

Item 1. Cover Page

GARRISON INVESTMENT GROUP LP

Part 2A of Form ADV: Firm Brochure

1290 Avenue of the Americas
New York, NY 10104

Contact:
(212) 372-9500
Michael Butler, Chief Compliance Officer

www.garrisoninv.com

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Garrison Investment Group LP (“GIG”). If you have any questions about the contents of this Brochure, please contact us at (212) 372-9500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Additional information about Garrison Investment Group LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

GIG does not have any material changes to identify and discuss in this Brochure.

Item 3. Table of Contents

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Item 4. Advisory Business

Garrison Investment Group LP (“**GIG**”), a Delaware limited partnership, is an alternative asset management firm. GIG commenced operations in May 2007. GIG’s principal owners are GIG GP LLC (whose members are Steven S. Stuart and Joseph B. Tansey) and Fortress Operating Entity I LP (whose indirect sole shareholder is Fortress Investment Group LLC). Garrison Investment Management LLC (“**GIM**”), a Delaware limited liability company, is controlled by GIG and is a “relying adviser” under the 2012 NAL (as defined in Item 10 below) as further described in Item 10. Its principal owners are GIG, Scout Fund I-A, LP and Scout Fund I-C, LP. Scout Fund I-A, LP and Scout Fund I-C, LP are controlled by Hawkeye Partners, LP.

GIG, together with GIM and any other investment management entities it organizes from time to time (collectively, the “**GIG Managers**”), provides investment management services on a discretionary basis, and, in certain limited instances, on a non-discretionary basis, to privately offered investment funds (each, a “**Fund**,” and, collectively, the “**Funds**”) and certain other Clients (as defined below). Affiliates of GIG serve as the general partners or managing members of the Funds (each and as applicable, a “**General Partner**” or “**Managing Member**”); however the investment management duties and responsibilities are performed by the GIG Managers through investment advisory agreements by and between the GIG Managers and Clients. The Funds, together with any separate account managed or advised by the GIG Managers and any co-investment vehicles organized to facilitate investments by third party co-investors alongside the Funds, and any other investment vehicles managed or advised by the GIG Managers are collectively referred to herein as “**Clients**”.

As of December 31, 2014, GIG had regulatory assets under management of \$5,697,922,000.

GIG and the GIG Managers provide investment advice to the Clients and not individually to the limited partners, members or other investors in the Clients. As investment advisers, GIG and the GIG Managers are primarily responsible for identifying investment opportunities for the Clients, effecting all investment transactions and performing, among other things, asset management services with respect to the Clients’ investments. The assets of each Client are managed in accordance with the terms of any LPA (as defined below) of such Client and any other governing documents applicable to such Client.

GIG has entered into a staffing agreement with certain of its affiliates, Garrison Capital Advisers LLC (“**GCA**”) and Garrison Loan Management LLC (“**GLM**”), each an investment adviser separately registered with the SEC, under which GIG has agreed to make certain of its investment professionals available to GCA and GLM.

Item 5. Fees and Compensation

Each Client is governed by a limited partnership agreement or equivalent governing document (each, an “**LPA**”) that sets forth in detail the fee structure relevant to that Client. The terms of the LPAs are generally established during the fundraising period of the applicable Client. Management fees, Carried Interest and expenses (each as described below) are generally negotiated with prospective investors during the fundraising period.

Pursuant to a Client's LPA, compensation received by a GIG Manager in consideration of its investment advisory services is generally comprised of a management fee based on a percentage of the Client's capital commitments during the investment period (i.e., the period during which a Client may make new investments), and thereafter based on a percentage of capital invested. Management fees payable in relation to a Fund may instead be based on a blended percentage of capital commitments and capital invested or alternatively on the net asset value of the applicable Client. As of the date of this Brochure, the maximum asset based management fee payable by a Client is based on, during the investment period of the relevant Fund, a rate of 1% per annum on the unfunded capital commitments of such Client plus 2% per annum on the capital invested by such Client and following the investment period of such Client, 2% per annum on the capital invested by such Client.

