

Glendon Capital Management L.P.

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This Brochure provides information about the qualifications and business practices of Glendon Capital Management L.P. If you have any questions about the contents of this Brochure, please contact us at (310) 907-0459 or at mmontgomery@glendoncap.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.

Glendon Capital Management L.P. is registered with the U.S. Securities and Exchange Commission as an Investment Adviser. Registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information from which you determine to hire or retain an adviser.

Additional information about Glendon Capital Management L.P. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

There have been no material changes to this Brochure since it was last updated on June 11, 2013.

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Item 4 – Advisory Business

Glendon Capital Management L.P. (“GCM”, “we” or “us”) is a limited partnership organized under the laws of the state of Delaware and is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser. GCM is wholly owned by Glendon Capital Management LLC, and Matthew Barrett, Holly Kim, Eitan Melamed and Brian Berman; all of GCM’s individual owners are active in managing the business of GCM. GCM commenced operations as of April 26, 2013

From 2006 until April 26, 2013 Matthew Barrett, Holly Kim and Brian Berman were Managing Directors serving in a portfolio management and investment advisory capacity at a major international bank that had hired them when it had the opportunity to attract a renowned group of professionals who had worked together before in asset management and had developed a highly regarded acumen in distressed debt investing. Eitan Melamed joined the other GCM owners in 2007 from Goldman Sachs and later became a Managing Director at the same major international bank.

GCM is an opportunistic investor with a focus on distressed debt situations. Although GCM focuses on distressed debt situations, individual clients may place limitations on certain securities or certain types of securities in which they will invest.

GCM currently has approximately \$1.5 billion of Assets under Management. GCM has discretionary authority with respect to \$400 million of such assets and non-discretionary authority with respect to \$ 1.1 billion of such assets

Item 5 – Fees and Compensation

Glendon does not currently have a fee schedule. All fees are subject to negotiation.

The specific manner by which we will charge fees will be established in your written client agreement with GCM. We will generally bill our fees on a quarterly basis. Clients may elect to be billed in advance or arrears of each calendar quarter. Our management fees will be prorated for each capital contribution and withdrawal made during the applicable calendar quarter [with the exception of de minimis contributions and withdrawals]. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Our fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to GCM's fee, and GCM shall not receive any portion of these commissions, fees and charges. Item 12 further describes the factors that GCM considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In most cases, GCM will enter into performance fee arrangements with qualified clients; performance fees are subject to individualized negotiation with each such client. GCM will structure any performance or incentive fee arrangement to comply with Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") and Rule 205-3 thereunder. Performance based fee arrangements may create an incentive for advisers to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor accounts that pay higher performance fees over other accounts that pay lower or no performance fees in the allocation of investment opportunities. GCM has adopted policies and procedures designed to ensure that all clients are treated fairly and equitably, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

GCM will provide portfolio management services to institutions such as banking organizations, private investment funds, registered investment companies, foreign investment companies, educational endowments, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, trust programs, sovereign funds, foreign funds, and other U.S. and international institutions. GCM will also offer its services to high net worth individuals and family offices. The minimum account size that GCM will manage is \$25,000,000.

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

The staff of GCM integrates experienced professionals in all of the disciplines that are critical

to successful analysis of distressed debt, including accounting, law, bankruptcy, capital markets and fundamental securities analysis. They combine extensive experience in distressed bank debt, defaulted securities and bankruptcy situations with proven expertise in valuing companies and assets, negotiation and restructuring.

A. Methods of Analysis and Investment Strategies

GCM's investment strategy, developed through the deep experience of its investment team, is to execute credit and equity investments in markets experiencing distress and dislocation. This strategy seeks to exploit the cyclical nature of credit markets and the assets financed by traditional credit investors. The foundational tenets of GCM's investment philosophy are:

- ❖ The prices and yields of credit instruments can overreact to stresses and exogenous shocks across various industries, markets and regions, creating attractive investment opportunities in credit and the assets financed by traditional credit investors.
- ❖ When properly analyzed and underwritten, these investment opportunities can generate excess returns often with the downside protection afforded creditors.
- ❖ Shocks and stresses in credit markets are episodic and global in nature. The GCM team actively migrates its efforts and resources to where these dislocations occur.

Distressed investment opportunity or pricing dislocations stem from market disruptions, including the effects of economic cycles, regulatory changes, litigation, and other exogenous shocks. As these events occur, the pro-cyclical nature of traditional credit investors (highly leveraged financial institutions and securitization structures with heightened risk aversion or fixed income funds subject to capital outflows) can cause credit prices to overreact to volatility, creating investment opportunities

These types of distressed opportunities occur abruptly. Accordingly, the Firm has positioned itself as a highly reactive and flexible investor, essential characteristics of its strategy because sources of exogenous shock are generally not foreseeable and pockets of dislocation are likely to open quickly. GCM is able to invest across geographies, industries, capital structures and products, where investment theses can be expressed through many different types of assets and securities in order to generate the best risk-adjusted returns. Ultimately, GCM seeks to obtain substantial appreciation in its investments as the stresses are relieved, often as a result of restructuring, reorganization, or return of normal markets and liquidity conditions. Preservation of capital is paramount, and GCM emphasizes a conservative underwriting of each opportunity in order to preserve downside protection.

