2012**

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This brochure provides information about the qualifications and business practices of GSCP (NJ), L.P. If you have any questions about the contents of this brochure, please contact us at (203) 552-0888.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

GSCP (NJ), L.P. is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

## **ITEM 2**

### **MATERIAL CHANGES**

On July 26, 2011, GSC Group, Inc. and its affiliates, including GSCP (NJ), L.P. (collectively, “GSC Group”) completed the sale of substantially all of its investment management business and related assets to GSC Acquisition Holdings, LLC (“GSCAH”), an affiliate of Black Diamond Capital Management, L.L.C. (“Black Diamond”). The sale followed a competitive auction process held in accordance with Section 363 of the Bankruptcy Code in October 2010, for which GSC Group secured final approval at a hearing in the U.S. Bankruptcy Court for the Southern District of New York held on July 7, 2011.

As a result of the acquisition, Black Diamond and affiliated entities assumed management control of all but five of the funds previously managed by GSCP (NJ), L.P. The decrease in GSC Group’s assets under management set forth herein is a result of the Black Diamond acquisition. GSCP (NJ), L.P. continues to serve in an advisory capacity for certain funds whose management contracts were not acquired by Black Diamond through the bankruptcy process. GSCP (NJ), L.P.’s ADV Part I Schedule A and Schedule D have been revised accordingly (available at <http://www.adviserinfo.sec.gov/>). On February 17, 2012, the Bankruptcy Court confirmed a plan of reorganization for GSC Group, under which GSC Group emerged from bankruptcy on March 9, 2012.

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## **ITEM 4**

### **ADVISORY BUSINESS**

GSCP (NJ), L.P. (“GSC”) provides investment management, advisory and administrative services and other related services to pooled investment vehicles (such as limited partnerships, corporations, limited liability companies and non-U.S. entities) that are not registered or required to be registered under the Investment Company Act of 1940, as amended (the “1940 Act”) (each a “Fund” and collectively, the “Funds”). GSC’s clients are the Funds. GSC’s principal owners are GSC Group, Inc. and GSC Active Partners Holdings, L.P.

GSC provides its investment advisory services directly to clients or may contract certain functions associated with its investment advisory services to a third party through agreements including sub-advisory or service agreements. In such cases, GSC remains liable for the performance of all of the services for which it subcontracts. GSC’s clients are no longer taking new investors.

Investment guidelines and constraints for each Fund managed by GSC are based upon the investment objectives and limitations of those Funds as stated in their confidential offering memoranda and governing documents. GSC does not tailor its investment management to the individualized needs of any Fund investor. We do not participate in wrap fee programs.

As of December 31, 2012, GSC manages \$939,236,489 of assets on a discretionary basis and \$0 on a non-discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

The fees and expenses GSC receives from clients vary from Fund to Fund and are described in the documents governing GSC’s agreement with each particular client to which advisory services are being provided including, as applicable, the limited partnership agreement, the management agreement, and the subscription agreement. As described in more detail below, GSC typically receives annual management fees from each Fund or the investors therein, and receives performance fees from some clients. In addition, as described below, clients typically reimburse GSC for certain expenses.

#### Base Management Fees:

The amount of the base management fee GSC receives varies by type of Fund and between Funds, as set forth below:

- For Funds that pursue a control distressed/private equity strategy (the “Private Equity Funds”), the amount of the base management fee ranges between 1.0% and 1.75% per annum of an amount based upon (a) during the investment period, the capital committed by the investors in the Fund, and (b) after the expiration of the investment period, the invested capital for such Fund.
- For collateralized debt obligations (“CDOs”), the amount of the combined senior and subordinated collateral management fees range between 0.6% and 1.0% per annum of the par value of the underlying securities held by such Fund.

The base management fee paid by a Fund or investors of a Fund is, in most cases, not negotiable, though GSC may enter into agreements with certain investors which result in reduced or waived management fees. Management fees are charged quarterly, in advance or in arrears, either by billing the client's trustee, in the case of a CDO, by billing a Private Equity Fund's administrator, by direct deduction from a Private Equity Fund or by billing investors in the Funds directly.

