

**Item 1. Cover Page**

**GARRISON INVESTMENT GROUP LP  
&  
GARRISON INVESTMENT MANAGEMENT LLC**

**Part 2A of Form ADV: Firm Brochure**

1350 Avenue of the Americas  
New York, NY 10019

Contact:  
(212) 372-9500  
Julian Weldon, Chief Compliance Officer

[www.garrisoninv.com](http://www.garrisoninv.com)

March 30, 2012

**This brochure provides information about the qualifications and business practices of Garrison Investment Group LP (“GIG”) and Garrison Investment Management LLC (“GIM”). If you have any questions about the contents of this brochure, please contact us at (212) 372-9500. 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.**

**Registration with the SEC does not imply a certain level of skill or training.**

Additional information about Garrison Investment Group LP and Garrison Investment Management LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

There are no material changes to report.

### Item 3. Table of Contents

#### Table of Contents

	<u>Page</u>
Item 1. Cover Page .....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	5
Item 6. Performance-Based Fees and Side-by-Side Management .....	8
Item 7. Types of Clients .....	8
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9. Disciplinary Information .....	21
Item 10. Other Financial Industry Activities and Affiliations .....	21
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	21
Item 12. Brokerage Practices.....	22
Item 13. Review of Accounts .....	24
Item 14. Client Referrals and Other Compensation .....	24
Item 15. Custody.....	25
Item 16. Investment Discretion .....	25
Item 17. Voting Client Securities .....	25
Item 18. Financial Information .....	26

#### Item 4. Advisory Business

Garrison Investment Group LP (“**GIG**”), a Delaware limited partnership, and Garrison Investment Management LLC (“**GIM**”), a Delaware limited liability company under common control with GIG, are alternative asset management firms. GIG commenced operations in May 2007. GIG’s principal owners are GIG GP LLC (whose members are Steven S. Stuart and Joseph B. Tansey) and Fortress Operating Entity I LP (whose indirect sole shareholder is Fortress Investment Group LLC). GIM commenced operations in November 2009. GIM’s principal owner is GIG.

GIG and GIM provide investment management services on a discretionary basis to privately offered open-end and closed-end funds (each a “**Fund**,” and collectively the “**Funds**”). GIG and GIM are sometimes referred to herein individually as a “**Garrison Adviser**” and collectively as the “**Garrison Advisers**.” Each Fund is formed by affiliates of the Garrison Advisers (each, an “**Affiliate**” and collectively the “**Affiliates**”). Certain of the Funds are organized offshore. All investment and trading decisions on behalf of the Funds are made by the pertinent Garrison Adviser.

The Garrison Advisers share offices and employees. The Garrison Advisers are both registered with the Securities and Exchange Commission (the “**SEC**”) as investment advisers. Certain Affiliates of the Garrison Advisers serve as the general partners or managing members of the Funds (each, a “**General Partner**” or “**Managing Member**”) and are allocated a performance-based fee. Such Affiliates, and any persons acting on their behalf, are subject to the Garrison Advisers’ supervision and control with respect to any investment advisory activities and are therefore deemed to be registered investment advisors.

The Garrison Advisers also perform asset management services with respect to the Funds’ investments, including monitoring covenant compliance by borrowers, tenants and other obligors, monitoring the financial condition and other relevant operating data of borrowers, tenants and obligors and tracking of borrowings and cash payments.

The Garrison Advisers may establish co-investment vehicles (each, a “**Co-Investment Vehicle**”) at any time. A Co-Investment Vehicle is any collective investment vehicle or managed account formed specifically for the purpose of investing in an investment alongside one or more Funds, after the applicable Funds have received their allocation of such investment opportunity, as determined by the pertinent Garrison Adviser in accordance with its allocation procedures.

The Garrison Advisers also advise separately managed accounts that invest in certain of the same investments as the Funds, and GIG serves as collateral manager for a collateralized loan obligation vehicle that is a subsidiary of a Fund (the “**CLO Vehicle**”). The Funds, the separately managed accounts and the CLO Vehicle are sometimes referred to herein collectively as the “**Clients**.”

The Garrison Advisers have full discretion in investment decisions made on behalf of the Funds and partial discretion with respect to certain other Clients. Investment advice is provided directly to the Funds according to each Fund’s particular investment objectives and not individually to the Fund’s investors.

As of December 31, 2010, the Garrison Advisers managed \$2,163,040,402 of Client assets on a discretionary basis and \$25,000,000 of Client assets on a non-discretionary basis.

## **Item 5. Fees and Compensation**

Compensation received by the Garrison Advisers and/or their Affiliates for the Garrison Advisers' investment advisory services is comprised of management fees based on a percentage of assets under management and performance-based fees.

### ***Open-End Funds***

For its investment management services to each open-end Fund (each an "***Open-End Fund***"), the applicable Garrison Adviser is entitled to a management fee ("***Management Fee***"), paid quarterly in advance, at an annual rate (typically 2.00%) of each Fund investor's capital account balance. In addition, a *pro rata* portion of the Management Fee will be paid out of any capital contributions made by new or existing Fund investors on any date other than the first day of a fiscal quarter. Certain Open-End Funds may have different Management Fees, as described in the pertinent offering documents.

Typically, the General Partner or Managing Member of an Open-End Fund is entitled to receive an incentive allocation ("***Incentive Allocation***") at the end of each year (and upon withdrawals from the Open-End Fund) of 20% of the Open-End Fund's increase in net asset value ("***NAV***") attributable to the capital account of each investor during the preceding year (or portion thereof, in the case of withdrawals). However, the General Partner or Managing Member will not be allocated any Incentive Allocation with respect to an investor's capital account until the investor has recovered any net capital depreciation attributable to its capital account (as adjusted for withdrawals of capital and any realized gains and losses from Special Investments (as defined below in Item 8)). The Incentive Allocation on increase in NAV may create an incentive for the pertinent Garrison Adviser to cause the Open-End Fund to make investments that are riskier or more speculative than would be the case if the Incentive Allocation was calculated in a different manner. Certain Open-End Funds may have different Incentive Allocations, as described in the pertinent offering documents.