GCM expects its investment strategy will be executed primarily through the following categories of distress / dislocation:

- **Stressed and Distressed Company Securities.** GCM's primary strategy is to purchase the instruments -- bonds, loans, unsecured claims, preferred stock, and equity -- in the secondary market issued by companies that are undergoing financial stress, including insolvency proceedings. Deterioration in the company's financial condition can result from a downturn in economic conditions or a decline in its industry conditions or company performance, often exacerbated by a highly leveraged capital structure and liquidity pressures. GCM's focus is on claims that are senior and secured in the capital structure of the target company in order to insulate its investment from the risk of valuation decline, the costs of distress, or an elongated cycle. The Firm will invest in the more junior securities of a company if it believes there is robust valuation coverage. It is a common strategy for GCM to purchase different types of claims to reduce the risk of intercreditor issues that may stem from collateral valuation or process risk. GCM may also enter into credit default swaps, short sales of securities, and other structured investments to focus its investment strategy. GCM values the company in the context of its market distress—whether going concern or liquidation-- and through its analysis estimates a recovery value for the different claims in the company's capital structure. GCM is experienced in valuing and investing in distressed companies across many different sectors, including industrials, consumer goods, retail, chemicals, metals, mining, energy, transportation, media and telecommunications, auto suppliers, building materials, real estate, and infrastructure. It also has experience and expects to invest in both large and small enterprises across regions, but focuses on jurisdictions where there are strong creditors' rights and rule of law. In these situations, GCM may be the lead investor and ultimately gain control of the entity or participate with other creditors in a restructuring process. The specific companies, sizes, jurisdictions, and types of claims GCM invests in will depend heavily on the cycles, exogenous shocks, and dislocations that occur in the world economy.
- **Post-Reorganization Securities.** These securities are issued to creditors of companies that have undergone a reorganization in satisfaction of their claims and include fixed income and equity securities. GCM may or may not have been, invested in the company's securities before the reorganization. The markets for such securities are often characterized by limited liquidity, wider bid/asked spreads, absence of major broker-dealers, limited research, and in out-of-favor industries. The sourcing for post-reorganization securities is similar to distressed securities as the holders may often be traditional credit investors and other non-natural holders. GCM historically has invested in the U.S. and internationally and across major industries in post-reorganization securities. The limited market participation of traditional buy-side investors results in volatile swings and the limited published research can result in overlooked inherent value of the company, including tax attributes such as net operating loss carry-forwards that may have been preserved in the reorganization.

- **Downgraded Securities (“Fallen Angels”).** GCM focuses on fixed-income securities downgraded by credit agencies. The ratings action (in particular, a downgrade to below investment-grade rated), can create heavy technical selling, as investment grade funds by charter have limits for investing in lower rated securities and regulated entities may face punitive capital charges in holding these instruments. Given the massive size of the investment grade fixed-income market, GCM is able to scale its sourcing rapidly with the relative lack of buying interest. GCM typically performs a recovery analysis that takes into consideration the stress the target company is undergoing and the process and period of time by which it resolves. Broadly, three outcomes are weighed in the analysis to determine an entry point: (1) if the stress is transitory, the instrument may regain its rating; (2) if the stress is ongoing, the instrument may be relegated to a different asset class, such as high yield; or (3) if the stress is profound, the instrument may be restructured in a workout or insolvency proceeding. The catalyst for the investment is return of traditional investors to the market for the instrument. GCM has invested in downgraded securities across industries and regions. GCM has a particular focus on the securities of financial institutions with capital adequacy concerns, including hybrid securities of banks and insurance companies, and preferred stock investments in banks by the U.S. Government through the TARP Program. GCM believes its experience in the valuation of credit instruments held by financial institutions is vital in assessing outcomes.
- **Tax-Exempt and Sovereign Bonds.** The U.S. Tax-Exempt market is leveraged to the pro-cyclical fund flows for the retail funds that dominate this \$4 trillion market. GCM’s experience is that fund flows are highly reactive to headlines regarding the financial health of the municipalities and commonwealths of the United States, and the low recoveries for bonds issued by municipalities that have undergone a reorganization of their finances under Chapter 9. Retail outflows have at times led to indiscriminate selling. GCM focuses on those tax-exempt issuances where either (i) the likelihood of insolvency is low, (ii) the bond is protected by an enforceable security interest or other protective structure, or (iii) the issuance is unrelated to the credit worthiness of any municipality.
- **Asset-backed securities.** The Firm’s involvement in securitization markets is episodic, coinciding with cyclical turns for the assets financed by these instruments. Asset-backed securitizations that GCM has invested in include aircraft, residential mortgage, commercial mortgage, student loans, and conduits, among others. GCM generally focuses on the more senior instruments in securitizations as determined by securitization documentation and cash-flow or “waterfall” analysis. It also focuses on those instruments that have been downgraded below investment grade and carry punitive capital charges to the financial institutions that may hold them.