In the case of Clients with respect to which the investors therein are not permitted to withdraw capital or transfer their interests without General Partner or Managing Member consent, GIG affiliates, in their role as General Partners or Managing Members, are generally eligible to receive Carried Interest (as defined in Item 6 below), with respect to realized investments, which is generally determined as a percentage of profits derived from the disposition of all investments (after taking into account expenses of the Fund, including management fees, following a preferred return to investors). If the payment of the Carried Interest results in an over-distribution of the agreed upon amount of Carried Interest to the applicable Fund's General Partner or Managing Member, such General Partner or Managing Member is generally subject to a "clawback" arrangement. As of the date of this Brochure, the maximum Carried Interest allocable to a General Partner or Managing Member is 25% of the profits, derived from the disposition of all investments (after taking into account expenses of the applicable Client, including management fees, and following a preferred return or internal rate of return hurdle to limited partners of 9% per annum).

In the case of Clients with respect to which the investors therein are generally permitted to voluntarily withdraw their capital during the life of the Fund (each, an "***Open-End Fund***"), typically, the General Partner or Managing Member of an Open-End Fund is entitled to receive a Carried Interest at the end of each year (and upon withdrawals from the Open-End Fund) of up to 18.50% of the Open-End Fund's increase, subject to a minimum internal rate of return or preferred return hurdle, in the net asset value of the Fund that is attributable to the capital account of each investor in such Open-End Fund during the preceding year (or portion thereof, in the case of withdrawals). However, the General Partner or Managing Member will not be allocated any Carried Interest with respect to an investor's capital account until the investor has recovered any net capital depreciation attributable to its capital account (as adjusted for withdrawals of capital). Certain defined holdback or clawback provisions may prohibit distributions (in whole or part) to the General Partner or Managing Member for a period of time.

Each Client may have different management fees or Carried Interests, as described in the applicable LPAs and/or other governing documents of such Client. GIG and the pertinent General Partner or Managing Member has the right to waive or reduce, from time to time, all or part of the management fee and the Carried Interest, respectively, with respect to certain Fund investors (including, but not limited to, the affiliates and employees (and their families) of GIG, which may invest in Clients through investment vehicles managed by GIG Managers), as well as certain co-investors and unrelated persons, without waiving or reducing the management fee or

Carried Interest with respect to other Client investors. In addition, certain investors in certain special purpose Funds that invest alongside other Funds in all or certain investments may not pay management fees and/or may not be subject to the payment of a Carried Interest in connection with their investments in such special purpose Funds.

The GIG Managers may also receive transaction fees, break-up fees, commitment fees, investment banking fees, directors' fees, asset management fees, consulting fees, advisory fees, monitoring and other similar fees from or in connection with a Fund's investments (collectively, "**Transaction Fees**"). With respect to Funds that pay management fees to the GIG Managers, a percentage of the Transaction Fees allocable to such Funds (net of certain expenses) is applied to reduce the management fees, if any, payable by such Fund in accordance with such Fund's LPA. Further, for those Funds that do bear management fees, the Transaction Fees that will reduce the management fees will generally be limited to the extent of such Fund's proportionate interest (or intended proportionate interest) based on capital committed (or proposed to be committed) to the applicable investment with respect to which the applicable Transaction Fee relates. While certain Transaction Fees may be allocable to Co-Investors (as defined below) that do not pay management fees, such Co-Investors generally will not receive the benefit of such Transaction Fees. However, certain Funds' LPAs may not contemplate the allocation of Transaction Fees as described above.

The types of fees that constitute Transaction Fees may vary among the Clients. Detailed information regarding the types of Transaction Fees that may offset the management fees otherwise payable by a Client is provided in the offering documents and/or organizational documents (including the LPAs) of such Clients. The following, however, generally do not constitute Transaction Fees (and are, therefore, generally not applied to reduce management fees): (i) fees or expenses associated with internal asset management, legal or accounting services provided by the GIG Managers (described further below); (ii) salary, fees or other compensation of any nature paid by the Fund or a Fund investment to any individual who acts as a consultant, advisor, subject matter expert or similar person acting in a similar capacity engaged by the GIG Managers or a Fund; and (iii) administrative, agency or similar fees or compensation received by the GIG Managers or their affiliates in connection with administrative services provided by the GIG Managers or their affiliates in connection with the administration of certain lending or similar Fund investments.