In the case of most of the Open-End Funds, the applicable Garrison Adviser and the General Partner or Managing Member have the right to waive or reduce, from time to time, all or part of the Management Fee and the Incentive Allocation, respectively, with respect to certain Open-End Fund investors (including, but not limited to, the Affiliates and employees (and their families) of the applicable Garrison Adviser and the General Partner or Managing Member) without waiving or reducing the Management Fee or Incentive Allocation with respect to other Fund investors.

In addition to the Management Fee, most of the Open-End Funds also bear certain costs and expenses of the applicable Garrison Adviser and its Affiliates attributable to asset management services and accounting and operational services. However, the costs and expenses associated with asset management services that an Open-End Fund must pay will not exceed 0.25% per annum of the Open-End Fund's NAV.

### ***Closed-End Funds***

For its investment management services to each closed-end Fund (each, a “***Closed-End Fund***”), the applicable Garrison Adviser is entitled to a Management Fee, paid quarterly in advance prior to any distributions to Fund investors, at an annual rate (typically 1.50%) of the capital commitments or capital contributions made by such Fund investors less the aggregate amounts that have been returned to the Fund investors that represent the cost basis realized upon disposition of portfolio investments made with capital contributions, as pertinent. For each Closed-End Fund that is not paying a Management Fee based on capital commitments, if capital or investment proceeds are distributed during any fiscal quarter, the applicable Garrison Adviser will promptly return the *pro rata* portion of the Management Fee in respect of any such distributed amounts. Additionally, for each such Closed-End Fund, in the event that a capital call is made or a closing date occurs during a fiscal quarter, the applicable Garrison Adviser will receive the *pro rata* portion of such Management Fee for the remainder of such fiscal quarter as of the date of the applicable capital call or closing date.

The pertinent General Partner or Managing Member is entitled to receive a Carried Interest (as defined below), based upon the performance of the applicable Closed-End Fund. Except with respect to any tax distributions to the General Partner or Managing Member, all Fund distributions relating to a portfolio investment will be divided among the Fund investors *pro rata* in accordance with their respective capital contributions. The *pro rata* amount apportioned to each such Fund investor will be further divided and distributed so that the Fund investor receives an amount equal to its total capital contributions to the Fund and a specified internal rate of return on that invested capital before additional cash available for distribution is shared between the Fund investor and the General Partner or Managing Member. The amount distributable to the General Partner or Managing Member constitutes the “***Carried Interest***” (capped at a percentage, typically not exceeding 25%, of the Fund’s aggregate profits over its life). The Carried Interest on investment gains may create an incentive for the pertinent Garrison Adviser to cause the Closed-End Fund to make investments that are riskier or more speculative than would be the case if the Carried Interest was calculated in a different manner.

Upon the final liquidation and winding-up of a Closed-End Fund, the General Partner or Managing Member will be required to restore funds to the Closed-End Fund in an amount equal to the extent that the cumulative amount of Carried Interest distributions actually made is in excess of the amount that would have been distributable as Carried Interest distributions if the Carried Interest were calculated at the end of the liquidation period on a cumulative basis including all investments by the Closed-End Fund; provided, however, that in no event will the General Partner or Managing Member be required to restore an amount in excess of the aggregate amount of distributions of Carried Interest actually made, less income taxes paid thereon by the General Partner or Managing Member and/or its direct or indirect owners (except to the extent the applicable tax payer receives a tax credit or benefit in respect of such taxes paid by it).

Each Garrison Adviser and each pertinent General Partner or Managing Member has the right to waive or reduce, from time to time, all or part of the Management Fee and the Carried Interest, respectively, with respect to certain Closed-End Fund investors (including, but not limited to, the Affiliates and employees (and their families) of the Garrison Adviser and the General Partner or

Managing Member) without waiving or reducing the Management Fee or Carried Interest with respect to other Fund investors.

In addition to the Management Fee, certain of the Closed-End Funds also bear certain costs and expenses of the applicable Garrison Adviser and its Affiliates attributable to asset management services and accounting and operational services. However, the costs and expenses associated with asset management services that certain of the Closed-End Funds must pay will not exceed 0.25% per annum of aggregate capital contributions.

### ***Separately Managed Accounts and Certain of the Funds***

Fees for separately managed accounts will be negotiated on a case-by-case basis.

As noted above, certain of the Funds may have a negotiated fee structure.

### ***CLO Vehicle***

GIG receives no compensation for the performance of its obligations as collateral manager for the CLO Vehicle.

### ***Other Types of Fees or Expenses***

Fund investors bear indirectly the fees and expenses charged to the Funds. These fees vary, but typically include (but are not limited to) legal/compliance fees; administration, audit, accounting (including, but not limited to, trading, risk, portfolio management and accounting systems and software) and tax preparation fees; and administrative fees and custodial and transaction costs paid to custodians, broker-dealers and other third parties. Also, the Funds pay for routine insurance costs associated with the operations of the Funds. Separately managed account holders pay similar fees and expenses.

Fund investors and separately managed account holders should review all fees charged by the Garrison Advisers, custodians, and broker-dealers and other third parties to fully understand the total amount of fees to be paid by the Funds and separately managed accounts. Please also see “***Brokerage Practices***” below.

### ***Side Letters***

The pertinent Garrison Adviser, General Partner or Managing Member and/or Fund may from time to time enter into agreements with certain Fund investors that may provide for terms of investment that are more favorable than the terms described in the relevant Fund offering documents. Such terms may include the waiver, reduction or rebate of Management Fees, Fund expenses and/or Incentive Allocation or Carried Interest, the provision of additional information or reports or more favorable transfer rights. No such agreement will necessarily entitle any other Fund investor to the same terms of investment.

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

All Clients other than the CLO Vehicle pay a performance-based fee. However, the CLO Vehicle is a subsidiary of a Fund that pays a performance-based fee. The performance-based fees paid by the Clients vary, which could create an incentive for Garrison to favor one Client over another. Garrison addresses this possible conflict through its investment allocation policy. Please see Item 12, “Allocation of Investment Opportunities.”