- **Special Situations.** Such strategies include investments in asset platforms, liquidations of companies or financial institutions, rescue or debtor-in-possession financing, securities or claims, including litigation trusts, where the enforcement of creditors' rights or a litigation outcome is determinative. GCM has also invested in equities and other securities of non-distressed or stressed companies that utilize GCM's knowledge of companies that are reorganizing or credit markets in general ("adjacencies").

GCM believes that current and future dislocations in the credit markets will provide significant opportunities for investments in stressed and distressed debt and other special situations. Market dislocation opportunity can occur cyclically across categories and the prospective investments will depend on which industries, assets, or regions experience cyclical downturns or suffer from an exogenous shock. GCM believes that the creative and flexible elements of its investment strategy provides some insulation from the time course of major credit cycles.

GCM's investment professionals have worked together for [10] years on average and through substantial experience have developed a disciplined and repeatable process for executing investments, regardless of the opportunity or category.

- **Robust Idea Generation.** At the core of its idea generation and deal flow, GCM searches for dislocated markets and the non-economic sellers who inhabit them. GCM believes this nomadic approach to deal sourcing provides a steadier stream of deal flow that is not as reliant on the initiation of a major credit cycle. GCM's team has concentrated in regions of the world that are undergoing recessionary conditions, focusing on those areas where creditors' rights are robust. Out-of-favor industries and companies that are going through a credit workout process or reorganization proceedings are also featured. Characteristics of such markets include heavy technical selling, volatile price swings, wide or non-existent bid/ask spreads, and a lack of current fundamental research given the paradigm shift for the industry, market, or region implicated. Idea generation capitalizes on GCM's reputation as an experienced and effective investor in dislocated markets to build partnerships with investment banks, financial advisory and law firms that advise investors and companies in such markets, and other investors as well.
- **Rigorous Analytical Capability and Legal Analysis.** After targeting a specific sector, GCM conducts extensive strategic, financial, and legal due diligence. The resources that GCM employs will depend on the size of the dislocation; for major dislocations, the entire team may be involved in the initial analysis and triage of deal flow. GCM considers itself highly experienced in (i) the microeconomic analysis of industries or assets in stressed market environments, and (ii) the impacts of the insolvency regime,

or legal framework that applies to the companies, assets or instruments it invests in. GCM's valuation analysis of targeted companies or assets focuses on their cash generating capability in the context of market downturn and distress. GCM considers the industry structure and the manner by which conditions for essential companies and assets bottom out, informed by GCM's experience in previous cycles. The extent to which the legal process may modify the value of the company by imposing costs or facilitating restructuring efforts is heavily considered. In order to estimate returns, GCM expends significant effort examining the rights and privileges of the different credit instruments involved, including their priority, collateral, inter-creditor agreements, and vulnerability to litigation. The macroeconomic backdrop is also heavily considered, as central bank activity increasingly affects market liquidity and the return of traditional credit investors to the market. GCM leverages its deep relationships with advisers and lawyers to aid in its underwriting of risk and outcomes and emphasizes markets where creditor's rights are robust and a strong rule of law exists. GCM's valuation methodology emphasizes downside protection and the ability of the targeted company, assets, or instruments involved to outlast the market dislocation.

- **Strong Execution Skills.** GCM has proven execution skills, having invested effectively in a myriad of dislocated markets. GCM has long-standing relationships with broker-dealers in these markets. When GCM enters a dislocated market, it generally finds that it is able to scale investment execution rapidly through brokers-dealers and other market participants as GCM brings capabilities in research, reputation as a counterparty, partnering capability, and capital to markets characterized by technical selling.
- **Activism where Advantageous.** GCM is highly experienced in restructurings of companies and securities and will take an active involvement in an insolvency or restructuring process. This may involve taking a controlling position in the claims or securities of the company or entity that is restructuring, participating with a group of investors with a controlling position, or representing GCM's interest in official and ad-hoc committees in insolvency proceedings or other restructuring forums. GCM believes this flexible approach is vital in order to optimize the tradeoffs between control and liquidity.
- **Realization Capabilities.** At the core of GCM's investment discipline is deep value investing in dislocated markets. GCM emphasizes value coverage and fundamental downside protection and generally begins the process of realization when liquidity and chartered buyers return to a previously dislocated market. GCM may accelerate this process through its restructuring efforts of the underlying company or instrument to broaden its marketability. GCM's deep experience in investments in workouts and bankruptcy across jurisdictions enables it to structure transactions to

broaden the appeal of the company or instruments it invests in in order to facilitate realization.

B.Risk of Loss

Account values will fluctuate based upon a multitude of factors , including the financial condition, results of operations and prospects of the issuers of the underlying securities or loan positions, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, clients may lose all or a portion of their principal invested with GCM if the investment strategies are not successful. Among the risks that investing in securities involves are:

General Economic and Market Conditions. The success of GCM's investment activities will be affected by general economic and market conditions, including but not limited to interest rates, commodity prices, availability of credit, credit defaults, inflation rates, economic uncertainty, disruptions in the global debt markets, changes in laws (including laws relating to taxation of investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may adversely affect GCM's ability to source attractive investment opportunities, the pricing of such investment opportunities, the value of investments and GCM's ability to exit or monetize investments.

