

Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of GB Merchant Partners, LLC (“GBMP”). If you have any questions about the contents of this brochure, please contact Mitchell Cohen, Chief Compliance Officer, at 617-422-6207 or mcohen@gordonbrothers.com.

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

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

February 14, 2012

Item 2: Material Changes

Annual Update

This Item 2 is not applicable. This brochure is GBMP's initial brochure.

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Item 4: Advisory Business

A: Firm Description

GB Merchant Partners, LLC (“GBMP”), a Delaware limited liability company formed on April 28, 2003, is wholly owned by its parent company Gordon Brothers Group, LLC (“Gordon Brothers”), a Delaware limited liability company formed on January 4, 1998.

B: Types of Advisory Services

GBMP currently provides investment advisory services on a discretionary basis only to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended (collectively, the “Funds”).

C: Tailored Services

GBMP can tailor its advisory services to the individual needs of clients. Under certain circumstances, clients may impose restrictions on investing in certain securities or types of securities.

D: Wrap Fee Programs

GBMP does not participate in any wrap fee programs.

E: Client Assets Under Management

As of December 31, 2011, GBMP has approximately \$447,775,861 in regulatory assets under management on a discretionary basis. GBMP does not currently manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

A. Description

Since GBMP's brochure is delivered only to "qualified purchasers," as defined in Section 2(a)(51)(A) under the Investment Company Act of 1940, as amended, the information requested by Item 5A has not been provided.

B. Fee Billing

For 1903 Debt Fund, LP, a Delaware limited partnership, and 1903 Offshore Debt Fund, Ltd., a Cayman Islands limited company (each, a "Debt Fund," and collectively, the "Debt Funds"), management fees are deducted in advance from the Debt Funds' assets on a quarterly basis. In addition, a performance fee/allocation is deducted from each Debt Fund's assets and paid or allocated to an affiliate of GBMP at the end of the applicable fiscal year in arrears and is subject to a modified high water mark. For 1903 Equity Fund, L.P., and 1903 Equity Fund (AIV), L.P., each a Delaware limited partnership (each an "Equity Fund," and collectively, the "Equity Funds"), management fees are deducted in advance from the Equity Funds' assets twice a year for approximately the following 5 1/2 month period. Performance fees in the form of carried interest are paid to an affiliate of GBMP through a waterfall provision after each partner in each Equity Fund has been returned all capital contributions and an annual preferred return compounded annually. Management fees are prorated for any period that is less than a full period.

C. Other Fees and Expenses

For the Equity Funds, to the extent possible, third party costs related to portfolio investments are charged to portfolio companies. Each Equity Fund, to the extent not reimbursed by a portfolio company, bears all expenses related to its operations, including, without limitation, fees, costs, expenses and liabilities directly related to the purchase, holding and sale of securities, unconsummated transaction expenses, management fees, taxes, fees and expenses of auditors, third party accounting and administrative service providers, consultants and counsel, expenses associated with such Equity Fund's financial statements, tax returns and K-1s, expenses of the board of advisors and annual meetings, insurance, litigation expenses and, subject to the approval of the board of advisors, any extraordinary expense.

For the Debt Funds, each Debt Fund bears all reasonable expenses related to its operations, including management fees paid to GBMP, legal, accounting, auditing and other professional expenses, directors and officers insurance or similar insurance expenses of each Debt Fund, its general partner or board of directors, as applicable, or GBMP, administration expenses, organizational expenses, expenses of appraisal and valuation firms, research expenses (including research-related travel) and investment expenses such as custodial fees, bank service fees, interest on margin loans or other indebtedness, commitment and other fees relating to credit facilities, brokerage commissions, legal fees and due diligence expenses related to analysis of investments, purchase or sale of investments and loans, whether or not such investments or loans are consummated or sold, and other expenses related to the purchase, sale or transmittal of such Debt Fund's assets.

Please refer to Item 12 for more information.

D. Fees in Advance

Investors in the Funds must pay management fees in advance. GBMP offers pro rata refunds to any investors in the Funds of any unearned management fees paid in advance.

E. Securities Compensation

Not applicable.

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

Sharing of Capital Gains

All Funds managed by GBMP pay performance fees/allocations (if applicable) to GBMP or affiliates of GBMP. All of the Funds managed by GBMP or any of its supervised persons are charged both management fees and performance fees/allocations, if applicable. GBMP and its affiliates can waive management fees and performance fees/allocations (if applicable) for any investors in their sole discretion.

Item 7: Types of Clients

Description

GBMP currently provides investment advisory services on a discretionary basis only to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended.

Account Requirements

In general, the Equity Funds require minimum initial investments of \$5,000,000; the Debt Funds requires minimum initial investments of \$500,000. However, these Funds may accept subscriptions for lesser amounts. In addition, the Funds require that each investor is an “accredited investor,” as defined in Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser,” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. The general partner/board of directors of each Fund, as applicable, may waive these minimum initial investments in their sole discretion.

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

A. Methods of Analysis and Investment Strategies: EQUITY FUNDS

For the Equity Funds, GBMP focuses primarily on making investments in middle market consumer companies. GBMP believes the retail and consumer products industries offer a broad spectrum of attractive investment opportunities that are compatible with the core competencies of the broader Gordon Brothers organization.

The defining element of GBMP's strategy is to invest in retail and consumer products businesses that would benefit from a meaningful Gordon Brothers impact. Given its breadth and depth of relevant experience, Gordon Brothers has the ability to impact all stages of the private equity investment process – from sourcing, due diligence, valuation, structuring and execution to portfolio management and exit. Gordon Brothers and GBMP have a track record of building value by recognizing companies that have not yet maximized their potential and committing capital and resources to those businesses at inflection points in their development.