From time to time, GSC or an affiliate may also receive transaction fees, advisory fees, monitoring fees, structuring fees or other similar fees (collectively "Fee Income") in connection with the structuring, consummation, holding or disposition of an investment on behalf of a fund. In such cases, the management fee described above may be reduced by a portion of such Fee Income.

#### Performance Fees and Performance Allocations:

The amount of the performance fee or performance allocation GSC receives also varies by type of Fund and between Funds, as set forth below:

- For the Private Equity Funds, the amount of the performance fee (made to the general partner (or corresponding entity), which is an affiliate of GSC) is a specified percentage of the profits of the Fund, based on the investment performance of the Fund, in accordance with the terms of the relevant governing documents.
- For CDOs, the amount of the performance fee is a percentage of the Fund returns in excess of a hurdle rate (generally expressed as a target IRR achieved by the fund investors), as specified in the relevant governing documents.

The existence of a performance-based fee or allocation may create an incentive for GSC to make investments for the Funds that are riskier or more speculative than investments that would be made in the absence of such a fee.

GSC may waive or reduce payment of the management and/or performance fee/allocation attributable to investors in its Funds who are members, officers, directors, employees or principals of GSC and/or its affiliates.

In certain cases, GSC or the Funds may negotiate and enter into arrangements with certain investors that have the effect of altering or supplementing the terms of those investor's investments in the Funds including, but not limited to, waiving or reducing a portion of any performance fee or management fee, or both, to those investors. Such supplemental fee arrangements may include lower or differing fees negotiated on the basis of the size of an investor's investment in a Fund. These arrangements may also provide for more favorable liquidity rights for certain investors. In addition, GSC or the Funds may negotiate supplemental arrangements changing or partially or completely waiving fees with respect to investments in a fund by GSC, its clients, and its employees and affiliates.

From time to time, investors in GSC-advised Funds and investment vehicles may contact GSC to request specific additional information about a Fund or their investment in it. Though GSC generally makes the same information available to requesting investors, differences in the timing and nature of specific requests may, when such requests are accommodated, result in differences in the amount, type, or level of information possessed by particular investors.

While the particular terms vary based upon the type of client and investment strategy, the investment advisory agreements typically provide that the Fund (or other managing entity) may terminate the agreement with written notice ranging from thirty (30) to one hundred eighty (180) days. The agreements generally include a right to terminate without cause, (in some cases subject to a majority or supermajority vote by investors, shareholders, noteholders and/or directors) and typically provide for shorter notice periods in the event the investment advisory agreement is terminated for cause. In such cases, GSC may be liable for the unearned portion, if any, of any management fees, previously paid to GSC. Additionally, upon termination of a Fund for any reason, GSC (or its affiliate) will be required to return to the Fund any distributions in respect of profit participation or incentive allocations previously paid to GSC to the extent such distributions exceed the amounts that should have been distributed pursuant to the governing documents applied on an aggregate basis covering all transactions of the Fund.

Neither we nor any of our supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

GSC accepts performance-based fees from its clients based on a share of capital gains or capital appreciation of the assets of a client. This potentially creates a conflict of interest between GSC and its clients. The existence of a performance-based fee may create an incentive for GSC to make investments for clients where the fees would be higher, disadvantaging one client over another. We handle this potential conflict of interest through the following allocation policy:

When two or more client entities have similar or overlapping investment strategies, an available investment opportunity will be allocated based on the provisions governing allocation of investment opportunities in the relevant governing documents. In the absence of such provisions, the portfolio manager will typically determine the allocation by considering, among other things, the following factors and the weight that should be given with respect thereto: (1) the investment guidelines and/or restrictions set forth in the applicable organizational documents; (2) the risk and return profile of the client entity; (3) the suitability/priority of a particular investment for the client entity; (4) if applicable, the target position size of the investment for the client entity; (5) the level of available cash for investment with respect to the particular client entity; (6) the total amount of funds committed to the client; and (7) the age of the fund and the remaining term of a fund's investment period, if any. GSC may amend or revise these allocation principles and the related procedures from time to time. Additionally, certain investment opportunities fall below a materiality threshold that would justify a pro-rata allocation because too little would be invested with client to make the investment efficient. In that situation, the portfolio manager is allowed discretion to decide which client would be the most appropriate one for this de minimis (usually \$2 million or below) investment.