Developments in Global Financial Markets and Government Intervention. In the past several years, market uncertainty and adverse market conditions in U.S., European and other markets have increased dramatically. U.S. and foreign financial markets continue to be subject to pervasive and fundamental disruptions and instability and extensive governmental and regulatory intervention is likely to continue.

Regulators in many jurisdictions have implemented or proposed a number of wide-ranging emergency regulatory measures. Such intervention has in certain cases been implemented with little or no notice, with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially reduced or eliminated.

In recent years, market disruptions combined with the dramatic increase in the amount of capital allocated to alternative investment strategies have led to increased governmental scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the U.S. Congress, the SEC, and governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in either domestic U.S. or foreign regulations applicable to GCM and the accounts it manages, the markets in which our accounts trade and invest or the counterparties with which we do business may be instituted in the future. There can be no assurance that GCM or

its accounts will be able, for financial reasons or otherwise, to comply with future laws and regulations.

Competition for Available Investments. The activity of identifying, completing and realizing attractive investments of the type being targeted by GCM is highly competitive. GCM will be competing for investments with many other investors, including private equity funds, hedge funds and other institutional investors. There can be no assurance that GCM will be able to locate, complete and exit investments which meet relevant investment objectives or that it will be able to fully invest its available capital.

Concentration of Investments. Unless otherwise prohibited in an investment management agreement, GCM's investments may be concentrated in a few relatively large investments and any single loss may have a significant adverse impact on overall returns. In addition, GCM's investments are required to be diversified by industry, geographical region or type of security only insofar as is specified in the relevant investment management agreement.

Possibly High Portfolio Turnover. GCM's investment strategy may require frequent trading and a high portfolio turnover. The more frequently GCM trades, the higher the commission and transaction costs and certain other expenses will be for an account that is managed by GCM. These costs will be borne by the investor regardless of their profitability. In addition, a high portfolio turnover may increase the recognition of short-term, rather than long-term, capital gains.

Illiquid Investments. GCM may invest in investments that are thinly traded, investments for which no market exists or investments that are restricted as to their transferability under applicable securities laws or documents governing specific transactions. Some securities or instruments that were liquid at the time they were acquired may, for a variety of reasons, later become illiquid. This may have the effect of limiting the availability of these securities or instruments for purchase and may also limit GCM's ability to sell such investments at their fair market value at a particular time or in response to changes in the economy or the financial markets. Due to securities regulations governing certain publicly traded equity securities, GCM's ability to sell securities could also be diminished with respect to equity holdings that represent a significant portion of the issuer's securities.

Non-U.S. Investments. To the extent permitted by an account's investment management agreement, GCM may make investments in the securities of foreign issuers. Certain foreign investments involve risks and special considerations not typically associated with U.S. investments. Such risks include: the risk of nationalization or expropriation of assets or confiscatory taxation; social, economic and political uncertainty, including war and revolution; dependence on exports and the corresponding importance of international trade; price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets; currency exchange rate fluctuations; rates of inflation; controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on

GCM's ability to exchange local currencies for U.S. dollars; U.S. and foreign withholding taxes; governmental involvement in and control over the economies; governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies; less extensive regulation of the securities markets; longer settlement periods for securities transactions; less developed corporate laws regarding fiduciary duties and the protection of investors; and certain considerations regarding the maintenance of investment securities and cash with foreign sub-custodians and securities depositories.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States, and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies, which may result in the unavailability of material information about issuers. Certain countries require governmental approval prior to investments by foreign persons, or limit the amount of investment by foreign persons in a particular company, or limit investment by foreign persons to a specific class of securities of a company that may have less advantageous terms than the classes available for purchase by nationals. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. GCM's foreign investments could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings. In addition, because investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may well result in a corresponding change in the U.S. dollar value of the related assets that are denominated in those currencies.

The judicial systems of jurisdictions outside of the United States vary in terms of speed, commercial sophistication, impartiality, consistency of results and adherence to judicial precedent. As a result, GCM may have difficulty in foreclosing or successfully pursuing claims in the courts of certain non-U.S. jurisdictions, as compared to the United States. Further, to the extent that GCM may obtain a judgment but is required to seek its enforcement in a non-U.S. court, there can be no assurance that such a court will enforce such a judgment. The laws of certain countries outside of the United States lack the sophistication and consistency found in the United States with respect to foreclosure, bankruptcy, corporate reorganization and creditors' rights.

Leverage. Certain of GCM's investments may include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of investments to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio investment or its industry. Additionally, certain investments may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss. Furthermore, GCM may engage in certain investment activities that involve the use of leverage, including

through credit default swaps or total return swaps. While leverage presents opportunities for increasing total returns, it may potentially increase losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is used. The cumulative effect of the use of leverage in a market that moves adversely to GCM's investments could result in a loss that would be greater than if leverage had not been used, including loss of the entire investment and also the possibility of loss exceeding the original amount of a particular investment. There are also financing costs associated with leverage, and each leveraged investment will involve interest rate risk to the extent that financing charges for such leveraged investment are based on a predetermined interest rate.