Given Gordon Brothers' unique operating core, GBMP also periodically has the opportunity to co-invest with certain larger, prominent private equity firms. GBMP may selectively co-invest in larger retail and consumer products transactions when: (i) the investment offers an attractive risk-reward profile; and (ii) GBMP has a strong investment partner that values the Gordon Brothers' retail and consumer products expertise.

GBMP believes that the most attractive investment opportunities involve companies and situations that have, or are capable of achieving with Gordon Brothers' assistance, the following characteristics:

- Well-developed and sustainable brand equity;
- A leading or defensible niche or market position;
- Capable, committed management; and,
- Opportunities for growth and improvement through strategic or operational initiatives.

In addition to the above investment criteria, GBMP subjects each investment to rigorous due diligence as well as the following key considerations:

- What is the differentiating value proposition (i.e. its "reason to exist")?
- Is the business model and investment thesis truly sustainable?
- Do GBMP and its affiliates have the experience, resources and analytical framework to properly evaluate the opportunity and add value in the future?

Historically, GBMP's investment professionals have focused on all segments of the consumer industry including retail, wholesale, distribution, licensing and

manufacturing. GBMP's investment professionals have extensive experience in structuring transactions that are creative, flexible and tax efficient. GBMP typically invests in the following types of situations:

- ***Management-led Buyouts and Recapitalizations.*** GBMP invests in companies that are undergoing ownership transition, subsidiary divestitures or partial recapitalizations. GBMP's Managing Directors are experienced in both control and minority investments, and GBMP invests in partnership with other like-minded private equity firms when appropriate.
- ***Growth Capital.*** The Equity Funds pursue investment opportunities in later-stage growth companies where there is a proven business model and strong management. These companies typically have a vision for growth, but need capital and sophisticated financial and operational expertise to help them reach the next level.
- ***Turnarounds and Restructurings.*** The Equity Funds commit capital and resources in certain situations to facilitate the turnaround or restructuring of a business. As it has in the past, GBMP will undertake "turnarounds" when supported by the fundamentals of the relevant market and the company's individual investment prospects.

The Equity Funds generally do not consider investments in start-ups or make early-stage venture capital investments.

GBMP generates investment opportunities from a variety of sources including: (i) relationships GBMP and Gordon Brothers maintain with industry executives, entrepreneurs and managers; (ii) the other divisions of Gordon Brothers; (iii) traditional intermediaries (investment bankers, consultants, brokers, lawyers, accountants); (iv) other private investment firms and lending institutions; (v) participation and proactive networking at industry conferences and trade shows; and, (vi) conducting market research into specific industry sub-sectors that offer attractive investment characteristics. The Equity Funds may seek access to investor capabilities and contacts, when and as appropriate, by providing, in its discretion, certain co-investment opportunities.

As it has in the past, GBMP employs a disciplined investment approach in evaluating investments that leverage the Gordon Brothers' team. GBMP (i) performs in-depth due diligence; (ii) structures and prices opportunities; (iii) works closely with portfolio companies by providing strategic, operating and financial advice; and, (iv) identifies and evaluates potential exit options prior to an initial investment.

GBMP has substantial experience and expertise in conducting independent due diligence on companies in the consumer industry. The due diligence investigation is comprehensive and includes among other things: (i) detailed financial and operational quantitative analyses; (ii) extensive face-to-face management meetings; (iii) primary sector, customer and competitive research including accessing Gordon

Brothers' proprietary resources and network; (iv) customer surveys; (v) relevant sector-specific expert involvement; and, (vi) additional company and sector analyses. The due diligence process is designed to verify the investment thesis by thoroughly understanding the company's strategy, market position, operations and management depth. In addition, the process often identifies both potential acquisition candidates and likely strategic buyers in connection with the development of an initial exit strategy. In addition to leveraging the Gordon Brothers platform for due diligence, both GBMP and Gordon Brothers have built an extensive network of lawyers, accountants, intermediaries, consultants and advisors. These professionals have expertise in the retail and consumer products industries and work in tandem with GBMP to advise on certain investments from time to time.

B and C. Material Risks for Investment Strategies and Types of Securities: EQUITY FUNDS

Investing in one of the Equity Funds involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences of, and the risks associated with the investment. Some of those risks are summarized below. Investors should carefully consider all the risks discussed below and should consult their own legal, tax, and financial advisers about these risks and an investment in one of the Equity Funds managed by GBMP. Investing in securities involves risk of loss that clients should be prepared to bear. Clients should refer to the offering documents for the Equity Funds for a more detailed discussion of risks.

Nature of Investment

Investment in the Equity Funds requires a long-term commitment, with no certainty of return. In the near-term, distributions available to the limited partners investing in the Equity Funds is likely to be limited. Most of the Equity Funds' investments will be highly illiquid, and there can be no assurance that the Equity Funds will dispose of such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Equity Funds' partners. Generally, the Equity Funds will not be able to sell these securities publicly except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act") or in accordance with Rule 144 of the Securities Act or another exemption under the Securities Act. The securities in which the Equity Funds invest are generally junior in what will typically be a complex capital structure, and thus subject to the risk of loss. Leveraged companies by their nature undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Since investment performance can be dramatically affected by the amount of capital invested in a particular portfolio company relative to total capital invested in the entire portfolio, poor performance by even a single investment could adversely affect the total returns to limited partners.