## **ITEM 7**

### **TYPES OF CLIENTS**

GSC provides investment advisory services to Funds (as defined in Item 4, above) that are pooled investment vehicles. The Funds primarily acquire, hold and sell liquid and illiquid securities and instruments. The advisory services provided by GSC to a particular Fund depend upon the investment objectives and restrictions of that Fund, which are set forth in the governing documents for each Fund.

Investors in the Funds advised by GSC may be required to commit to contribute certain minimum capital amounts in order to be permitted to invest, unless such minimum requirements are waived by the general partner of the Fund (or corresponding entity, if the Fund is organized as other than a limited partnership). Minimum capital commitments vary among the various Funds and are disclosed to investors in the respective governing documents.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

GSC's method of analysis is fundamental. The main sources of information that GSC uses include: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, SEC filings and company press releases. Representatives of GSC may meet with the management of companies in which GSC's clients may invest and may conduct other forms of review, including discussions with consultants who have experience in the relevant industry. GSC may also receive information made available by an issuer to its lenders, including public or private bank books and other lender diligence materials. GSC has retained Black Diamond, through its affiliate GSCAH, to provide support services, pursuant to a services agreement between GSC and Black Diamond (the "Services Agreement"), in respect of the Funds which are managed by GSC.

The investment strategies that GSC uses are: long-term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options or spreading strategies. GSC uses a control strategy whereby certain GSC clients also make investments in companies in which GSC takes an active management role. For example, a GSC employee may act as a director or officer of a company in which a GSC client or clients have made a substantial or controlling investment. In addition to engaging in margin transactions, GSC may also use other types of leverage. For instance, the CDOs issue debt securities collateralized by a portfolio of leveraged loans and high yield bonds and, as a result, are highly leveraged. Additionally, other GSC funds may enter into warehousing, total return swap, repurchase and other financing arrangements (and other securitizations, including through the formation of special purpose vehicles) that create leverage. Use of such leverage can involve substantial risk. In limited circumstances, as permitted by the relevant governing documents, GSC-advised funds may engage in a limited amount of purchases and sales of a given investment on a single day.

GSC employs a variety of strategies which share certain risks. Those risks are discussed more fully in the offering memorandum of each Fund that the investors in our clients received prior to investing. Currently, we are not seeking new clients and our clients are not seeking new investors.

Investors in our clients, which as stated earlier are pooled investment vehicles that have not registered under the Securities Act of 1933, as amended (the "Securities Act") or any other applicable securities law, may not be able to sell, transfer or pledge their interests in our clients. Investors generally may not withdraw capital from a Fund and may not be able to liquidate their investments prior to the end of a Fund's term. These investments are different from registered investment companies, commonly known as mutual funds, and are not liquid.

All our investments carry the risk of loss of capital and require long-term commitments with no certainty of receiving an investment return. Our investments tend to be highly illiquid, and there is no assurance that a Fund will be able to realize returns on such investments in a timely manner, if at all. Investments in the distressed investing strategies may be in businesses with high levels of debt, which carry greater risks if revenues decline and expenses increase. Our decision to invest in these businesses

depends in part on the past successful performance of the management running these companies, and there is a risk that the management may not perform successfully in the future.

We have the risk that we will not recover our investment if the portfolio companies in which we invest default on their obligations. Clients following a recovery or distressed investing strategy bear the risks of default of the underlying investments.

Our CDOs are very risky and depend on the performance of the underlying debt obligations. Downgrades of the ratings of the underlying investments significantly impacted our clients in the recent past, and there is the risk that defaults and subsequent low recoveries on the debts that comprise these CDOs will significantly affect the value of these investments and the overall value of our clients.