Debt Securities. It is likely that a significant portion of GCM's investments for its managed accounts will consist of debt securities. Debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. The risk of debt securities varies significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The debt securities of some companies may be riskier than the stocks of others.

Equity Securities. It is likely that GCM will invest in equity and equity-linked securities for its managed accounts. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, an investor may suffer losses if it invests in equity securities of issuers whose performance diverges from GCM's expectations. An investor may also be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of warrants, delivering common stock upon exercise.

Publicly Traded Securities. It is likely that GCM will invest in publicly traded securities for its managed accounts. Publicly traded securities may be sensitive to movements in the stock market and trends in the overall economy. Moreover, the ability of these companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

Bank Loans and Participations. It is likely that GCM will invest in bank loans and participations for its managed accounts. These obligations are subject to unique risks, including; (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on GCM's ability to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks, absent bad faith, will be borne by investors. In analyzing each bank loan or

participation, GCM will compare the significance of the risks of any such investment relative to the projected return of such investment.

High Yield and Preferred Securities. It is likely that GCM will invest in “high yield” bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. 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. Because investors generally perceive that there are greater risks associated with the lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it difficult to sell such securities.

Distressed Securities. GMC may purchase for its managed accounts, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. A wide variety of considerations, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others may affect the value of these securities and investments. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that GCM will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to the company in which GCM invests, the investor may lose its entire investment or may be required to accept cash or securities with a value of significantly less than the original investment.

Defaulted Securities. GCM may invest for its managed accounts in the securities of, and trade claims against, companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject GCM to litigation risks or prevent GCM from disposing of securities. In a bankruptcy or other proceeding, GCM may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While GCM will attempt to avoid taking the types of actions that would lead to equitable subordination (as discussed below) or creditor liability, there can be no assurance that such claims will not be asserted or that GCM will be able to successfully defend against them. Other investors may purchase the securities of these companies for the purpose of exercising control or management, GCM may be at a disadvantage to the extent that GCM's interests differ from the interests of these other investors.

Nature of Bankruptcy Proceedings. There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following:

- Many events in a bankruptcy are the product of contested matters and adversarial proceedings that are beyond the control of the creditors.
- A bankruptcy filing may have adverse and permanent effects on an investee company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.
- The duration of a bankruptcy proceeding is difficult to predict. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the investor; 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 reorganize and may be required to liquidate assets. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective.
- Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors.
- U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists

a significant risk that GCM's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class.

- The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors.
- Creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions.
- Commercial bankruptcy laws in Europe are slowly evolving into a system more akin to the Chapter 11 process in the United States, supporting potential financial restructurings rather than effective liquidations. U.S. insolvency procedures have historically been, and remain, on average more debtor orientated. The reverse is true for the United Kingdom and many other European jurisdictions where secured creditors have had extensive powers to protect their own rights, frequently overriding the interests of other creditors and the debtor.
- GCM may seek representation on creditors' committees, either formally or on an "*ad hoc*" basis and, as a member of a creditors' committee, it may owe certain obligations generally to all creditors similarly situated that the committee represents and it may be subject to various trading or confidentiality restrictions. If GCM concludes that its membership on a creditors' committee entails obligations or restrictions that conflict with the duties it owes its clients, or that otherwise outweigh the advantages of such membership, GCM will not seek membership in, or will resign from, that committee.

Lender Liability Considerations and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of GCM's investments, GCM or its advised accounts could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other

creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of GCM’s investments, GCM could be subject to claims from creditors of an obligor that its investments issued by such obligor should be equitably subordinated. A significant number of GCM’s investments may involve investments in which GCM would not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting GCM’s investments could arise without the direct involvement of GCM.

Regulated Industry Investments. GCM may make investments in the securities of companies that operate in a number of different industries, including, without limitation, financial service companies, insurance companies, automotive or automotive-related companies and communications or media companies. Certain companies in those and other industries are or may be subject to extensive U.S. federal, state and local legal and regulatory requirements, as well as non-U.S. legal and regulatory requirements. Certain regulations could prevent GCM from making certain investments that it would otherwise make. Other regulations may cause GCM to incur substantial additional costs or lengthy delays in connection with the completion or disposition of an investment.

Options. The successful use of options depends principally on the price movements of the underlying securities. In addition, when it purchases an option, GCM runs the risk that it will lose its entire investment in the option in a relatively short period of time, unless it exercises the option or enters into a closing transaction with respect to the option during the life of the option. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, a client will lose part or all of its investment in the option. There is no assurance that GCM will be able to effect closing transactions at any particular time or at any acceptable price. In the event of the bankruptcy of a broker through which GCM engages in transactions in options, a client could experience delays or losses in liquidating open positions purchased or sold through the broker.