Difficulty of Locating Suitable Investments

The Equity Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. There can be no assurance that the Equity Funds will be able to realize upon the value of its investments.

Inability to Manage Fund Realizations

It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before realization of gains on successful investments. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of the Equity Funds' investments. While investments by the Equity Funds may be sold at any time, it is not generally expected that this will occur for a period of years after the initial investment. Prior to such time, there is unlikely to be a current return on the investments.

Illiquid Investments

Most of the Equity Funds' investments will be unlisted equity securities, which do not have a readily available public market and are therefore illiquid. Such illiquidity may lead to increased difficulty in the valuation of such securities and in the execution of transactions involving such securities within a reasonable time or at favorable prices. As a result, achieving a public market and, ultimately, disposition of such investments may require a lengthy time period and could result in distributions in kind to the Equity Funds' partners.

Leverage; Junior Securities

The Equity Funds may invest in companies with highly leveraged capital structures. Such investments will be subject to increased risks in that adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies (or their cash flows) or their respective industries, may impair such companies' abilities to meet their respective obligations. The securities in which the Equity Funds invest are typically among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss.

Minority Investments

The Equity Funds may make minority equity investments in portfolio companies where the Equity Funds may not be able to protect its investment or to control or influence effectively the business or affairs of such entities. The Equity Funds may be adversely affected by action taken by the majority shareholder(s) of the portfolio companies in which it invests.

Reliance on Management of Portfolio Companies

While it is the intent of GBMP to invest in companies with proven operating management or to recruit new management for underperforming companies acquired by the Equity Funds, there can be no assurance that such management will continue to operate successfully. Although GBMP will monitor the performance of each investment, the Equity Funds will rely upon portfolio company management to operate the portfolio companies on a day-to-day basis.

Restructuring Activities

The Equity Funds may participate in the financial restructuring of overleveraged companies either prior to or after filing for protection under Chapter 11 of the Bankruptcy Code. GBMP and its affiliates may serve on creditor or equity committees or advise creditor or debtor companies in similar situations. As a result of such service, GBMP's flexibility in making certain investments on behalf of the Equity Funds may be limited.

Conflicts of Interest

GBMP is the investment manager to the Equity Funds. GBMP is wholly-owned by Gordon Brothers Group, LLC ("Gordon Brothers"). Gordon Brothers is also the sole owner of 1903 Equity Advisors, L.P., the general partner of the Equity Fund (the "Equity General Partner"). Gordon Brothers fixes the compensation, and can terminate, any of the investment professionals that provide services to the general partners and GBMP. In addition: (i) some personnel of GBMP and Gordon Brothers overlap; (ii) GBMP and Gordon Brothers may compete for some of the same opportunities; and (iii) in some instances GBMP and Gordon Brothers may have different motivations with respect to the same client or investment target. All of the foregoing present potential, actual, and/or apparent conflicts of interests. GBMP identifies; resolves in a manner that is consistent with applicable laws; places the interests of the Funds ahead of the interests of Gordon Brothers (as confirmed by the Equity Funds' management teams and the Chief Compliance Officer); documents; and manages these conflicts.

In addition, there is a potential conflict of interest since the general partner of the Equity Funds is entitled to a carried interest from the Equity Funds. This arrangement could cause GBMP to invest more aggressively in riskier securities than in the absence of this performance allocation and carried interest.

GBMP discloses generally the potential for conflicts between GBMP and Gordon Brothers in the disclosure documents provided to investors in the Equity Funds prior to investment.

A. Methods of Analysis and Investment Strategies: DEBT FUNDS

The investment strategy of the Debt Funds is to maximize total return and preserve capital primarily through investment in a portfolio of structured loans and secondary debt, including bonds, bank debt, and certain other financial instruments and securities. Such investment opportunities may arise as a consequence of a company's lack of access to the capital markets, expansion needs, merger and acquisition activities, liquidity needs, financial distress, insolvency, financial complexity, excessive selling demand or lack of information.

The Debt Funds primarily invest in areas in which GBMP and/or Gordon Brothers have significant resources, expertise and market knowledge. These sectors include (i) retail, (ii) consumer products and services, (iii) real estate, (iv) intellectual property (brands and other intangible assets) and (v) industrial and commercial

equipment. The Debt Funds may also invest in other areas and, through its U.K. affiliate, may invest in non-U.S. markets including investments in the borrower's currency.

GBMP generates its own investment ideas and also leverages the resources and expertise of Gordon Brothers. GBMP believes that its investment skills and experience coupled with the knowledge base and industry expertise of Gordon Brothers allows GBMP to continue to identify and assess investment opportunities quickly, incorporating insights regarding industry dynamics, key business drivers, competition and other factors. GBMP believes its ability to minimize the risk of principal loss is enhanced by its understanding of liquidation values and its experience in corporate restructurings and bankruptcy processes. In addition, GBMP seeks to structure and size transactions to quantify and limit downside risk. GBMP generally utilizes the resources of Gordon Brothers to actively monitor collateral and business value and, when appropriate, maximize asset monetization. The combination of these attributes differentiates GBMP's approach and may provide a competitive advantage, particularly in situations in which information about borrowers is limited. GBMP believes that its skills and reputation, and those of Gordon Brothers, helps to position the Debt Funds as preferred co-lenders/investors to certain other significant lenders and investment funds.