## **Item 7. Types of Clients**

As described in Item 4, the Garrison Advisers generally provide investment advice to Funds, separately managed accounts and the CLO Vehicle.

Investment advice is provided directly to the Funds and not individually to the Fund investors. The Fund investors generally consist of state pension funds, endowments, corporate pension funds, foundations, funds of funds and high net worth families and individuals.

The Garrison Advisers’ current separately managed account holder is a hedge fund of funds. Minimum account size for opening or maintaining a separately managed account is negotiable.

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

### ***Methods of Analysis and Investment Strategies***

#### ***Open-End Funds***

The Open-End Funds, according to each Fund’s particular strategy, generally invest in a diversified portfolio of assets, loans and other investments. These investments will generally be made across a broad spectrum of asset types which include corporate, real estate, structured finance and consumer assets. The investment activities of an Open-End Fund may include, for example, some combination of the following:

*Loan Origination.* An Open-End Fund or its Affiliates may opportunistically originate and participate in loans made to (i) obligors who need cash quickly to take advantage of an opportunity, (ii) obligors who are asset rich and liquidity poor, (iii) obligors where the loan made will facilitate an attractively priced asset purchase for the Fund or (iv) acquirers of other loans or assets. Successful opportunistic lending is predicated upon the ability to understand a borrower’s earnings capability and stability, the value of its asset base and, in a downside scenario, accurately predict liquidation values and how long a liquidation process will last.

*Corporate Value.* An Open-End Fund may invest in large and middle market individual corporate credits, real estate financings and structured transactions by looking at the capital structure and determining the best perceived entry point from a risk-return perspective. This analysis generally includes looking at in-place and *pro forma* cash flow and asset liquidation coverage, the likely catalysts for refinancing and asset sales, as well as management incentives. These investments may focus on companies that are financially challenged, distressed, in default, in an active bankruptcy proceeding or simply had the pricing of their liabilities affected by an event in the marketplace that has overstated the true economic impact. The applicable Garrison



Adviser analyzes the specific investment opportunity for its recovery, restructuring or liquidation potential and determines how best to limit the Fund's downside risk. These investments are generally not controlling, allowing the Fund to have more flexibility with respect to its exit, although the Fund may acquire controlling interests from time to time.

*Acquisitions of Receivables Portfolios, Asset Backed Securities and Tangible Assets.* An Open-End Fund may actively make investments in portfolios of loans and other receivables and tangible assets to take advantage of sellers' need to finance themselves creatively or to sell non-strategic portfolios of assets. These portfolios may include consumer and commercial receivables, residential and commercial mortgage loans, leases, limited partnership interests, insurance policies, contract receivables, royalties, trust certificates as well as other financial instruments that provide for the contractual or conditional payment of an obligation. The Fund may purchase asset and mortgage backed securities on an opportunistic basis where, through better understanding of the structure or servicing, the Fund can acquire the asset backed security at a discount to the value of the underlying receivables. The Fund also may acquire real property, lease residuals, equipment and other assets in situations where the liquidity needs of sellers allow the Fund an entry point below current market value.

*Structured Finance Investments.* An Open-End Fund may sponsor, sell portfolio assets and invest in the debt and equity securities of structured finance entities, which are typically special purpose vehicles that hold income-producing securities and other financial assets. A Fund may establish subsidiaries or affiliated entities that serve as structured finance vehicles to finance the Fund's loan and debt portfolio.

*Special Investments.* An Open-End Fund may make investments in illiquid securities and assets and other assets or securities that lack a readily assessable market value. Each such investment may be designated as a "***Special Investment***" and be held in its own separate Special Investment account on the books and records of the Fund.

The applicable Garrison Adviser or an Affiliate may form one or more offshore investment vehicles or companies through which an Open-End Fund makes non-U.S. investments.

#### *Closed-End Funds*

The Closed-End Funds pursue one or more investment strategies generally focusing on investments in distressed, sub-performing, non-performing and/or mispriced opportunities.

*Corporate Middle Market Secondary Purchases.* A Closed-End Fund may (i) purchase middle market leveraged loans at significant discounts from the par value of those loans from financial institutions looking to divest these assets and/or (ii) invest in all layers of the capital structure for borrowers who are undergoing operational and/or financial debt restructurings.

*Financial Assets.* A Closed-End Fund may pursue asset acquisitions in a range of consumer asset classes, including portfolios of consumer receivables. Additional investments may include small balance commercial loans, commercial leasing, aircraft and commercial and industrial loans. Other asset classes include esoteric and illiquid opportunities that may be sold by distressed sellers seeking liquidity and balance sheet relief. These opportunities are pursued

through direct sourcing as well as proprietary joint-venture relationships with both sourcing and servicing partners.

*Real Estate.* A Closed-End Fund may target investment opportunities that capitalize on disequilibrium in the commercial real estate finance markets. Primary areas of focus will generally include acquisitions of distressed individual loans and loan portfolios from investment banks and regional banks, direct origination of hard money loans and opportunistic subordinate loans, and outright property acquisitions.

*Corporate Middle Market Loan Origination.* A Closed-End Fund may invest in middle market companies that are being purchased by financial sponsors, are suffering financial stress and/or are unable to access the broader capital markets. Possible investments include, but are not limited to (i) bankruptcy financing (such as debtor in possession and exit loans), (ii) special situation investments (such as rescue financing, working capital and bridge loans) and (iii) any other debt, whether secured or unsecured, senior or subordinated, that may include an equity component (such as warrants or stock).

Certain Closed-End Funds or an Affiliate may establish subsidiaries for the purpose of financing certain of the Funds' investments in loan, debt and other assets.

In order to achieve certain tax, regulatory and administrative efficiencies, certain Closed-End Funds may acquire investments through various entities that are affiliates of, and under common control with, one or more Funds (each, an ***"Acquisition Vehicle"***). None of GIM, the pertinent General Partner or Managing Member or any of their Affiliates will receive any additional fees or compensation for forming or serving as a manager of an Acquisition Vehicle, although such persons may be reimbursed for reasonable out-of-pocket expenses incurred in the provision of such services.