In addition to management fees and Carried Interest as described above, Clients pay or reimburse the GIG Managers for certain fees and expenses. These fees and expenses will vary from Client to Client, but typically will include all legal and other organizational and offering expenses incurred in the formation of a particular Client and related entities and the offering of the interests in a Client; investment-related expenses (whether or not any such investment is consummated); brokerage commissions, custodial fees, bank service fees and interest expenses; hedging expenses; investment-related travel expenses; legal expenses; professional fees relating to investments; expenses of consultants and experts); expenses associated with the attendance at industry conferences; accounting expenses; accounting software and other software packages (including any and all fees and expenses incurred in implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of Clients (including, without limitation, any and all costs and expenses of any books and records, portfolio compliance, treasury and reporting systems such as "Wall Street Office," "Everest" (Black

Mountain), “Fund Runner,” “Salesforce.com” and similar systems and services, including, consultant, software licensing, data management and recovery services fees and expenses); auditing and tax preparation expenses; valuation expenses; entity-level taxes of a Client and entity-level taxes imposed on any Fund subsidiaries; expenses of third-party servicers and asset managers; administrative expenses; insurance expenses; directors and officers and errors and omissions liability insurance; expenses incurred in connection with any amendments or supplements to the Fund’s LPA or offering documents; fees and expenses of any administrator of the Client; expenses incurred in connection with any indemnification obligations of a Client; litigation and regulatory costs and expenses; expenses incurred in connection with the formation of any alternative investment vehicles or special purpose vehicles; expenses incurred in connection with any meetings of investors in a Client called by the General Partner or Managing Member of such Client; reasonable out-of pocket expense (including travel expenses) incurred by the members of a Client’s advisory board in connection with the fulfillment of their duties; Capped Asset Management Services and Capped Internal Legal and Accounting Expenses (each as defined below); travel, late car and/or late meal (after 8:00pm) expenses for GIG’s employees; and any other expenses permitted by a Client’s organizational and/or offering documents. Please also see Item 12. Brokerage Practices herein.

The GIG Managers also perform asset management services with respect to Client investments, which services include monitoring, and seeking to improve the performance of, businesses and assets in which a Client has invested, obtaining and negotiating appropriate financing for Client investments, monitoring covenant compliance by borrowers, tenants and other obligors, monitoring the financial condition and other relevant operating data of borrowers, tenants and obligors and tracking of borrowings and cash payments. Subject to a particular Client’s LPA, a Fund may bear its allocable share of all costs and expenses of the GIG Managers that are directly attributable to the salaries, bonuses and fringe benefits payable to asset management employees of GIG whose services are provided to such Client and other Clients and all costs and expenses of information systems, software and hardware utilized by such Client and other Clients in connection with asset management, such allocable share to be based on the relative values of the specific assets of such Client and other Clients for which asset management services are being provided. Costs and expenses of the GIG Managers associated with any such asset management services borne by a Client (the “**Capped Asset Management Services**”) will not typically exceed 0.50% per annum of the aggregate capital contributions of the investors in such Client.

The GIG Managers generally internally perform operational and accounting services on behalf of the Funds. The combined costs to a Client of the legal, accounting and operations professionals, systems and a Fund’s administrator, if any, are generally comparable to third-party costs which would otherwise be borne by the Client for similar external services. Subject to a particular Client’s LPA, each Client will bear its allocable share of the costs of the legal, accounting and operations professionals and systems, such allocable share to be based generally on the time which the applicable employees providing such legal, accounting and operational services devote, on an estimated basis, to such Fund and such other Clients or on such other basis as GIG determines to be fair and equitable. Costs and expenses associated with any such legal, accounting and operations professionals and systems of the GIG Managers that are borne by a Client (the “**Capped Internal Legal and Accounting Services**”) will not typically exceed 0.20% per annum of the aggregate capital contributions of the investors in such Client.

The foregoing lists of fees and expenses borne by the Clients are not intended to be exhaustive. Prospective and existing investors are advised to review the applicable Client offering documents and organizational documents (including LPAs) for further information regarding the fees and expenses associated with an investment in the Clients.