Credit Default Swaps and Total Return Swaps. GCM may enter into credit default swaps and total return swaps. Under these instruments, the client will usually have a contractual relationship only with the counterparty of such swap and not the issuer (the “Reference Obligor”) of the obligation subject to the swap (the “Reference Obligation”). A client will have no direct right or recourse against the Reference Obligor with respect to the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, nor any voting rights with respect to the Reference Obligation. GCM will not directly benefit from the collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the swap counterparty, a client will be treated as a general creditor of such counterparty and will not have any claim with respect to the Reference Obligation. Consequently, the client will be subject to the credit risk of the counterparty. In the event a

client will be selling credit default swaps, the client will also be subject to the credit risk of the Reference Obligor, and concentrations of credit default swaps in any one counterparty expose the client to risk with respect to defaults by such counterparty.

Credit default swaps and total return swaps are a relatively recent development in the financial markets. Consequently, there are certain legal, tax and market uncertainties that present risks in entering into credit default swaps and total return swaps. There is currently little or no case law or litigation characterizing credit default swaps or total return swaps, interpreting their provisions or characterizing their tax treatment. Moreover, additional regulations and laws may apply to credit default swaps or total return swaps that have not heretofore been applied. There can be no assurance that future decisions construing similar provisions to those in any credit default swap or total return swap agreement or other related documents or additional regulations and laws will not have a material adverse effect on GCM's clients.

Hedging Transactions. GCM may, but is under no obligation to, utilize various financial instruments both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of a client's investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates; (ii) protect unrealized gains in the value of the client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a client's portfolio; (v) hedge the interest rate or currency exchange rate on any of a client's liabilities or assets; (vi) protect against any increase in the price of any securities a client anticipates purchasing at a later date; or (vii) for any other reason that GCM deems appropriate.

The success of GCM's hedging strategy will be subject to GCM's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of GCM's hedging strategy will also be subject to its ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

While GCM may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in any such hedging transactions. For a variety of reasons, GCM may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a client from achieving the intended hedge or expose a client to risk loss. The successful utilization of hedging and risk management transactions requires skill complementary to those needed in the selection of a client's investment holdings.

In certain transactions, a client may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated.

This can result in losses, even if the proposed transaction is consummated. GCM may not hedge a position in a client's account because a hedge may not be available; it may be too costly in light of the likelihood of the possible risk actually occurring or the risk simply could not be reasonably anticipated.

Foreign Exchange Risk Exposure - Most of the investments that GCM makes for its accounts are denominated in U.S. dollars and issued in U.S. dollars. Certain of the assets in some accounts may, however, be invested in securities and other investments that are denominated in currencies other than U S dollars. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. In addition, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between U.S. dollars and such other currencies. As a general rule, GCM will endeavor to hedge all foreign exchange exposure for its accounts, but GCM's ability to hedge perfectly the foreign exchange risk in a client's account cannot be assured.

Short Sales. GCM may engage in short sale transactions. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a client's portfolio. A short sale of a security involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the security that could result in an inability to cover the short position. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase.

When-Issued; When, As and If Issued; and Delayed Delivery Securities and Forward Commitments. Securities purchased or sold on a when-issued, "when, as and if issued," delayed delivery or forward commitment basis are subject to market fluctuation, and no interest or dividends accrue to the purchaser prior to the settlement date. At the time of delivery of the securities, the value may be more or less than the purchase or sale price. In the case of "when, as and if issued" securities, a client could lose an investment opportunity if the securities are not issued. An increase in the percentage of a client's assets committed to the purchase of securities on a when-issued, "when, as and if issued," delayed delivery or forward commitment basis may increase the volatility of the net asset value of the client's account.

Institutional Risk. The institutions, including brokerage firms and banks, with which GCM directly or indirectly will do business (including swap counterparties), or to which securities will be entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. Prime broker(s) and other financial institutions' financial condition may be adversely affected and may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations for a client. A client's prime brokers may experience financial difficulties, and therefore, be exposed to similar or other financial problems resulting from the insolvency or financial difficulties of one or more of its prime

brokers. Moreover, any cash and securities maintained by a client in accounts of U.S. broker-dealers registered with the SEC and the U.S. Financial Industry Regulatory Authority are protected only to a limited degree by the U.S. Securities Investor Protection Corporation (the "SIPC"). In the event of the bankruptcy of a broker-dealer, if sufficient funds are not available in the broker-dealer's customer accounts to satisfy claims, the reserve funds of the SIPC would be expected to supplement the distribution. Therefore, a client could be at risk of loss for any amounts in excess of the SIPC limit to the extent that the broker-dealer does not maintain insurance sufficient to cover any amounts owed. Assets held outside the United States may be subject to different or diminished protection in the event of a counterparty failure located in such jurisdiction.

Counterparty, Settlement and Local Intermediary Risk. From time to time, certain securities markets have experienced operational clearance and settlement problems that have resulted in failed trades. These problems could result in lost investment opportunities or result in a liability to third parties by virtue of an inability to perform on contractual obligations to deliver securities. In addition, delays and inefficiencies of the local postal, transport and banking systems could result in the loss of investment opportunities, the loss of funds (including dividends) and exposure to currency fluctuations. To the extent a client invests in securities, swaps, derivatives or other over-the-counter transactions, in certain circumstances, the client may take a credit risk with regard to parties with whom it trades and may also bear the risk of transfer, clearance or settlement default. Transactions entered into directly between two counterparties may expose the parties to the risk of counterparty defaults. Such risks may be exacerbated with respect to foreign securities or transactions with foreign counterparties. Certain client transactions may be undertaken through local brokers, banks or other organizations in the countries in which GCM makes investments, and the client will be subject to the risk of default, insolvency or fraud of such organizations. The collection, transfer and deposit of bearer securities and cash expose clients to a variety of risks, including theft, loss and destruction. Finally clients will be dependent upon the general soundness of the banking systems of countries in which investments will be made.