### *CLO Vehicle*

In its capacity as collateral manager, GIG will perform certain investment management functions, including supervising and directing the selection, acquisition, reinvestment and disposition of the Collateral Obligations and other portfolio assets, and will perform certain administrative and advisory functions on behalf of the CLO Vehicle, each in accordance with the applicable provisions of the collateral management agreement (the ***"Collateral Management Agreement"***) and the indenture between the CLO Vehicle and the trustee for the noteholders (the ***"Indenture"***).

Each Collateral Obligation must meet the standards set forth in the Indenture. All of the initial Collateral Obligations were assets that were held indirectly by the Funds that held the equity interests in the CLO Vehicle. The CLO Vehicle is now a subsidiary of a Fund. The Indenture places significant restrictions on GIG's ability to cause the CLO Vehicle to sell Collateral Obligations.

### ***Material Risks of the Garrison Advisers' Strategies***

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Clients' investments. This summary does not attempt

to describe all of the risks associated with an investment in a Fund or the CLO Vehicle. Although no summary can fully describe all of the risks associated with such an investment, the confidential private placement memorandum or confidential offering memorandum for a Fund or the CLO Vehicle contains a more complete description of the risks associated with an investment in that Fund or the CLO Vehicle. The separately managed accounts generally invest in parallel with the Funds.

*Use of Leverage.* A Fund may regularly employ leverage as part of its investment program. The greater the total borrowings of a Fund relative to its investments, the greater will be its risk of loss and possibility of gain due to market fluctuations in the values of its investments. In addition, money borrowed by a Fund will be subject to interest costs, which will be an expense of the Fund, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of the Fund.

*Liquidity of Investments.* A Fund may invest in securities, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on a Fund's investments. A Fund may not be able to sell investments when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid investments often requires more time and results in higher selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over the counter markets.

*Limited Liquidity.* An investment in an Open-End Fund provides limited liquidity because the interests are not freely transferable and withdrawals are substantially limited. Generally, an investor has the right to withdraw all or any portion of its capital account as of each withdrawal date specified by the applicable Open-End Fund. The settlement of such withdrawal, however, may be delayed. Furthermore, an investor may not be able to make a partial withdrawal if after the partial withdrawal its capital account would be less than a threshold amount. Finally, a substantial portion of an investor's investment in an Open-End Fund may comprise an interest in special investments, which may not voluntarily be withdrawn.

*No Ability to Withdraw.* An investor of a Closed-End Fund may not receive the complete payout of its capital account until the termination of the Closed-End Fund's liquidation period. An investor will not be able to voluntarily withdraw any portion of its investment in a Closed-End Fund. Further, the interests of the Closed-End Funds have not been registered under the Securities Act of 1933 or under the securities laws of any applicable jurisdiction. Therefore, the interests are not freely transferable and there is no public market for the interests and none is expected to develop.

*Contingent Liabilities.* A Fund may from time to time be required to guarantee certain obligations of certain of its subsidiaries. In addition, a Fund may arrange or purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Fund would be obligated to fund the amounts due. A Fund may

also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Fund.

*Third-Party Involvement.* A Fund may co-invest with third parties through partnerships, joint ventures or other entities. Such investments involve risks not present in investments where a third-party is not involved, including the possibility that a third party coventurer or partner may at any time have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objective of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third-party coventurer or partner.

*Valuation of Assets.* To the extent required by the constitutive documents of the Funds, the Garrison Advisers seek out independent valuations of that Fund's assets (to the extent practicable). When no market exists for an investment or when the applicable Garrison Adviser determines that the market price does not fairly represent the value of an investment, the applicable Garrison Adviser may value such investment at fair value as it reasonably determines. There is no guarantee that fair value represents the value that may be realized by the Fund on the eventual disposition of the investment or that could, in fact, be realized upon an immediate disposition of the investment.

*Risks Associated with Investments in Distressed Assets.* A Fund may invest in distressed assets and portfolios of distressed assets, including high-yield securities and non-investment grade obligations primarily of U.S. companies (including companies in significant financial or business difficulties), delinquent and charged-off consumer loans, commercial and residential mortgage loans, small business loans, commercial and industrial loans and real estate. Although such investments may result in significant returns to a Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high.

*Risks Associated with Bankruptcy Cases.* Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization process can involve substantial legal, professional and administrative costs to the company and the Funds; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The Funds may, from time to time, invest in debt, the debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the company's fundamental value. Such investments can result in a total loss of principal. In addition, a Fund may purchase creditor claims subsequent to the commencement of a bankruptcy

case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Investment in financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

*Risks of Investments in Special Situations.* A Fund may invest in special situations as part of its strategies. A Fund may make “rescue” financings ranging from secured debt to equity infusions including, without limitation, investments in companies that are in need of liquidity or facing debt maturities, or provide growth capital to companies who cannot access the capital markets due to cyclical factors or financial market dislocation. Such companies’ securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Additionally, a Fund may make investments in “event-driven” special situations such as recapitalizations, spinoffs, corporate and financial restructurings, litigation or other liability impairments, turnarounds, management changes, consolidating industries and other catalyst-oriented situations. The Garrison Advisers believe these types of investments often have limited downside risk relative to their current valuations. The Garrison Advisers could, however, be incorrect in their assessment of the downside risk associated with an investment, thus resulting in significant losses to a Fund.

*Nature of Investment in Secured Loans.* The assets of the portfolio of a Fund will include secured debt, which involve various degrees of risk of a loss of capital. The factors affecting a company’s secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of a company. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk.

Secured credit facilities may be syndicated to a number of different financial market participants. The documentation governing the facilities typically require either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the facility, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a company pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, the Fund may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Fund.

Secured loans are also subject to other risks, including (i) the possible invalidation of a debt or lien as a “fraudulent conveyance”, (ii) the possible invalidation as a “preference” of liens

perfected or recovery by a bankrupt borrower of debt payments made in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called “lender liability” claims by the borrower of the obligations and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

*General Credit Risks of Loan Origination.* While loans originated by a Fund or its affiliates are intended to be over-collateralized, the Fund may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A Fund cannot guarantee the adequacy of the protection of the Fund’s interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a Fund cannot assure that claims may not be asserted that might interfere with enforcement of the Fund’s rights. In the event of a foreclosure, a Fund or one of its affiliates may assume direct ownership of the underlying collateral. The liquidation proceeds upon a sale of such collateral may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying collateral may further reduce the proceeds and thus increase the loss.