Credit Analysis, Due Diligence and Valuation Analysis. For the Debt Funds, credit analysis and due diligence may include (i) analysis of financial trends, cash flow, liquidity, and debt capacity; (ii) analysis of business fundamentals; (iii) review of capital structure and potential contingent liabilities; (iv) evaluation of contractual rights of claims and legal rights of constituents; (v) understanding the asset liquidation and disposition process and (vi) evaluation of management and operating capabilities. Valuation analysis generally employs multiple methodologies to establish collateral, liquidation and enterprise values as well as assessment of financing and restructuring alternatives available and anticipated timeframes for certain potential catalysts. These analyses generally include utilizing Gordon Brothers' significant knowledge of asset values.

Portfolio Construction. For the Debt Funds, GBMP selects investments generally considering, where appropriate, (i) expected value and return analysis incorporating distribution of returns and probability of outcomes; (ii) an analysis of risks and potential mitigating factors (e.g., structural considerations and hedging strategies); (iii) the impact of the position on the Debt Funds' portfolios, including diversification; (iv) the ability to improve returns and minimize downside risk through creative structuring; (v) a careful analysis of co-lenders, if and when possible, in an effort to maximize the likelihood that senior and other lenders will take the appropriate action in a timely manner or allow GBMP to act accordingly and (vi) the identification and validation of potential exit strategies.

Portfolio Maintenance and Monitoring. GBMP actively monitors the investments in the Debt Funds' portfolios, which may include periodic reviews of

financial performance, asset and collateral values, and potential exit strategies. GBMP also expects to perform continuing due diligence on borrowers and will seek to have discussions with management. GBMP considers selling certain investments (if the terms thereof permit such sale) if it determines that the factors it considered important when the investment was made have changed or if its assessment of market conditions and the diversification of the portfolio warrant a sale. When appropriate, GBMP exercises the rights and remedies provided to the Debt Funds within the governing documents of an investment to seek to protect the value of its investment.

Portfolio Management. Judy Mencher, President of the Debt Funds, has provided notice that, due to personal reasons, she cannot continue to manage the Debt Funds. Ms. Mencher's current intention is to remain in her current role until her successor is installed.

B and C. Material Risks for Investment Strategies and Types of Securities: DEBT FUNDS

Investing in one of the Debt Funds involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences of, and the risks associated with the investment. Some of those risks are summarized below. Investors should carefully consider all the risks discussed below and should consult their own legal, tax, and financial advisers about these risks and an investment in one of the Debt Funds. Investing in securities involves risk of loss that clients should be prepared to bear. Clients should refer to the offering documents for the Debt Funds for a more detailed discussion of risks.

Structured Loans

The Debt Funds expect to make structured loans to companies, including companies experiencing financial trouble or those undergoing significant change or expansion (e.g., a merger or operational restructuring). Such loans involve a substantial degree of risk as such loans are likely to be below investment grade. Such loans are typically expected to be term loans. The Debt Funds also may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. Failure by the Debt Funds to advance requested funds to a borrower could result in claims against the Debt Funds and in possible assertions of offsets against amounts previously lent. The Debt Funds' investments in loans may include asset-based loans, commercial loans, bridge loans, enterprise value loans and debtor-in-possession financings. The Debt Funds may lose the entire value of the loan, may be required to accept cash or securities with a value less than the Debt Funds' loan and/or may be prohibited from exercising certain rights with respect to such loan. Such loans may not show any returns for a considerable period of time. Moreover, such loans may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the Bankruptcy Court's discretionary power to disallow, subordinate or disenfranchise particular claims, and may also involve

substantial litigation. Although some loans will be secured by collateral, other loans will be unsecured and may be junior to other lenders. With secured loans, there is no assurance that the value of the collateral will be sufficient to protect all or a portion of the Debt Funds' investment.

GBMP expects that a portion of the loans made by the Debt Funds will occasionally be sold to either unrelated third parties or affiliates at some point in time after the loan is originated, including to the offshore fund (which does not expect to originate loans). Furthermore, in order to be selected to provide certain lending facilities to a borrower, the Debt Funds may be required to commit and/or fund amounts in excess of amounts it would otherwise desire for the longer-term, even where it expects to sell a portion of the loans. Sales of loans (which may also be structured in other ways, including participation arrangements) will be made at fair market value, provided that the fair market value of any sales to the offshore fund or to affiliates of GBMP will be validated by an independent third-party valuation firm. Until a portion of a loan is sold, the Debt Funds may have more capital at risk in such loan than GBMP desires the Debt Funds to have for the longer term and the fair value of such loan could decrease significantly. Furthermore, there is no assurance that there will be purchasers willing to buy a portion of such loan on commercially reasonable terms, if at all. If the offshore fund and other third parties decline to purchase a portion of such loan, the Debt Funds' ability to manage its exposure to investment risks and to take advantage of future investment opportunities may be limited, which in turn, could adversely impact the value of an investor's investment in the Debt Funds.

Loan Participations

The Debt Funds may invest in corporate secured loans acquired through assignments or participations. In purchasing participations, the Debt Funds will usually have a contractual relationship only with the selling institution, and not the borrower. The Debt Funds generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the voting rights that would allow it to have the right to object or agree to certain changes to the loan agreement agreed to by the selling institution. The Debt Funds may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under federal and state law the Debt Funds may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Debt Funds may be subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or loan participations may be governed by non-U.S. law, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

Distressed Securities

The Debt Funds may invest in distressed securities, securities, private claims and obligations of domestic and foreign entities that are experiencing significant financial or business difficulties that may result in covenant or payment default. Such entities may need to restructure their balance sheet, which may require a bankruptcy filing. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities purchased by the Debt Funds may be subject to certain additional risks to the extent that such securities may be unsecured and subordinated to substantial amounts of senior indebtedness, a significant portion of which may also be secured.