Since our clients (the Funds) may only make a limited number of investments, and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the individual investors in our clients.

## **ITEM 9 DISCIPLINARY INFORMATION**

In August, 2011, GSC, through a Chapter 11 trustee appointed by the bankruptcy court, consented to the entry of an administrative order (the "Order") requiring the firm to cease and desist from committing or causing violations or future violations of Sections 17(a)(2) and (3) of the Securities Act and Section 204 and 206(2) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 204-2 thereunder, for failure to disclose all material information, including conflicts of interest, to clients, and failure to retain all written communications related to investment recommendations made or proposed to be made, in connection with the structuring and marketing of the Squared CDO 2007-1 ("Squared"). GSC serves as collateral manager for Squared and, in such capacity, was engaged in the selection of the assets for the Squared portfolio.

GSC consented to the issuance of the Order by the SEC, without otherwise admitting or denying the findings set forth in the Order, which stated that GSC failed to ensure that investors were adequately informed that an unaffiliated hedge fund, Magnetar Capital LLC ("Magnetar"), with economic interests adverse to investors in Squared, played a significant role in the portfolio selection process. In addition, the Order stated that GSC had failed to retain adequate books and records regarding the process by which it participated in the selection of the investment portfolio for Squared in contravention of applicable rules under the Advisers Act and its email retention policy as set forth in its "Policy and Procedures" manual.

Edward Steffelin ("Steffelin") was a Managing Director at GSC and an associated person of GSC during the relevant period. Steffelin was in charge of the GSC team responsible for Squared. In a separate complaint, the SEC charged Steffelin with violations of Sections 17(a)(2) and (3) of the Securities Act and Section 206(2) of the Advisers Act. The SEC sought injunctive relief, disgorgement of profits, prejudgment interest, and civil penalties against Steffelin. In October 2011, a federal district court dismissed the charge that Steffelin engaged in fraud or deceit in connection with the sale of interests to Squared. GSC understands that the SEC is continuing to pursue a negligence claim against Steffelin, although GSC has no involvement in any such proceeding. Steffelin has not been affiliated with GSC since November 2008.



## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain affiliates of GSC were organized for the purpose of serving as the general partner of a Fund. The names of such general partners are identified in Item 7A of Schedule D on Part I of GSC's Form ADV (available at <http://www.adviserinfo.sec.gov/>). In addition, a description of the Funds, including their operations and activities, fees and expenses and structure, can be obtained from the Funds' offering documentation. Investors in one or more of these Funds may be offered investments in other funds that are advised by GSC.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 of the 1940 Act, GSC has adopted a Code of Ethics ("Code"), which sets forth standards of business and personal conduct for GSC and its affiliates, as well as their respective principals, officers and employees ("GSC Personnel") and any other person who provides investment advisory services on behalf of GSC and who is subject to the supervision and control of GSC (together with GSC Personnel, "supervised persons"). The Code also addresses conflicts that arise from personal trading by supervised persons. The Code is predicated on the principle that GSC owes a fiduciary duty to its clients. Accordingly, supervised persons of GSC must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of GSC's clients. Supervised persons must place client interests first, engage in personal investing that is in compliance with the Code, avoid taking advantage of investment opportunities and gifts offered due to their position at GSC; and maintain full compliance with applicable federal securities laws.

The Code provides that GSC Personnel may not purchase or sell any security for their own accounts in a proprietary account unless the transaction occurs in open-end mutual funds, including money market funds, or unit investment trusts that invest exclusively in open-end mutual funds, exchange traded funds, direct obligations of the U.S. government, municipal securities, commercial paper and high quality short-term debt instruments, bankers acceptances and bank certificates of deposit, commodity futures and commodity pools and private investment funds, in accordance with reporting and certain pre-clearance procedures. Personal transactions in securities by supervised persons are subject to policies and procedures that require, among other things, that supervised persons provide quarterly and annual holdings reports and may also require such persons to provide duplicate confirmations and account statements of reportable securities to the Chief Compliance Officer ("CCO"). In addition, GSC or related persons have historically, and may from time to time in the future, co-invest or be offered the right to co-invest in various investment opportunities with clients of GSC on similar investment terms as such clients.