The General Partner or Managing Member of Fund may call capital for the payment of management fees and other expenses or pay such fees and expenses out of the assets of the Client, current income or disposition proceeds from investments of the Client.

If any Co-Investors are participating in a co-investment alongside a Client (indirectly through a co-investment partnership managed by a GIG Manager or directly in the relevant investment), such Co-Investors will typically bear their *pro rata* share of fees, costs and expenses related to the discovery, monitoring, investigation, development, acquisition or consummation, ownership, maintenance, hedging and disposing of their co-investments and may be required to pay their *pro rata* share of fees, costs and expenses related to their potential co-investments that are not consummated. To the extent that Co-Investors do not agree to or do not otherwise bear fees, costs and expenses related to unconsummated investments, such fees, costs and expenses may be borne by the relevant GIG Manager, or if consistent with their governing documents, by the relevant Fund on whose behalf the relevant GIG Manager evaluated and pursued such investment. In addition, in the event that the Co-Investors participate in a co-investment through an investment vehicle or vehicles managed or advised by a GIG Manager, they will generally bear their *pro rata* share of organizational costs and expenses of such vehicles. GIG may (or may not) in its discretion (i) charge Carried Interest, management fees or other similar fees to Co-Investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of such co-investment arrangements.

The GIG Managers and their affiliates may from time to time incur fees, costs and expenses on behalf of one or more Clients. To the extent that such fees, costs and expenses are incurred for the account or for the benefit of one or more Clients, such Clients will typically bear an allocable portion of any such fees, costs and expenses in proportion to the size of the investment made by each in the activity or entity to which the expense relates (subject to the terms of the applicable LPAs and other governing documents of the Clients) or in such other manner as the GIG Managers consider fair and reasonable. Although the GIG Managers endeavor to allocate such fees, costs and expenses on a fair and reasonable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Notwithstanding the foregoing, GIG may in the future develop policies and procedures to address the allocation of expenses that differ from its current practice.

Neither GIG nor any of its supervised persons accepts compensation (e.g., brokerage commissions) from Clients for the sale of securities or other investment products. However, as described in Item 10, Garrison Securities (as defined below) may receive remuneration from funds managed by investment managers unaffiliated with GIG or Garrison Securities in connection with such funds' private placements.

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

As described in the Fees and Compensation section above, the General Partners or Managing Members of the Clients are entitled to performance-based compensation in the form of an incentive allocation or carried interest (collectively, “*Carried Interest*”). Such compensation may create an incentive for GIG to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such performance-based compensation. Clients may have different management fees or Carried Interests, which may cause GIG to favor one Client over another. GIG seeks to address these conflicts through the use of its investment allocation policy. Additionally, investment vehicles owned by GIG’s investment professionals invest in certain Clients in an effort to align GIG’s and such Funds’ interests. Furthermore, the constituent documents of the Clients that provide for performance-based compensation have “clawback” arrangements as described in the Fees and Compensation section above.

GIG maintains policies relating to allocations of investment opportunities between or among Funds. GIG will use its best judgment and act in a manner that it considers fair and reasonable in allocating investment opportunities among the Clients. Each Client has its own investment mandate (e.g., investment objective, type of investments, expected timing of exit) that may preclude it from participating in certain investments. Additionally, each Fund has different groups of investors with unique tax, legal, regulatory and/or other requirements that may prevent any one Fund from participating in certain investments. When it is determined that an opportunity is suitable for more than one Fund, GIG will seek to allocate opportunities among those Funds on a fair and, over time, equitable basis. Although such allocations may be *pro rata*, they will not necessarily be so, where GIG’s allocation policies dictate a different result. For example, GIG, in allocating such investment opportunities, will consider, among other things, the proposed investment’s size, liquidity and time horizon, each such Fund’s diversification guidelines and differing objectives, the likelihood of current income and each such Fund’s investment period and available capital. Allocations may also differ for tax, legal, regulatory or other reasons as deemed appropriate by GIG. There can be no assurance that a particular investment opportunity will be allocated in a particular manner, and it is possible that a particular Fund may not be given the opportunity to participate in certain investments made by other Funds that meet such Fund’s investment objectives. Where conflicts arise in the allocation of investment opportunities, GIG seeks to resolve such conflicts fairly.