*Risks Associated with Originating Loans to Companies in Distressed Situations.* A Fund or its affiliates may originate loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to a Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. In any reorganization or liquidation proceeding relating to a company that a Fund funds, the Fund may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by the Fund to the borrower.

*Lower Credit Quality Loans.* Loans arranged by a Fund may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which a Fund may fund have large uncertainties or major risk exposure to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

*Bridge Financings.* A Fund may lend to companies on a short-term, subordinated basis or otherwise invest on an interim basis in companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term financing; however, for reasons not always in the Fund’s control, such long-term financing or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the

interest rate on such loans or the term of such interim investments may not adequately reflect the risk associated with the position taken by the Fund.

*Participations.* A Fund may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest and not with the borrower. In purchasing participations, the Fund may have no right to enforce compliance by the borrower with the terms of the credit agreement, nor any rights of set-off against the borrower, and the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund may assume the credit risk of both the borrower and the institution selling the participation to the Fund. There can be no assurance that levels of supply and demand in bank loan investing will provide an adequate degree of liquidity for the Fund's investments therein. In addition, the Fund may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

*Borrower Risk.* Borrowers under loans in which a Fund may invest may include privately-owned mid-sized companies, which present a greater risk of loss than loans to larger companies. Compared to larger, publicly owned firms, these companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. These financial challenges may make it difficult for a Fund's borrowers to make scheduled payments of interest or principal on the Fund's loans. Accordingly, advances made to these types of borrowers entail higher risks than advances made to companies who are able to access traditional credit sources.

*Real Estate Risk.* Investing in real estate related instruments is subject to cyclicalities and other uncertainties. There can be no assurance as to a Fund's performance in a weaker market or weakened economy. The cyclicalities and leverage associated with real estate related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. A Fund's real estate-related investments are secured by or otherwise relate to properties of varying types, geographic locations, owners, tenants and other factors which could make such investments susceptible to particular types of risks relating to such factors, including local economy, real estate market conditions, special hazards and competition.

The value of the real estate which secures certain investments of a Fund is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation or foreclosure. In addition, adverse changes in the real estate market increase the probability of default, as the equity in the property declines. Furthermore, many of the properties which will secure loans originated or purchased by a Fund or its affiliates may be suffering varying degrees of financial distress or may be located in economically distressed areas. Such loans may become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt

service payments), the mortgaged property is poorly managed or because the mortgaged property has a high vacancy rate, has not been fully completed or is in need of rehabilitation. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such loan, replacement “take-out” financing will not be available.

*Lack of Availability/Insufficiency of Property Insurance.* There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate to restore a Fund’s economic position with respect to the affected real property. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property.

*Risks of Investments in Junior Mortgages or Mezzanine Loans.* In each instance where an investment is either a junior mortgage or a mezzanine loan secured by interests in a property-owning entity, a Fund’s investment will be subject, directly or indirectly, to the mortgage or other security interest of a senior lender. The rights and remedies afforded a senior lender may limit or preclude the exercise of rights and remedies by the Fund, with resultant loss to the Fund. Further, the equity owners of properties or entities in which the Fund invests may raise defenses (including protection under bankruptcy laws) to enforcement of rights or imposition of remedies by the Fund. In the event such defenses were successful, or resulted in delay, loss to the Fund could result.

*Environmental Liabilities.* Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos containing materials. Absent succeeding to ownership or control of real property, a secured lender is not likely to be subject to any of these forms of environmental liability. If a Fund ever succeeds to ownership or control of a property and becomes subject to significant environmental liabilities, the Fund’s business, financial condition, liquidity, and results of operations could be materially and adversely affected.



*Risk of Delinquency and Foreclosure.* Commercial mortgage loans are secured (directly or indirectly) by multifamily or commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower.

In the event of any default under a real estate loan held by a Fund, the Fund will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the real estate loan, which could have a material adverse effect on the Fund's cash flow from operations and limit amounts available for distribution to the Fund's investors. It is likely that a Fund may find it necessary or desirable to foreclose on some, if not many, of its real estate loans. The foreclosure process is often lengthy and expensive.

In the event of the bankruptcy of a real estate loan borrower, the real estate loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the real estate loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law.

*Uncompleted Property Developments Risks.* If a Fund ever succeeds to ownership or control of an uncompleted property development it may be affected by some of the various risks associated with the development of new properties, including regulatory, construction, leasing, sales and financing risks, as well as the risk that the completed properties will be unable to achieve the targeted return on investment. Property developments typically require substantial capital outlay during the construction period and it may take an extended period of time to complete and to occupy before a potential return can be generated.

*Construction Loans, Land Loans and Predevelopment Loans.* A Fund may invest in or originate construction loans. If a Fund fails to fund its entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against the Fund for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan. Furthermore, a Fund may make loans on other non-cash generating assets such as land loans and pre-development loans, and such loans may fail to qualify for construction financing and may need to be liquidated based on the "as-is" value as opposed to a valuation based on the ability to construct certain real property improvements. The occurrence of such events could materially and adversely affect a Fund's results of operations and cash flows. Other loan types may also include unfunded future obligations that could present similar risks.

*Accounts Receivables Relating to Consumer Loans.* A Fund may invest in portfolios of accounts receivables relating to consumer loans, including credit cards, automobile loans and student loans. The performance of such assets may be affected by general economic conditions. Recent changes in economic conditions have adversely affected the performance and market value of such assets. The ability to collect on consumer loan accounts receivables is dependent on the

performance of a servicer. Additionally, servicers may be subject to regulation by certain government agencies, including the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Furthermore, consumer loans are subject to various consumer protection laws which regulate the creation and enforcement of such loans.