Certain employees of GSC may receive a portion of profits based on the performance of the Fund as part of their compensation in accordance with the relevant governing documents and may make investments in funds advised by GSC on a reduced fee basis which may give rise to a potential conflict of interest. GSC or its respective members, officers or employees, as applicable, may, subject to provisions regarding entitlement to ancillary fees set forth in client governing documents, receive advisory fees, organization or success fees, break-up fees, directors' fees, monitoring fees, consulting fees, transaction fees and other similar fees. Directors fees paid to GSC employees for serving on the board of directors of any company in which clients are invested will, subject to provisions regarding entitlement to ancillary fees set forth in client governing documents, be retained by GSC.

In connection with its activities, GSC may come into the possession of material, non-public information. Under the federal securities laws and the Code, GSC and its supervised persons are generally prohibited from improperly disclosing or using such information for their benefit or the benefit of any other person, including clients of GSC. In addition, GSC and its clients may be subject to certain trading or confidentiality restrictions in connection with the investments recommended by GSC. Such restrictions may impair the ability of all clients of GSC to buy or sell a security or otherwise participate in an investment opportunity. GSC maintains a strict standard of business conduct, requiring all supervised persons to act with integrity, competence, diligence and respect.

As part of the Code, GSC has adopted a personal securities transaction and reporting policy, as described above. In addition, the Code provides that GSC Personnel are prohibited from effecting transactions on behalf of any GSC client in publicly traded securities issued by companies for which GSC possesses material non-public information. All employees, whether investment professionals or non-investment professionals, will be regarded as having access to any non-public information about a public company that has been received by any other employee. The Code also contains policies and procedures to prevent the misuse of material non-public information by supervised persons, including the misuse of material non-public information about GSC's securities recommendations and client securities and transactions. The Code describes what constitutes "material" and "non-public" information, and outlines the penalties that supervised persons are subject to if they trade on such information.

GSC also has adopted a series of internal "information blocking" policies and procedures to seek to prevent the dissemination of material non-public information that may be obtained as a result of certain supervised persons serving as board members or officers of outside organizations, on official creditor committees, or as a result of confidentiality agreements with an issuer.

GSC requires supervised persons to report violations of the Code to the CCO. A compliance officer also reviews quarterly and annual personal trading reports submitted by supervised persons. To ensure that supervised persons understand the various provisions of the Code, GSC provides each supervised person with a copy of the Code and any amendments thereto. Investors in the clients of GSC can obtain a copy of the Code by contacting GSC's CCO at (203) 552-0888.

In many cases, GSC and its affiliates, including its wholly owned subsidiaries, invest in the Funds advised by GSC. The size of GSC's investments in the Funds differs. As noted above, the type and amount of fees paid to GSC also differs among Funds. In addition, GSC's employees may invest in GSC-advised Funds, and consequently have differing ownership interests in different Funds. These differences in the financial interests of GSC and its employees in the Funds may result in a conflict of interest when allocating investment opportunities among the Funds, when transactions are effected between clients ("Cross Trading"), when clients invest in different parts of the capital structure of an issuer, when clients purchase securities issued by another client, or when clients take contrary (or potentially contrary) positions.

**Cross Trading.** From time to time, GSC effects transactions between client accounts in which one client will acquire securities held by another client. These transactions are entered into when GSC deems the transaction to be in the interests of both clients and at a price that GSC believes to constitute best execution for both parties. Recommendations to effect transactions between client accounts are required to be submitted to GSC's CCO in advance of such transaction.

**Conflicts in Different Parts of the Capital Structure.** GSC may invest in different classes of securities of an issuer on behalf of its clients based upon the particular investment objectives and strategies of such clients. If clients hold different classes of securities of an issuer and that issuer

encounters financial problems, decisions over the terms of any workout or reorganization may raise conflicts of interests. For example, a senior debt holder may be better served by a liquidation of the issuer in which it will be paid in full, whereas a junior debt holder might prefer a reorganization that could create value for the junior debt holder.