Distressed securities have the potential to generate strong returns to the Debt Funds, but also involve a substantial degree of risk. The Debt Funds may lose all or a substantial portion of its investment in a distressed environment or may be required to accept cash or securities with a value significantly less than the Debt Funds' investment. Among the risks inherent in investments in entities experiencing significant financial or business problems is the difficulty in obtaining information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the Bankruptcy Court's discretionary power to disallow, subordinate or recharacterize particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation sometimes arises. Such litigation can be time-consuming and expensive, and can frequently lead to delays or losses.

High-Yield Securities

The Debt Funds may make investments in high-yield bonds and preferred securities that are not rated investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. High yield bonds are generally unsecured and may be subordinate to other obligations of the debtor. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities.

High-yield securities that are rated BB or lower by Standard & Poor's or Ba or lower by Moody's Investors Service are often referred to in the financial press as —junk bonds and may include securities of issuers in default. Junk bonds are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest

rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Special Situations

The Debt Funds may make or have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Debt Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Debt Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Debt Fund may invest, there is a potential risk of loss by the Debt Fund of its entire investment in such companies. The Debt Funds may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when the Debt Funds enter into the commitment. Such securities are subject to changes in market value prior to their delivery.

Investment in Reorganizations and Restructurings

The Debt Funds may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, the Debt Funds' investment is subject to the risk that a bankruptcy filing may adversely and/or permanently impact the value of a company and that high bankruptcy administrative costs may impair the value of the company. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a court's discretionary power to disallow, subordinate or disenfranchise particular claims. In addition, such investments could subject the Debt Funds to certain additional potential liabilities that may exceed the value of the Debt Funds' original investment therein. For instance, under certain circumstances, payments to the Debt Funds and distributions by the Debt Funds to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws.

Having a blocking position in a security that is subject to a plan of reorganization or a restructuring entails significant risks if the Debt Funds' evaluation of the

anticipated outcome of the investment situation should prove incorrect. In addition, an investment in a company involved in a reorganization proceeding or restructuring entails significant risks if the Debt Funds' evaluation of the anticipated outcome of the investment situation should prove incorrect. Furthermore, an investment in a company involved in a reorganization proceeding or restructuring may be adversely impacted if the Debt Funds' evaluation of the timing of such outcome should prove incorrect.

Some of the investments the Debt Funds will make may require active monitoring and representation on official and unofficial creditors' committees for companies involved in reorganization proceedings or restructurings. Accordingly, the Debt Funds may seek representation on such committees from time to time if GBMP, in its discretion, determines that such representation is necessary or advisable to protect or further the Debt Funds' interests. Serving on an official or unofficial committee increases the possibility that the Debt Funds will be deemed an insider or a fiduciary of the company it has so assisted and may restrict the Debt Funds' trading of its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of equitable subordination with respect to any claim or equity interest held by the Debt Funds in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Debt Funds' committee activities. In addition, if representation of a creditors' committee of a company causes the Debt Funds to be deemed an affiliate of the company, the securities of such company held by the Debt Funds may become restricted securities, which are not freely tradable. As the Debt Funds will indemnify any person serving on a committee on its behalf for claims arising from the breaches of those obligations, indemnification payments could adversely affect the return on the Debt Funds' investment in a company.

Short Sales

Short selling, or the sale of securities not owned by the Debt Funds, necessarily involves certain risks. Such transactions expose the Debt Funds to the risk of loss in an amount greater than its initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Debt Funds in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a short squeeze can occur, wherein the Debt Funds might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Options

Purchasing put and call options, as well as writing such options, are highly specialized activities and entail significant investment risks. Because option premiums paid or received by an investor are small in relation to the market value of

the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a limited partner's capital account (or shareholder's shares) to be subject to more frequent and wider fluctuations than would be the case if the Debt Funds did not invest in options.

Derivative Financial Instruments and Techniques

The Debt Funds may use derivative financial instruments. The risks posed by such instruments and techniques, which may be extremely complex and may involve leveraging of the Debt Funds' assets, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset); (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Hedging

GBMP may engage in certain hedging techniques from time to time (which may include currency and interest rate hedging and shorting securities) though it is not anticipated that hedging will be a significant part of the investment strategy. There is no assurance that any such hedging strategies will be successful, as such success will depend on, among other factors, GBMP's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged.

Credit Derivatives, Bank Debt and Similar Transactions

The Debt Funds may be a user of credit derivatives for speculative purposes, which are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. The market for credit derivatives may be relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. A trigger event in one

contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

In addition, the Debt Funds may invest in bank debt, either through a direct assignment, whereby the Debt Funds is listed as the owner of the instrument on the books and records of the agent bank, or through a participation or similar interest, whereby the Debt Funds are not treated as a direct owner of the underlying instrument and is therefore subject to the risk of nonperformance by the counterparty to the transaction.

Synthetic Securities

In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, the Debt Funds usually will 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 Debt Funds generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of off-set against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Debt Funds will not benefit directly from the collateral supporting the Reference Obligation or have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of insolvency of the counterparty, the Debt Funds 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 in any one counterparty subject the Debt Funds to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. GBMP will not perform independent credit analyses of the counterparties, any such counterparty, or an entity guaranteeing such counterparty, individually or in the aggregate. Obligor is the obligor on a Reference Obligation. A Reference Obligation is the debt security or other obligation upon which the synthetic security is based.