Execution Risks. The execution of GCM's trading and investment strategies can involve complex trades, difficult to execute trades and use of negotiated terms with counterparties such as in the use of derivatives. In each case, GCM will seek best execution and has trained execution and operations professionals devoted to executing, settling and clearing such trades. However, in light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses. GCM will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault, and to the extent practicable will seek to recover losses from those parties. GCM may choose to forego pursuing claims against brokers and counterparties for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties.

Financial Fraud. Instances of fraud and other deceptive practices committed by senior management of certain companies in which GCM's clients invest may undermine GCM's due diligence efforts with respect to such companies. If such fraud occurs, it may negatively affect the valuation of a client's investments. In addition, when discovered, financial fraud may contribute to overall market volatility which could negatively impact GCM's clients' investment programs.

Projections. Projections are inherently subject to uncertainty and factors beyond GCM's control. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of an investment to realize projected values and cash flow.

Investment Due Diligence and Investment Research. When conducting due diligence and investment research, GCM may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. When conducting due diligence and investment research and making an assessment regarding an investment, GCM may rely on information provided by such persons, or by the management or shareholders of the target of the investment or their advisors. The due diligence investigation and investment research that GCM carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, may lead to inaccurate or incomplete conclusions, or may be manipulated by fraud. Moreover, such an investigation will not necessarily result in the investment being successful.

Non-Controlling Investments. GCM expects to make non-controlling investments and, therefore, may have a limited ability to protect its investments although, as a condition of investment, GCM may negotiate representation on the creditors' committee and supervisory rights to protect clients' investments.

Control Investments. In certain circumstances, GCM may have controlling interests in or the ability to significantly influence its clients' investment. The exercise of control of, or significant influence over, an investment may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, GCM and/or its clients might suffer a significant loss.

Board Participation. In certain circumstances, the size of GCM's clients' equity holdings in a particular issuer, or contractual rights obtained by GCM in connection with an investment, may enable GCM to designate one or more directors to serve on the boards (or comparable governing bodies) of companies in which GCM's clients invest. While such representation

may enhance GCM's ability to manage clients' investments, it may also have the effect of impairing GCM's ability to sell the related securities when, and upon the terms, it might otherwise desire, as it may subject GCM to legal claims it would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other board-related claims. GCM will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise its voting or contractual rights, but changes in circumstances could produce adverse consequences in particular situations.

Contingent Liabilities. Clients may from time to time incur contingent liabilities in connection with an investment. For example, GCM may purchase for clients from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, clients would be obligated to fund the amounts due. Clients may also enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third party. In addition, GCM may purchase investments for its clients in issuers that are subject to contingent liabilities, including in connection with any ongoing litigation at the portfolio company level.

Environmental Risks. Clients could face significant environmental liability in connection with their investments. When compared to the United States, the historical lack of environmental regulation in countries outside of the United States has led to widespread pollution of air, ground and water resources. The legislative framework for environmental liability in these countries has not been fully established or implemented. The extent of the responsibility, if any, for the costs of abating environmental hazards may be unclear when GCM is considering client investments.

No or Limited Availability of Insurance against Certain Catastrophic Losses. Certain losses of a catastrophic nature, such as wars, earthquakes, typhoons, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Some insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance for a property. As a result, all investments may not be insured against terrorism. If a major uninsured loss occurs, clients could lose both invested capital in and anticipated profits from the affected investments.

Dependence on Key Personnel - GCM's investment success is highly dependent on the expertise and performance of its senior investment professionals. There can be no assurance that these senior investment professionals will continue to be associated with GCM as they are under no contractual obligation to do so. The loss of the services of one or more of these individuals could have a material adverse effect on investment performance.

Tax Risks. GCM's investments for its clients may involve various tax risks. Clients should consult with and must rely upon their own tax advisor regarding the tax consequences and liabilities related to an investing through GCM.

Item 9 – Disciplinary Information

As a registered investment adviser, GCM is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. GCM has no information applicable to this report in this regard.

Item 10 – Other Financial Industry Activities and Affiliations

Not Applicable

Item 11 – Code of Ethics

GCM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at GCM must acknowledge the terms of the Code of Ethics at the commencement of their employment with GCM, annually, and whenever the Code of Ethics is amended.

The personal transactions and investment activities of employees of investment advisory firms are the subject of various federal securities laws, rules and regulations. GCM requires pre-clearance with respect to personal trading by access persons and all of GCM's access persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an access person. In addition, GCM's access persons must provide annual holdings reports and quarterly transaction reports in accordance with SEC Rule 204A-1. Access persons must conduct all personal securities transactions in a manner that avoids a conflict between their personal interests and those of GCM and its clients.