**Client Purchase of Securities Issued by Another Client.** GSC may buy for clients securities issued by CDOs or other issuers that are advised by GSC or advised or controlled by a GSC client. For example, a GSC CDO may participate in a loan for a portfolio company controlled by a GSC-advised Fund. Where the transaction is an investment by a Fund in another investment vehicle advised by GSC, the terms of such investment may include a reduction or assignment of the management and other fees payable by investors in such fund or the assignment of all or a portion of the management fees in such investment vehicles earned by GSC or the Fund in respect of such investment.

**Potential Contrary Positions.** GSC may make an investment recommendation based on a client's specific investment objectives and strategies that may be contrary to a position held by or recommendation made to another client. For example, a client may hold a long position in a certain portfolio company and at the same time another client may hold a short position in the same portfolio company. GSC will make investment decisions separately based upon the investment objective of each of its clients.

**Procedures for Addressing Conflicts.** GSC has adopted policies and procedures to address potential conflicts among clients. The policies, which may be modified from time-to-time at GSC's sole discretion, may require prior review or approval of certain transactions by GSC's CCO or a committee formed to address the risks of such transactions from a conflict perspective. Relevant policies and procedures for a particular Fund may be described in greater detail in the Fund's governing documents or offering materials. With respect to affiliate transactions (including investments by a Fund in another investment vehicle advised by GSC), the relevant governing documents may provide for consultation regarding or approval of such transactions by a person or body such as a trustee, a board of directors, an advisory committee comprised of limited partners of the investing fund or an advisory board comprised of independent investment professionals. GSC's policies and procedures for addressing such potential conflicts, together with the provisions of relevant governing documents concerning such potential conflicts, may limit the ability of GSC to buy or sell a security for a client or otherwise participate in an investment opportunity for a client or to take other actions that it might consider in the best interests of a Fund and its investors.

**Material Nonpublic Information.** GSC or its affiliates may come into possession of material nonpublic information in connection with business activities unrelated to a specific client's operations. The possession of such information may limit the ability of GSC to buy or sell a security for a client or otherwise participate in an investment opportunity for a client or to take other actions that it might consider in the best interests of a Fund and its investors.

## **ITEM 12 BROKERAGE PRACTICES**

GSC has discretionary authority to buy and sell securities and other instruments for client accounts, and to determine the amount of such securities or other instruments to be bought or sold, consistent with each client's investment objectives and restrictions as set forth in the governing documents for that client. In addition, GSC may determine, without client consultation or consent, the

broker or dealer through which securities or other instruments are bought and sold, and the commission rates or dealer spreads at which transactions are effected.

The objective of GSC in selecting brokers and dealers and executing transactions is to seek to obtain the best combination of price and execution. GSC considers the full range and quality of a broker-dealer's service in selecting broker-dealers to meet best execution obligations. The determinative factor is whether the transaction represents the best overall qualitative execution for the Funds. As a starting point, GSC considers the trade price and imputed mark-up/mark-down. These things being equal or fairly equal among brokers or dealers, the following qualitative factors, among others, may be considered: (i) the liquidity of the securities traded and current market conditions; (ii) ability to maintain the confidentiality of trading intentions; (iii) ability to place trades in difficult market environments; (iv) quality and value of the research services provided; (v) execution facilitation services provided; (vi) timeliness of execution; (vii) timeliness and accuracy of trade confirmations; (viii) allocation of limited investment opportunities; (ix) record-keeping services provided; (x) custody services provided; (xi) frequency and correction of trading errors; (xii) ability to access a variety of market venues; (xiii) expertise as it relates to specific securities; (xiv) intermediary compensation (dealer spreads); (xv) financial condition; (xvi) business reputation; (xvii) fairness in resolving disputes; and (xviii) gross compensation paid to each broker-dealer.