Structured Finance Securities

The Debt Funds may invest in structured finance securities such as, for example, 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 investments in which the Debt Funds 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, 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.

Asset-Backed Securities

The Debt Funds may invest in asset-backed securities, which are subject to interest rate risk and prepayment risk. Certain asset-backed securities may be subject to additional risks to the extent that they do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Similarly, mortgage-backed securities are subject to pre-payment risk in environments where interest rates are decreasing. Asset-backed securities are also subject to credit risk.

Non-U.S. Securities

The Debt Funds may invest in non-U.S. securities and may make investments in companies located outside of the United States. Investing in securities of non-U.S. governments and companies, which are generally denominated in non-U.S. currencies, and utilization of currency forward contracts and options on currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of U.S. issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

New Issues

The Financial Industry Regulatory Authority (“FINRA”) has taken the position in its Conduct Rules that brokers that are FINRA members may not sell securities that are part of an equity initial public offering (sometimes referred to as IPOs or New Issues) to an account in which personnel of an FINRA member or certain financial institutions have an interest. While the Debt Funds do not currently anticipate purchasing New Issues, it may do so in the future. To the extent that an investor is treated as a restricted person within the prohibition of FINRA, the investor’s investment will not include any New Issue and, as a result, that the investor’s investment returns may differ from those of unrestricted investors.

Small Capitalization Companies

The Debt Funds may loan or otherwise invest a portion of its assets in small and/or emerging companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, the frequency and volume of the trading of securities

for such companies may be substantially less than is typical of larger companies. As a result, loans to such companies may be very risky and securities of smaller companies may be subject to wider price fluctuations. When liquidating large positions in small companies, the Debt Funds may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small transactions over an extended period of time.

Conflicts of Interests

GBMP is the investment manager to the Debt Funds. GBMP is wholly-owned by Gordon Brothers Group, LLC (“Gordon Brothers”). Gordon Brothers is also the sole owner of 1903 Debt Advisors, LP, the general partner of the onshore Debt Fund (the “Debt General Partner”). Gordon Brothers fixes the compensation, and can terminate, any of the investment professionals that provide services to the general partners and GBMP. In addition: (i) some personnel of GBMP and Gordon Brothers overlap; (ii) GBMP and Gordon Brothers may compete for some of the same opportunities; and (iii) in some instances GBMP and Gordon Brothers may have different motivations with respect to the same client or investment target. All of the foregoing present potential, actual, and/or apparent conflicts of interests. GBMP identifies; resolves in a manner that is consistent with applicable laws; places the interests of the Funds ahead of the interests of Gordon Brothers (as confirmed by the Debt Funds’ management teams and the Chief Compliance Officer); documents; and manages these conflicts.

In addition, there is a potential conflict of interest since the Debt General Partner is generally entitled to a performance fee/allocation of the net profits of the Debt Funds. This arrangement could cause GBMP to invest more aggressively in riskier securities than in the absence of this performance allocation and carried interest.

GBMP discloses generally the potential for conflicts between GBMP and Gordon Brothers in the disclosure documents provided to investors in these Debt Funds prior to investment.

Item 9: Disciplinary Information

Legal and Disciplinary

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of GBMP's advisory business or the integrity of its management persons.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer

Not applicable.

B. Financial Industry Activities

Not applicable.

C. Affiliations

1. Not applicable.

2. GBMP is the investment manager to 1903 Debt Fund, LP, a Delaware limited partnership, and 1903 Offshore Debt Fund, Ltd., a Cayman Islands limited company (each, a “Debt Fund,” and collectively, the “Debt Funds”), and 1903 Equity Fund, L.P. and 1903 Equity Fund (AIV), L.P., each a Delaware limited partnership (each an “Equity Fund,” and collectively, the “Equity Funds”). GBMP is wholly-owned by Gordon Brothers Group, LLC (“Gordon Brothers”). Gordon Brothers is also the sole owner of 1903 Debt Advisors, LP, the general partner of the onshore Debt Fund (the “Debt General Partner”), and 1903 Equity Advisors, L.P., the general partner of the Equity Fund (the “Equity General Partner”). Gordon Brothers fixes the compensation, and can terminate, any of the investment professionals that provide services to the general partners and GBMP. In addition: (i) some personnel of GBMP and Gordon Brothers overlap; (ii) GBMP and Gordon Brothers may compete for some of the same opportunities; and (iii) in some instances GBMP and Gordon Brothers may have different motivations with respect to the same client or investment target. All of the foregoing present potential, actual, and/or apparent conflicts of interests. GBMP identifies; resolves in a manner that is consistent with applicable laws; places the interests of the Funds ahead of the interests of Gordon Brothers (as confirmed by the respective Debt Funds’ and Equity Funds’ and Debt Funds’ management teams and the Chief Compliance Officer); documents; and manages these conflicts.

In addition, there is a potential conflict of interest since the general partner of the Debt Funds is generally entitled to a performance fee/allocation of the net profits of the Debt Funds and the general partner of the Equity Funds is entitled to a carried interest from the Equity Funds. This arrangement could cause GBMP to invest more aggressively in riskier securities than in the absence of this performance allocation and carried interest.

GBMP discloses generally the potential for conflicts between GBMP and Gordon Brothers in the disclosure documents provided to investors in these Funds prior to investment.

3. Not applicable.

4. Not applicable.

5. Not applicable.

6. Not applicable.

7. Not applicable.

- 8. Not applicable.
- 9. Not applicable.
- 10. Not applicable.
- 11. GBMP is a sponsor/syndicator of the Debt Funds and Equity Funds.