*Structured Finance Securities.* A portion of a Fund's investments may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance securities may present risks similar to those of the other types of debt obligations in which a Fund may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, and the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

*Trade Claims.* A Fund may purchase trade claims, often in connection with the restructuring or bankruptcy of a debtor company over which the Fund is trying to exercise influence. The Fund might also acquire trade claims as a means of obtaining control over a debtor that is in the process of emerging from Chapter 11, with an intent to push for a Chapter 11 plan that converts debt to equity or to block acceptance of any Chapter 11 plan it opposes. By purchasing trade claims in connection with a bankrupt company, the Fund could use this leverage to negotiate a more favorable Chapter 11 plan. Alternatively, the Fund could retain the claim, anticipating that the present value of any distribution at the conclusion of the bankruptcy case will exceed the purchase price. Although trade claims may result in significant returns to the Fund, they involve a substantial degree of risk. In order to make successful decisions regarding the objective in connection with the acquisition of trade claims, the level of analytical sophistication, both financial and legal, apposite to such decision-making is unusually high. In addition, if the Fund has acquired trade claims with the objective of exercising influence over a distressed company or in a bankruptcy case, the expected timing can only be estimated and there may be significant delays which may affect the returns on such trade claim investments for the Fund.

*Material Risks Associated with Investment in Collateral Obligations by the CLO Vehicle.* The assets of the CLO Vehicle consist primarily of non-investment grade, middle market leveraged loans and participation interests therein originally owned indirectly by Funds that held the equity interests in the CLO Vehicle. These loans may be senior secured or unsecured loans or second lien loans and participation interests therein, the material risks of investing in which are described herein, including but not limited to under the headings "Liquidity of Investments," "Valuation of Assets," "Risks Associated with Investments in Distressed Assets," "Risks Associated with Bankruptcy Cases," "Lower Credit Quality Loans," "Borrower Risks," "Nature of Investment in Structured Loans" and "Participations." In addition to the risks described herein with respect to the Garrison Advisers' Strategies, an investment in the CLO Vehicle is also a leveraged and structured investment. The CLO Vehicle's assets are subject to the lien of an indenture and the CLO Vehicle is limited in its ability to purchase and sell new loans. Any

investment in the CLO Vehicle is non-recourse to the issuer or any affiliate of the Garrison Advisers. The Funds' interests in the CLO Vehicle are subordinate to the notes issued to third-party investors by the CLO Vehicle. In certain instances following an event of default, the assets of the CLO Vehicle can be liquidated without the consent of all of the investors in the CLO Vehicle, which could result in a loss to certain investors (including the Funds as the indirect holders of the most subordinate interests). In addition, any investment in the CLO Vehicle is highly illiquid, as the securities are not registered and subject to various transfer restrictions, and may be made only by qualified investors.

*Hedging Transactions and Counterparty Risk.* A Fund may from time to time enter into over-the-counter ("**OTC**") derivative transactions, forward contracts, options and swaps as a way to mitigate risk associated with its investments. Although the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Reform Act**") will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearinghouse, certain of the OTC swaps that a Fund may enter into pursuant to its hedging activities may remain principal-to-principal or OTC contracts that the Fund and third parties entered into privately. The risk of counterparty nonperformance can be significant in the case of these OTC instruments, and "bid-ask" spreads may be unusually wide in these heretofore substantially unregulated markets. While the Reform Act is intended in part to reduce these risks (for example, by imposing capital and margin requirements for uncleared OTC swaps on dealers and major swap participants), its success in this respect may not be evident for some time after the Reform Act is fully implemented, a process that may take several years.

*Short Selling.* A Fund may use short selling for hedging purposes. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Fund engages in short sales depends upon its investment strategy and perception of market direction. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, the U.S. government and certain non-U.S. jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers.

*Global Investments.* A Fund may invest a portion of its capital in the debt, loans or other securities of issuers located outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization.

*Control Position.* A Fund may obtain a controlling or other substantial position in any public or private company. Should such a position be obtained, filings concerning such holdings with the SEC may be required and other regulatory restrictions that could limit the ability to dispose of such holdings at the times and in the manner preferred. Additionally, such control could impose

additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

*Timing Risk.* Many agency, corporate and municipal bonds, and most mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date often after 5 or 10 years. The issuer usually retains the right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because an issuer is more likely to call the bonds when interest rates have dropped, a Fund may be exposed to reinvestment rate risk, *i.e.*, a Fund may have to reinvest at lower interest rates the proceeds received when the bond is called. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

*Highly Volatile Instruments.* A Fund may invest in derivative instruments. The prices of derivative instruments, including forward contracts, swaps and options, are highly volatile. Price movements of forward contracts and other derivative contracts in which a Fund’s assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Fund may be also subject to the risk of the failure of any exchange on which its positions trade or of their clearinghouses.

*Synthetic Securities.* A Fund may invest in synthetic securities. In these type of investments, a Fund will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the Reference Obligor (as defined below) on the Reference Obligation (as defined below). The Fund generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Fund will not benefit directly from any collateral supporting the Reference Obligation or have the benefit of the remedies on default that would normally be available to a holder of such Reference Obligation. In addition, in the event of insolvency of its counterparty, the Fund will be treated as a general creditor of such counterparty and will not have any claim with respect to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of synthetic securities with any one counterparty subject a Fund to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. The applicable Garrison Adviser will not perform independent credit analyses of the counterparties, any such counterparty, or an entity guaranteeing such counterparty, individually or in the aggregate. A “**Reference Obligation**” is the debt security or other obligation upon which the synthetic security is based. A “**Reference Obligor**” is the obligor on a Reference Obligation.

## **Item 9. Disciplinary Information**

The Garrison Advisers have no legal or disciplinary events to report that would be material to a Client's or prospective Client's evaluation of the Garrison Advisers' advisory business or the integrity of their management.

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

The Garrison Advisers and their employees do not have relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

### *Code of Ethics*

As investment advisers, the Garrison Advisers owe a fiduciary duty to their Clients. Accordingly, the Garrison Advisers and their employees must not act or behave in any manner or engage in any activity that (i) creates even the suspicion or appearance of the misuse of material non-public information, (ii) gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any Client or (iii) creates any undisclosed and/or unaddressed conflict of interest, between any Client, on the one hand, and the Garrison Advisers or any employee, on the other hand, or between Clients. The Garrison Advisers seek to foster and maintain a reputation for honesty, integrity and professionalism.