GIG maintains policies governing co-investment opportunities pursuant to which GIG may, to the extent that it believes in its sole discretion that it is appropriate to do so, offer any investor in a Client or any third party the opportunity to co-invest in any transaction in which a Client has made, or will make, an investment (each, a “*Co-Investor*”), subject in all cases (including with respect to the allocation of co-investments among potential Co-Investors) to the provisions of the LPA of the applicable Fund, the terms of any side letter or other terms negotiated with a Client’s investors and the terms of GIG’s co-investment policy. Such policy sets forth certain factors that GIG may consider, based on the facts and circumstances of a potential investment, in determining whether or not to offer a co-investment opportunity to a potential Co-Investor. Such factors may include, but are not limited to, the jurisdiction in which the Co-Investor is based, the expressed interest by Fund investors or third parties in such co-investment, the proposed timing of the co-investment, the level of certainty of execution by the Co-Investor, any existing

relationships between the Co-Investor and management of the relevant underlying company in which the Fund is investing or any other party relevant to the transaction, any relevant experience of the Co-Investor in the same industry or sector as the relevant investment, any strategic relationship between GIG and the Co-Investor, or any other factors that GIG deems relevant. The structure and terms of any co-investment opportunity to be offered by GIG to any investor in a Client shall be determined by GIG, subject to the restrictions, if any, set forth in the LPA of the relevant Fund. GIG or any of its affiliates may (or may not) in their discretion charge performance based compensation, management fees or other similar fees to Co-Investors.

In order to facilitate the acquisition of an investment, a Client may make (or commit to make) an investment with a view to selling a portion of such investment to Co-Investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, such Fund may bear the entire portion of any fees, costs and expenses related to such investment, hold a larger than expected investment in such investment or may realize lower than expected returns from such investment. GIG endeavors to address such risks by requiring such investments to be in the best interests of the relevant Fund regardless of whether any sell-down ultimately occurs. None of the GIG Managers, the applicable General Partner or Managing Member and their respective affiliates will be deemed to have violated any duty or other obligation to the relevant Fund or any of its investors by engaging in such investment and sell-down activities. Any such sell-down will be made in compliance with the participating Clients' respective LPAs.

Item 7. Types of Clients

The GIG Managers provide advisory services to Clients that generally pursue investment opportunities in consumer finance-related assets, platforms and businesses, financial assets, the corporate middle market, the shipping industry, the energy industry, and real estate and real estate-related assets. Investors in the Clients generally consist of state pension funds, corporate pension funds, endowments, foundations, pooled investment vehicles (e.g., funds of funds), sovereign wealth funds and high net worth families and individuals. Investment advice is provided directly to the Clients and not individually to the investors in the Clients.

Details concerning applicable investor suitability criteria are set forth in the respective Client's offering documents and subscription materials. Although the GIG Managers and/or the relevant General Partner or Managing Member have the authority to accept commitments for lesser amounts, the minimum commitment to the Clients is generally \$5 million. Each investor in a Client is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended.

The GIG Managers and/or the relevant General Partner or Managing Member may enter into separate agreements, commonly referred to as "side letters", with certain investors with respect to the Funds which would have the effect of establishing rights under, altering or supplementing the terms of, the LPA of the applicable Fund with respect to such investor, in a manner more favorable to such investor than those applicable to other investors in such Fund. Such rights or terms pursuant to such side letters may include, for example, fee arrangements with respect to an

investor, reporting obligations of the applicable GIG Manager, waiver of certain confidentiality obligations, consent of GIG to certain transfers by an investor or rights or terms necessary in light of particular legal, regulatory or tax characteristics of an investor. The provisions set forth in any such side letter are generally disclosed to all of the investors in the relevant Fund which have entered into side letters, following the final closing date of such Fund.