D. Compensation for Referrals.

Not applicable.

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

A. Code of Ethics

GBMP and its supervised persons have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. Each supervised person of GBMP must read, sign and deliver a certificate of compliance with the Code of Ethics and may only effect a personal transaction in a limited offering or initial public offering by pre-approving such transaction with GBMP's Chief Compliance Officer. Each supervised person also must provide initial securities holdings reports and annual securities holding reports to the Chief Compliance Officer. Furthermore, each supervised person shall provide quarterly securities transaction reports related to personal securities transactions in which such person or any member of his or her immediately family has a beneficial ownership interest.

B. Participation or Interest in Client Transactions

GBMP is the investment manager to 1903 Debt Fund, LP, a Delaware limited partnership, and 1903 Offshore Debt Fund, Ltd., a Cayman Islands limited company (each, a "Debt Fund," and collectively, the "Debt Funds"), and 1903 Equity Fund, L.P., and 1903 Equity Fund (AIV), L.P., each a Delaware limited partnership, (each an "Equity Fund," and collectively, the "Equity Funds"). GBMP is wholly-owned by Gordon Brothers Group, LLC ("Gordon Brothers"). Gordon Brothers is also the sole owner of 1903 Debt Advisors, LP, the general partner of the onshore Debt Fund (the "Debt General Partner"), and 1903 Equity Advisors, L.P., the general partner of the Equity Fund (the "Equity General Partner"). Gordon Brothers fixes the compensation, and can terminate, any of the investment professionals that provide services to the general partners and GBMP. In addition: (i) some personnel of GBMP and Gordon Brothers overlap; (ii) GBMP and Gordon Brothers may compete for some of the same opportunities; and (iii) in some instances GBMP and Gordon Brothers may have different motivations with respect to the same client or investment target. All of the foregoing present potential, actual, and/or apparent conflicts of interests. GBMP identifies; resolves in a manner that is consistent with applicable laws; places the interests of the Funds ahead of the interests of Gordon Brothers (as confirmed by the respective Debt Funds' and Equity Funds' management teams and the Chief Compliance Officer); documents; and manages these conflicts.

In addition, there is a potential conflict of interest since the Debt General Partner is generally entitled to a performance fee/allocation of the net profits of the Debt Funds and the Equity General Partner is entitled to a carried interest from the Equity Funds. This arrangement could cause GBMP to invest more aggressively in riskier securities than in the absence of this performance allocation and carried interest.

GBMP discloses generally the potential for conflicts between GBMP and Gordon Brothers in the disclosure documents provided to investors in these Funds prior to investment.

C. Participation or Interest in Client Transactions

See response to Item 11.B above.

D. Participation or Interest in Client Transactions

See response to Item 11.B above.

Item 12: Brokerage Practices

A. Selecting Brokerage Firms

For the Equity Funds, GBMP may utilize various investment banking firms that are broker-dealers to assist it in evaluating portfolio company investments for the Equity Funds. GBMP considers such factors as price, the ability of the broker-dealers to effect the transactions, their personnel, experience, particular industry knowledge, reliability and financial responsibility. Accordingly, if GBMP determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, the Equity Funds may pay fees to such broker-dealer that are greater than those fees another might charge.

For the Debt Funds, GBMP is authorized to determine the broker or dealer to be used for each securities transaction for the Debt Funds. In selecting brokers or dealers to execute transactions, GBMP need not solicit competitive bids and does not have an obligation to seek the lowest available brokerage commissions, mark-ups or other compensation (collectively “Commissions”). It is not GBMP’s practice to negotiate execution only Commissions; thus, the Debt Funds may be deemed to be paying for research and related services provided by the broker which are included in the Commissions.

In selecting brokers and negotiating Commissions, GBMP will take into account a variety of other factors, which may include the financial stability and reputation of brokerage firms, the brokerage, research and related execution services provided by such brokers, and referrals of investors (consistent with best execution), although the Debt Funds may not, in any particular instance, be the direct or indirect beneficiary of the research or related services provided.

1. Research and Other Soft Dollar Benefits

GBMP is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with such research and trading relating products and services or to pay higher commissions to such firms if GBMP determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, the Debt Funds may be deemed to be paying for research and other products and services with “soft” or commission dollars. It is anticipated that the use of commissions or “soft dollars” to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Therefore, research and related services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; and certain financial and industry publications; statistical and pricing services. Research services obtained by the use of Commissions arising from the Debt Funds’ portfolio transactions may be used by GBMP in its other investment activities. Under Section 28(e) of the Securities Exchange Act, research obtained with soft dollars generated by the Debt Funds may be used by GBMP to service accounts other than the Debt Funds. Where a product or service obtained with soft dollars provides both research and non-research assistance to GBMP, GBMP will make a reasonable

allocation of the cost that may be paid for with soft dollars. Although GBMP believes that the Funds benefit from many of the products and services obtained with soft dollars generated by the Debt Funds' trades, the Funds may not benefit exclusively or at all.

When GBMP uses the Debt Funds' brokerage commissions (or markups or markdowns) to obtain research or other products or services, GBMP receives a benefit because it does not have to produce or pay for the research, products or services. GBMP may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the Debt Funds' interest in receiving most favorable execution.

2. Brokerage for Client Referrals.

- a. Not applicable.**
- b. Not applicable.

3. Directed Brokerage

- a. Not applicable.**
- b. Not applicable.