The Garrison Advisers have adopted a Code of Ethics that sets forth standards of ethical and business conduct expected of the Garrison Advisers' personnel and addresses conflicts that may arise from personal trading by such personnel. The Code of Ethics, among other things, requires compliance with the federal securities laws, reflects the Garrison Advisers' fiduciary responsibilities and those of their advisory personnel, prohibits certain personal securities transactions, requires the Garrison Advisers' personnel to periodically report their personal securities transactions and to preclear certain securities transactions and addresses prevention of the misuse of material nonpublic information. The Code of Ethics will be provided to any Client or Fund investor or potential Client or Fund investor upon request.

### *Principal Transactions and Cross Trades*

The Garrison Advisers on occasion may engage in principal transactions with Clients. A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) buys a security from, or sells a security to, a client's account. The Garrison Advisers will conduct all principal transactions according to the disclosure and client consent requirements of Section 206(3) of the Advisers Act. The precise application of these disclosure and consent requirements may depend on the nature of the Client and the transaction. The Garrison Advisers must determine that any principal transaction is in the best interest of the participating Client.

The Garrison Advisers may determine that it is in the best interests of two or more Clients to transfer a security from one Client to another for tax purposes, liquidity purposes or to reduce transaction costs that may arise in an open market transaction (a “***Cross Trade***”). Cross Trades, which may or may not constitute principal trades, will be conducted in accordance with the Garrison Advisers’ fiduciary responsibility to each participating Client, must be in the best interest of each participating Client and must be consistent with the Garrison Advisers’ duty to seek best execution. The Garrison Advisers will rely on their valuation procedures to determine the appropriate price to effect the transaction. The Garrison Advisers will monitor the percentage of ownership in each of the Funds held directly or indirectly by the Garrison Advisers and their Affiliates in order to identify any potential principal trading issues.

With respect to certain Funds, the pertinent general partner has appointed (subject to the consent of a majority of the unaffiliated Fund investors) one or more independent limited partners’ representatives to provide a mechanism for approving the valuation of Cross Trades.

## **Item 12. Brokerage Practices**

### **Best Execution**

The Garrison Advisers have full discretionary authority to direct trades for the Funds and may choose or recommend broker-dealers and counterparties for the separately managed accounts. While the transactions in which the Garrison Advisers engage do not typically require the use of broker-dealers, to the extent a broker-dealer is used by a Garrison Adviser to execute securities transactions for any Client the Garrison Adviser is subject to a duty to seek best execution for such securities transactions.

In selecting broker-dealers, the Garrison Adviser will use its reasonable efforts to obtain best price and execution and will consider such factors, for example, as (i) quality of execution, (ii) any conflicts of interest regarding a trading counterparty, (iii) reputation, financial strength and stability of the broker-dealer, (iv) overall costs of a trade and (v) willingness to execute difficult transactions. To the extent applicable, the Garrison Advisers will also consider the above factors in selecting and approving counterparties that may be used in connection with transactions for Client accounts.

The Garrison Advisers need not solicit competitive bids and have no obligation to seek the lowest possible commission cost. Accordingly, if a Garrison Adviser determines in good faith that the amount of commissions or other compensation charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by the broker-dealer, the Client may pay commissions or other compensation to such broker-dealer in an amount greater than the amount another broker-dealer might charge. Research obtained from or paid by a broker-dealer may be used by the Garrison Advisers to service Client accounts other than the Client that generated the commission. Where a product or service obtained with commission dollars provides both research and non-research assistance to the Garrison Advisers, the Garrison Advisers will make a reasonable allocation of the cost that may be paid for with commission dollars.

### Soft Dollar Benefits

The Garrison Advisers currently have no soft dollar arrangements. However, the Garrison Advisers may use full-service broker-dealers that provide research or other products or services to most or all of their customers, without being requested to do so, and the Garrison Advisers may on occasion receive and use research provided by these broker-dealers. In this situation, the Garrison Advisers receive a benefit because they do not have to produce or pay for the research. The Garrison Advisers may have an incentive to select broker-dealers based on their interest in receiving the research or other products or services, even though no soft dollar arrangements are in place, rather than on the Garrison Advisers' Clients' interest in receiving the most favorable execution. However, since the research provided is not material in nature and quantity and is provided by most broker-dealers with which the Garrison Advisers deal, the Garrison Advisers' receipt of such research does not have a material effect on the Garrison Advisers' selection of broker-dealers. The Garrison Advisers do not separately compensate such broker-dealers for the provision of such services and do not believe that they "pay up" for such services. The research received is used for the benefit of all Garrison Adviser Clients.

### Trade Errors

Trade errors may occasionally occur with respect to trades executed on behalf of a Client. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold. Trade errors frequently result in losses but may occasionally result in gains. The Garrison Advisers and their Affiliates will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker-dealer, the Garrison Advisers will strive to recover any losses associated with such error from the third party. The Garrison Advisers will determine whether any trade error has resulted from the gross negligence, willful misconduct or bad faith of the Garrison Adviser or an Affiliate, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the applicable Client. If a trade error occurs, the Garrison Advisers and their Affiliates will make a good faith determination regarding the cause of the error. However, in making such a determination, the Garrison Advisers and their Affiliates will have a conflict of interest.

### Allocation of Investment Opportunities

The Garrison Advisers will use their best judgment and act in a manner that they consider fair and reasonable in allocating investment opportunities among the Clients.

Each Client has its own investment mandate (*e.g.*, investment objective, expected rate of return, type of investments, expected timing of exit) that may preclude it from participating in certain investments. Additionally, each Client has different groups of investors with unique tax, legal and/or regulatory requirements that may prevent any one Client from participating in certain investments.