Privately placed securities may be purchased directly from the issuer or its placement agent on terms negotiated by GSC or a related person. Terms subject to such negotiations may include but are not limited to the frequency and amount of dividends and other distributions; debt limitations; permitted investments, sales of assets, consolidations and mergers; transactions with affiliates; subordination provisions; representations and warranties; rights of inspection; and events of default. The ability of GSC or a related person to negotiate terms as part of a private placement may depend upon the amount of an offering to be bought or sold.

As permitted by the relevant governing documents, certain GSC-advised funds may trade in illiquid securities and loans. In many cases, after reasonable inquiry, GSC may determine that an investment is available for purchase from or sale to only a single counterparty. In such cases, GSC's ability to compare the execution quality among brokers or dealers is necessarily limited.

Although GSC has established policies and procedures intended to ensure best execution, certain inherent conflicts of interest may exist with respect to the selection of brokers or dealers for client transactions. In certain cases, GSC may execute securities transactions with a broker or dealer that is also an investor (or whose affiliate is also an investor) in one of the Funds. GSC does not have a special arrangement with such brokers and follows the same process and considers the same factors as described above when selecting them to execute a client transaction.

GSC does not currently maintain any formal soft dollar arrangements. However, various broker-dealers may provide GSC with proprietary research and other products and services (e.g., weekly proprietary research reports, receipt of duplicate trade confirmations and account statements, trading desk access and the ability to aggregate clients' securities transactions). In addition, from time to time, GSC personnel may speak at conferences and programs for potential investors interested in investing in the funds. Such conferences may be sponsored by brokers or dealers with whom or through whom GSC trades on behalf of its clients. Currently, neither GSC nor GSC-advised funds compensate the sponsoring broker or dealer for organizing such "capital introduction" events or for any investments ultimately made by prospective investors attending such events. GSC believes that it would obtain these research and other products and services regardless of the amount of business that it directs to such firms throughout the year. GSC, therefore, does not believe that it is "paying-up" for the proprietary research and other products and services offered by the various broker-dealers utilized by GSC.

If GSC believes that the purchase or sale of a security is in the best interests of more than one client, it may (but is not obligated to) aggregate the orders to be sold or purchased for such clients to the extent such aggregation may enable GSC to obtain favorable execution or lower brokerage commissions and to the extent such is permitted by applicable laws and regulations. Where trades are aggregated, the transactions, as well as the expenses incurred in the transactions, will be allocated by GSC, in a manner designed to ensure that such allocation is equitable and consistent with GSC's fiduciary duty to its clients including its duty to seek to obtain best execution of clients.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

The nature and frequency of reports to investors in the Funds advised by GSC depends upon the governing documents of such Funds and/or the terms of their management and/or subscription agreements with GSC. Typically, the governing documents provide for quarterly or annual financial statements. GSC may also provide periodic updates, reports, or letters to investors as called for by the governing documents. Investors in CDOs managed by GSC typically receive periodic statements from trustees of its CDOs. In addition, investors in GSC advised Funds and vehicles may, from time to time, contact GSC to request specific additional information about a Fund or their investment in it. Though GSC generally makes the same information available to requesting investors, differences in the timing and nature of specific requests may, when such requests are accommodated, result in differences in the amount, type, or level of information possessed by particular investors.

GSC has retained Black Diamond, through its affiliate GSCAH, to provide support services, pursuant to a Services Agreement between GSC and Black Diamond, in respect of the Funds which are still managed by GSC following the bankruptcy sale. GSC senior investment professionals, with the assistance of Black Diamond, generally review and monitor client accounts daily or otherwise periodically as appropriate to the type of investment in particular Funds. Market conditions, available market prices, issuer performance and credit quality, and other relevant investment criteria are reviewed regularly. Investment ideas are reviewed and considered both informally among investment professionals and formally at regularly scheduled meeting.

### **ITEM 14**

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

GSC or a related person may enter into agreements pursuant to which it compensates other persons for referring persons to invest in clients to which GSC provides investment advice. Any such arrangements will be in writing and performed in compliance with the Advisers Act and its regulations. In addition, from time to time, GSC may engage investment banks or other financial institutions to structure and market investment vehicles for which GSC anticipates serving as investment manager or adviser and in which investors will invest. Such investment banks or institutions would typically receive usual and customary fees in connection with their services, which may include identifying potential investors.