GCM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which GCM or its clients, directly or indirectly, have a position of

interest. Subject to adherence with GCM's Code of Ethics and applicable laws, officers, directors and employees of GCM and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for GCM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these securities would materially not interfere with the best interest of GCM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

GCM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Michael Montgomery, Chief Compliance Officer at (310) 907-0459 or by e-mail at mmontgomery@glendoncap.com

Item 12 – Brokerage Practices

GCM is responsible for the placement of its accounts transactions and the negotiation of prices and commissions, if any, with respect to such transactions. Fixed income and unlisted equity securities are generally purchased from a primary market maker acting as principal on a net basis without a stated commission but at prices generally reflecting a dealer spread. Listed equity securities are normally purchased through brokers in transactions executed on securities exchanges involving negotiated commissions. Both fixed income and equity securities are also purchased in underwritten offerings at fixed prices that include discounts to underwriters and/or concessions to dealers.

In selecting brokers-dealers and executing transactions for its accounts, GCM seeks to obtain the best combination of price and execution on transactions effected for its accounts. For GCM, getting the best net price is an important but not deciding factor in selecting a broker or dealer to execute an account's transaction. Other considerations include the nature of the security being traded, the size and type of the transaction, the desired timing of the trade, the reputation of the broker-dealer for confidentiality, the perceived financial and operational soundness of the broker-dealer and the research services and products furnished by the broker-dealer.

GCM does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among accounts, believing that the research received is, in the aggregate, of assistance to GCM in fulfilling its overall duty to its clients. However, each and every research service may not be used to service each and every account managed by GCM and GCM may use research services to service accounts that did not pay commissions to the broker-dealers providing such research services. Moreover, GCM may benefit from those services as it may not have to pay for such research services out of

its own resources.

Certain client accounts may trade in the same securities as other client accounts on an aggregated basis when consistent with GCM's obligation of best execution. In such circumstances, all participating client accounts will share commission costs equally and receive securities at a total average price. GCM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

We generally aggregate the purchase and sale of securities for various accounts that have a similar investment strategy. In doing so, we seek to fairly allocate investment opportunities in situations when the opportunity to buy or sell a security or financial instrument or pursue a trading strategy is limited. GCM has adopted procedures that are designed to provide a fair allocation of aggregated purchases or sales of such investments among our clients. The procedures are designed to produce fairness over time but may not produce mathematical precision in the allocation of individual transactions.

The factors GCM considers in allocating a trade include, but are not limited to (i) whether the investment will fit within the investment guidelines of the account; (ii) the size of the account; (iii) the liquidity of the investment and other liquidity considerations, including redemption/withdrawal requests received by such accounts; (iii) the diversification of the account; (iv) geographical, sector, industry and asset class concentrations in the account; (v) risk characteristics of the relevant investment and the client's risk appetite; (vi) whether the investment can be hedged (in connection with client accounts with guidelines that call for hedging); and (vii) the maturity of the Investment and the proximity of an account to the end of its specified term, if any (i.e., whether the account is in "wind down" or "ramp up" mode).

In allocating the sale of an investment that is held in one or more accounts, GCM has the discretion to sell for only one account or multiple accounts based on the factors discussed above and also where sales are required to realize liquidity (i) for a redemption in an account; (ii) to reallocate funds to a different investment strategy; or (iii) to purchase investments that the Manager determines are appropriate for one account but not others.

Item 13 – Review of Accounts

At least monthly GCM conducts a full review of all of its accounts. These reviews are conducted by the Head of Portfolio Management and are attended by virtually all analysts and other professionals involved in making investment decisions or otherwise managing a client's account. Substantively, account reviews will include performance of the account,

adherence of the account to its investment mandates, potential transactions for the account and any other consideration that may be pertinent.

There is daily informal monitoring of accounts with the positions and trades of all accounts reviewed daily by the Head of Portfolio Management, relevant analysts and the Chief Compliance Officer.

Item 14 – Client Referrals and Other Compensation

GCM may enter into arrangements with, and compensate, solicitors for client referral activities. These solicitation arrangements will be fully disclosed to affected clients and will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, where applicable.

Item 15 – Custody

GCM will not maintain custody of its clients' cash, securities or other investment assets. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. GCM urges you to review carefully such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

GCM expects that it will usually receive discretionary authority from its client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, GCM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, GCM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to GCM in writing.

Item 17 – Voting Client Securities

The procedures by which GCM will vote your securities will be addressed in your individual Investment Management Agreements. As a matter of firm policy and practice, GCM leaves all voting securities matters up to the client. Clients should arrange with their custodian to receive proxy statements and similar materials directly.

However, upon request, GCM will provide its views on how securities should be voted, but will always do so with its fiduciary duty to the client as the guiding principle in providing such advice. Likewise, where an Investment Management Agreement specifies that GCM will vote a client's securities, GCM will do so with absolute regard to its fiduciary duty to endeavor to obtain the best outcome for its clients. If GCM is granted the authority to vote securities for a Client, we will adopt proxy voting policies as required by applicable law and make them available to Clients upon request.

Item 18 – Financial Information

GCM has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.