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

Methods of Analysis and Investment Strategies

The following is a summary of the investment strategies and methods of analysis employed by the GIG Managers on behalf of Clients. This summary should not be interpreted to limit in any way GIG's investment activities. GIG may offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that may not be described in this Brochure, that GIG considers appropriate, subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client's private placement memorandum, LPA, subscription agreement, or other constituent documents. There can be no assurance that the investment objectives of any Client will be achieved or that substantial losses will be avoided.

The GIG Managers perform research into each prospective investment and disposition. In conducting such research, the GIG Managers may consult various sources of information, including financial newspapers, inspections of corporate activities, research materials prepared by others, corporate rating services, financial statements, annual reports, prospectuses, filings with the SEC, company press releases and any other materials the GIG Managers deem relevant. The GIG Managers may engage the services of experts and consultants to supplement their research and to diligence certain prospective investments, including experts and consultants with expertise in a particular industry or sector.

Subject to a particular Client's investment strategy, the Clients generally invest in a diversified portfolio of assets, loans and other investments. These investments will generally be made across a broad spectrum of asset types which include corporate, real estate, structured finance and consumer assets. The investment activities of the Funds may include, for example, some combination of the following:

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

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

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

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

Real Estate. A Client may target investment opportunities that capitalize on opportunities in the commercial real estate markets. Primary areas of focus will generally include property acquisitions, acquisitions of distressed individual loans, loan portfolios and foreclosed upon properties from investment banks and regional banks, direct origination of hard money loans and opportunistic subordinate loans.

Financial Assets. A Client may pursue asset acquisitions in a range of consumer asset classes, including portfolios of consumer receivables. Additional investments may include small balance commercial loans, commercial leasing, aircraft and commercial and industrial loans. Other asset classes include esoteric and illiquid opportunities that may be sold by persons seeking liquidity and balance sheet relief. A Client may also invest in various consumer lending platforms. These opportunities are pursued through direct sourcing as well as proprietary joint-venture relationships with both sourcing and servicing partners.

Certain Associated Risks

All investing involves a risk of loss that investors should be prepared to bear. The descriptions contained below are a brief overview of different risks related to the Clients' investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Clients. Investors should consider an investment in a Client as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the confidential private placement memorandum or equivalent offering document for a Client before deciding to make an investment in a Client.

Use of Leverage. A Client may regularly employ leverage as part of its investment program. The greater the total borrowings of a Client relative to its investments, the greater will be its risk

of loss and possibility of gain due to market fluctuations in the values of its investments. In addition, money borrowed by a Client will be subject to interest costs, which will be an expense of the Client, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of the Client.

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

Contingent Liabilities. A Client from time to time may incur contingent liabilities in connection with an investment. For example, a Client may from time to time be required to guarantee certain obligations of certain of its subsidiaries. In addition, a Client may arrange or purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Client would be obligated to fund the amounts due. A Client may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Client. Similarly, if the Client acquires a property that is subject to environmental issues or environmental issues develop during the period that the Client owns the property, the Client may be responsible for liabilities relating to such environmental issues.

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

Valuation of Assets. To the extent required by the LPA of a Client, GIG may seek out independent valuations of that Client's assets. When no market exists for an investment or when GIG determines that the market price does not fairly represent the value of an investment, GIG may value such investment at fair value as it reasonably determines. There is no guarantee that fair value represents the value that may be realized by the Client on the eventual disposition of the investment or that could, in fact, be realized upon an immediate disposition of the investment.

Risks Associated with Investments in Distressed Assets. A Client may invest in distressed assets and portfolios of distressed assets, including high yield securities and non-investment grade obligations, delinquent and charged-off consumer loans, commercial and residential mortgage

loans, small business loans, commercial and industrial loans, commercial maritime vessels and real estate. Although such investments may result in significant returns to a Client, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high. Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the applicable GIG Manager. To the extent that a GIG Manager becomes involved in such proceedings, a Client may have more active participation in the affairs of the company than that assumed generally by an investor. In addition, involvement by a GIG Manager in a company's reorganization proceedings could result in the imposition of restrictions limiting the applicable Client's ability to liquidate its position in the company.