## **ITEM 15 CUSTODY**

Client assets are held in custody by unaffiliated qualified custodians. However, GSC is deemed to have custody of the assets of the clients for which GSC or an affiliate serves as general partner (and may be deemed to have custody of the assets of certain other clients). Investors in GSC clients do not receive account statements from custodians; rather, each client the assets of which GSC has or is deemed to have custody is subject to an annual audit by an auditor registered with and subject to inspection by the Public Company Accounting Oversight Board and the audited financial statements are distributed to each investor in each client within 120 days of each such client's fiscal year-end.

GSC does not have custody of the assets of the CDOs.

## **ITEM 16 INVESTMENT DISCRETION**

The Funds that are advised by GSC have investment strategies which are detailed in their governing documents. In certain cases, GSC will begin the investment period for a new client entity having a substantially similar investment strategy before substantially all of the funds committed to the prior client entity have been invested or committed for investment. When two or more client entities have similar or overlapping investment strategies, an available investment opportunity will be allocated based on the provisions governing allocation of investment opportunities in the relevant governing documents. In the absence of such provisions, the portfolio manager will typically determine the allocation by considering, among other things, the following factors and the weight that should be given with respect thereto: (1) the investment guidelines and/or restrictions set forth in the applicable organizational documents; (2) the risk and return profile of the client entity; (3) the suitability/priority of a particular investment for the client entity; (4) if applicable, the target position size of the investment for the client entity; (5) the level of available cash for investment with respect to the particular client entity; (6) the total amount of funds committed to the client; and (7) the age of the fund and the remaining term of a fund's investment period, if any. GSC may amend or revise these allocation principles and the related procedures from time to time.

## **ITEM 17 VOTING CLIENT SECURITIES**

GSC has adopted a Proxy Voting Policy in order to comply with Rule 206(4)-6 under the Advisers Act. The Proxy Voting Policy applies to those client accounts that contain voting securities and for which GSC has discretionary authority to vote proxies. When voting proxies for client accounts, GSC's primary objective is to make voting decisions solely in the best interest of those clients. In fulfilling its obligations to clients, GSC will endeavor to act in a manner deemed to be prudent and diligent and which is intended to enhance the economic value of the underlying securities held by the client.

GSC's investment personnel are responsible for making voting decisions with respect to all client proxies. In voting client proxies, GSC will seek to avoid material conflicts of interest between the interests of GSC on the one hand, and the interests of its client on the other. The governing documents for a particular fund typically provide for addressing conflicts of interests, in certain instances, through the formation of an advisory committee. The decision of any advisory committee with respect to material conflicts of interest in proxy votes is binding and may not be overridden by GSC.

Investors in any fund advised by GSC can obtain a copy of the Proxy Voting Policy and information on how GSC has voted proxies by contacting GSC's Chief Compliance Officer at (203) 552-0888.

## **ITEM 18**

### **FINANCIAL INFORMATION**

GSC filed its petition for bankruptcy under the provisions of Chapter 11 of the U.S. Bankruptcy Code on August 31, 2010 with the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). Following the petition date, GSC and its affiliated debtors continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1007(a) and 1108 of the U.S. Bankruptcy Code.

In January 2011, the Bankruptcy Court granted the motion of a minority group of GSC's lenders for the appointment of a Chapter 11 Trustee (the "Chapter 11 Trustee") to oversee the completion of the GSC bankruptcy proceeding. On June 7, 2011, the Chapter 11 Trustee filed a motion for an order authorizing the sale of assets and assignment of executory contracts to GSCAH pursuant to certain asset purchase agreements and related documents. The Bankruptcy Court approved the sale order on July 11, 2011 and the sale was finalized on July 26, 2011.

On February 17, 2012, Black Diamond's plan of reorganization for GSC was confirmed by the Bankruptcy Court (the "Plan"). The Plan went effective on March 9, 2012 and it is anticipated that the bankruptcy case will be discharged during 2012.