When it is determined that an opportunity is suitable for more than one Client, the Garrison Advisers will seek to allocate opportunities among those Clients (and, as pertinent, execute

orders for all participating Client accounts) on a fair (and, over time, equitable) basis. Although such allocations may be *pro rata*, they will not necessarily be so, where the Garrison Advisers' allocation policies dictate a different result. For example, the Garrison Advisers in allocating such investment opportunities will consider, as pertinent and without limitation, the proposed investment's size, liquidity and time horizon, each such Client's diversification guidelines and differing objectives, the likelihood of current income, the anticipated duration of the investment and available capital. Allocations may also differ for tax, regulatory or other reasons as deemed appropriate by the Garrison Advisers. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner, and it is possible that a particular Client may not be given the opportunity to participate in certain investments made by other Clients that meet the Client's investment objectives. Where conflicts arise in the allocation of investment opportunities, the Garrison Advisers seek to resolve such conflicts fairly.

#### Aggregation of Trades

The Garrison Advisers may, but are not required to, aggregate sales and purchase orders of securities being made simultaneously for more than one Client, if, in the pertinent Garrison Adviser's reasonable judgment, such aggregation will result in an overall economic benefit to the pertinent Clients.

### **Item 13. Review of Accounts**

*Review of Accounts.* The Garrison Advisers will review, as pertinent, each Client's portfolio holdings to determine that the investments held by each Client remain consistent with the pertinent offering documents, investment advisory agreement, collateral management agreement and/or indenture and will generally review each Client's performance on an ongoing basis.

*Reports to Clients.* Generally, Fund investors will receive unaudited information regarding NAV monthly (in the case of the Open-End Funds) or quarterly (in the case of the Closed-End Funds). Fund investors also will receive annual audited financial statements of the applicable Fund. Separately managed accounts will receive reports as agreed upon in the pertinent investment advisory agreement. Reports regarding the CLO Vehicle are prepared and made available in accordance with the applicable Collateral Management Agreement and the Indenture.

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

The Garrison Advisers may enter into compensation arrangements with third party solicitors for new advisory business. Any solicitation arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

The pertinent Garrison Adviser and the Managing Member or the General Partner of certain Funds may select one or more placement agents, on an exclusive or non-exclusive basis, to offer Fund interests. The Garrison Advisers and their Affiliates currently intend to compensate any such placement agents out of their own funds, but reserve the right to, in the future, charge a subscriber a subscription charge in addition to its commitment. Placement agents that solicit prospective investors on behalf of a Fund are subject to a conflict of interest because they will be compensated by the Garrison Adviser and/or its Affiliate in connection with their solicitation activities.



## **Item 15. Custody**

*Funds.* All Fund assets are held in custody by unaffiliated qualified custodians. However, the Garrison Advisers are deemed to have custody of the assets contained in the Fund portfolios, since a Garrison Adviser or an affiliate serves as general partner or managing member of each of the Funds. Fund investors do not receive account statements from the custodian; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor.

*Separately Managed Accounts.* The Garrison Advisers do not maintain custody of funds and securities contained in the separately managed account portfolio.

*CLO Vehicle.* The pertinent Garrison Adviser does not maintain custody of the assets of the CLO Vehicle.

## **Item 16. Investment Discretion**

The Garrison Advisers provide discretionary investment advisory services to the Funds and the separately managed accounts. The pertinent Garrison Adviser may make investment decisions, without consultation with the Fund or Fund investors, regarding which securities are bought and sold for the Fund or separately managed accounts, the total amount of the securities to be bought and sold, the broker-dealers (if any) with which orders are placed for execution and (as applicable) the commission rates at which securities transactions are effected.

With respect to the separately managed accounts, discretionary authority is granted to the pertinent Garrison Adviser in the applicable investment management agreement.

In its capacity as collateral manager, GIG performs certain investment advisory and administrative functions on behalf of the CLO Vehicle, in accordance with the applicable provisions of the Collateral Management Agreement and the Indenture. The Indenture places significant restrictions on GIG's ability to cause the CLO Vehicle to sell Collateral Obligations.

## **Item 17. Voting Client Securities**

The Garrison Advisers have voting authority and responsibility with respect to securities held by the Funds and may have voting authority with respect to securities held by other Clients. In addition to proxy solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

In voting proxies, the Garrison Advisers are guided by general fiduciary principles. The Garrison Advisers vote proxies in the manner they believe is consistent with efforts to achieve a Client's stated investment objectives, including maximizing the value of the Client's portfolio.

The Garrison Advisers' general policy is to vote in accordance with the recommendation of an issuer's management on routine and administrative matters, unless the Garrison Adviser has a particular reason to vote to the contrary. This general policy is not a predetermination, however,

to vote in favor of the issuer's management, as the Garrison Advisers will review all client proxies in accordance with the general fiduciary principles noted above. With respect to non-recurring or extraordinary matters, the Garrison Advisers will vote on a case-by-case basis in accordance with the goals of achieving a Client's stated objectives. The Garrison Advisers at times may determine that refraining from voting a proxy is in the Client's best interest, such as when the Garrison Adviser's analysis of a particular proxy indicates that the cost of voting the proxy may exceed the expected benefit to the Client.

In certain situations, a Client may provide the Garrison Adviser with a statement of proxy voting policy or guidelines. In these situations, the Garrison Adviser will seek to comply with such policy or guidelines to the extent that it would not be inconsistent with applicable regulation or the Garrison Adviser's fiduciary responsibilities.

The Garrison Advisers follow procedures designed to identify conflicts or potential conflicts that could arise between their own interests and those of their Clients. If it is determined that any such conflict or potential conflict is not material, the Garrison Adviser may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, one or more methods may be used to resolve the conflict, including (i) disclosing the conflict to the Client and obtaining its consent before voting, (ii) engaging a third party to recommend a vote with respect to the proxy or (iii) such other method as is deemed appropriate under the circumstances.

Clients and Fund investors may request a copy of the Garrison Advisers' Proxy Voting Policy and Procedures, as well as applicable proxy voting records, by contacting Brad Harris at the Garrison Advisers.

## **Item 18. Financial Information**

The Garrison Advisers have never filed for bankruptcy and are not aware of any financial condition that is reasonably likely to impair their ability to meet contractual commitments to their Clients.