B. Aggregation

For the Equity Funds, GBMP does not aggregate the purchase or sale of securities because the Equity Funds invest in illiquid securities that cannot be aggregated. In addition, the investment period for the Equity Funds has ended and therefore the Equity Funds will not make any new investments. The Equity Funds, however, can continue to make additional follow-on and related investments. For the Debt Funds, GBMP aggregates the purchase or sale of securities whenever possible to achieve best execution.

Item 13: Review of Accounts

A. Periodic Reviews

Oswald Street, GBMP's Chief Financial Officer, consistently reviews the investments and performance of the Debt Funds. David Witherell, GBMP's Director of Fund Reporting, consistently reviews the investments and performance of the Equity Funds.

B. Review Triggers

Other conditions that may trigger a review are changes in applicable laws, new investment information, changes in the market and changes in a particular Fund's circumstances.

C. Regular Reports

Annually, the Equity Funds will furnish all limited partners with (i) audited financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, (ii) tax information necessary for the completion of tax returns, and (iii) a statement of the applicable Equity Fund's general partner's determination of the value of each of such Equity Fund's portfolio investments as of the end of the preceding calendar year. In addition, on a quarterly basis, each limited partner will be furnished with unaudited financial statements of the applicable Equity Fund. Limited partners will also receive descriptive investment information for each of the portfolio investments on a quarterly basis.

For the Debt Funds, investors will receive unaudited capital account/net asset value statements monthly. In addition, limited partners in the onshore Debt Fund will receive audited year-end financial statements annually and Schedule K-1s.

Item 14: Client Referrals and Other Compensation

A. Referrals

Not applicable.

B. Other Compensation

1. GBMP has entered into a broker-dealer agreement with Apple Lane Group LLC (“Apple Lane”), a SEC-registered broker-dealer and a member of FINRA, for the purpose of enabling certain employees of GBMP who offer limited partnership interests/shares in the Debt Funds to be licensed as registered representatives of Apple Lane. In compliance with FINRA Rule 3040, Apple Lane is responsible for providing supervision over GBMP employees who perform all of the sales and marketing of interests/shares in the Debt Funds. Apple Lane receives compensation for the services it provides to GBMP. Other than to the extent employees of GBMP are registered representatives of Apple Lane, Apple Lane is not, and its employees are not, involved in any solicitation or offer with respect to the limited partnership interests/shares in the Debt Funds.
2. GBMP has also entered into an agreement with Michael Samuels, a resident of the United Kingdom, who assists GBMP with fund raising solely among non-U.S. investors in only 1903 Offshore Debt Fund, Ltd. in exchange for compensation from GBMP.
3. In addition, two employees of GBMP receive a small portion of their total compensation from Gordon Brothers, which portion is unrelated to the performance of GBMP and based upon agreements initially made prior to the formation of GBMP.

Item 15: Custody

Account Statements

Not applicable.

Item 16: Investment Discretion

Discretionary Authority for Trading

GBMP does accept discretionary authority to manage investment accounts on behalf of its Funds. Under these arrangements, GBMP has the authority to determine, without obtaining specific client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of the Funds. Investors in the Funds do not currently place any limitations on this discretionary authority but may in the future.

Assumption of Authority

Before GBMP assumes discretionary authority, each investor in each Fund currently signs a limited power of attorney by execution of the limited partnership agreement or subscription agreement for such Fund.

Item 17: Voting Client Securities

A. Proxy Voting

GBMP is an active investor on behalf of its Funds. Because of the active role GBMP takes in connection with many of its investments, it is GBMP's practice to review and vote on proxy, shareholder consent and debt consent matters on a case-by-case basis. In all cases, GBMP carefully evaluates the issues to determine whether and to what extent they may have a material impact, economic or otherwise, on its Funds.

For the Equity Funds, one of the Co-Presidents of the Equity Funds is responsible, absent a conflict of interest in accordance with this policy, for deciding what is in the best interest of the Fund when determining how proxies and shareholder consents are voted based on all of the facts and circumstances known to the Co-President at that time. If there is a conflict of interest with a Co-President (i.e. a conflict is identified by the Co-President or in connection with the general consideration of potential conflicts of interest), another Co-President shall vote the proxy or shareholder consent. In rare instances where a conflict of interest exists and is not able to be resolved by the Co-Presidents and the CCO, GBMP may abstain from voting the proxy or shareholder consent. GBMP believes that generally what is best for the Portfolio Company will also be in the best interest of the Fund. Therefore, the applicable Co-President will usually vote with the management team of the Portfolio Company.

For the Debt Funds, the President of the Debt Funds is generally responsible, absent a conflict of interest in accordance with this policy, for deciding what is in the best interest of the applicable Fund when determining how proxies, shareholder consents or debt consents should be voted based on all of the facts and circumstances known to the President at that time. If there is a conflict of interest with the President (i.e. a conflict is identified by the President or in connection with the general consideration of potential conflicts of interest), the CFO of GBMP (in consultation with the CCO and other members of the investment management team) shall vote the proxy or shareholder consent. In rare instances where a conflict of interest exists and is not able to be resolved by the CFO after consultation as described above, GBMP may abstain from voting the proxy or shareholder consent.

Investors in the Funds cannot direct GBMP's vote in a particular solicitation. Investors may obtain information about how GBMP voted securities by contacting GBMP's Chief Compliance Officer. Investors may also obtain a copy of GBMP's proxy voting policies and procedures upon request.

B. Not applicable.

Item 18: Financial Information

A. Balance Sheet

Not applicable.

B. Financial Condition

Not applicable.

C. Bankruptcy Petition

Not applicable.