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

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization process can involve substantial legal, professional and administrative costs to the company and the Clients; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the company's fundamental value. Such investments can result in a total loss of principal. In addition, a Client may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

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

The applicable GIG Manager may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the applicable Client's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the GIG Manager concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the applicable Client, it will resign from that committee or group, and the Client may not realize the benefits, if any, of participation on the committee or

group. In addition, and also as discussed above, if the Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

Risks of Investments in Special Situations. A Client may invest in special situations as part of its strategies. A Client may make “rescue” financings ranging from secured debt to equity infusions including, without limitation, investments in companies that are in need of liquidity or facing debt maturities, or provide growth capital to companies that cannot access the capital markets due to cyclical factors or financial market dislocation. Such companies’ securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Additionally, a Client may make investments in “event-driven” special situations such as recapitalizations, spinoffs, corporate and financial restructurings, litigation or other liability impairments, turnarounds, management changes, consolidating industries and other catalyst-oriented situations.

Nature of Investment in Secured Loans. A Client may own secured debt, which involve various degrees of risk of a loss of capital. The factors affecting a company’s secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of a company. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets.

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

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

While loans invested in by a Client are intended to be over-collateralized, the Client may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A Client cannot guarantee the adequacy of the protection of the Client’s interests,

including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a Client cannot assure that claims may not be asserted that might interfere with enforcement of the Client's rights. In the event of a foreclosure, a Client may assume direct ownership of the underlying collateral. The liquidation proceeds upon a sale of such collateral may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying collateral may further reduce the proceeds and thus increase the loss.

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

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

Bridge Financings. A Client may invest in loans given to companies on a short-term, subordinated basis or otherwise invest on an interim basis in companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term financing; however, for reasons not always in the Client's control, such long-term financing or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the interest rate on such loans or the term of such interim investments may not adequately reflect the risk associated with the position taken by the Client.

Participations. A Client may acquire interests in loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest and not with the borrower. In purchasing participations, the Client may have no right to enforce compliance by the borrower with the terms of the credit agreement, nor any rights of set-off against the borrower, and the Client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Client

may assume the credit risk of both the borrower and the institution selling the participation to the Client. Participations may also be used as a means to facilitate participation in an investment by a Co-Investor.

Risks of Investing in Mid-Sized Companies. A Client may make loans to or otherwise invest in privately-owned mid-sized companies, which present a greater risk of loss than loans to larger companies. Compared to larger, publicly owned firms, these companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. These financial challenges may also make it difficult for a Client's borrowers to make scheduled payments of interest or principal on such Client's loans. Accordingly, advances made to these types of borrowers entail higher risks than advances made to companies who are able to access traditional credit sources.

Numerous factors may affect a company's ability to make scheduled payments on a Client's loan and/or be profitable, including the failure to meet its business plan or a downturn in its industry. In part because of their smaller size, the companies in which a Client may invest may (i) experience significant variations in operating results; (ii) be particularly vulnerable to changes in customer preferences and market conditions; (iii) be more dependent than larger companies on one or more major customers, the loss of which could materially impair their business, financial condition and prospects; (iv) face intense competition, including from companies with greater financial, technical, managerial and marketing resources; (v) depend on the management talents and efforts of a single individual or a small group of persons for their success, the death, disability or resignation of whom could materially harm the company's financial condition or prospects; or (vi) have less skilled or experienced management personnel than larger companies.

Accordingly, any of these factors could impair a company's cash flow or result in other events, such as bankruptcy, which could limit that company's ability to repay its obligations to a Client, and may lead to losses in such Client's portfolio and a decrease in such Client's revenues, net income and assets.

Higher Yielding Debt. A Client may invest in "higher yielding" (or higher risk) debt. In most cases, such debt will be rated below "investment grade" or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market for high-yield debt has experienced periods of volatility and reduced liquidity. The market values of certain of these debt investments may reflect individual corporate developments. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt investments.

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

such factors, including local economy, real estate market conditions, special hazards and competition.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. The factors that affect the value of real estate investments include, among other things: national, regional and local economic conditions; the condition of financial markets; developments or trends in a particular industry; competition from other available space; local conditions such as an oversupply of space or a reduction in demand for real estate in the area; management of properties; the development and/or redevelopment of properties; changes in market rental and occupancy rates; the timing and costs associated with property improvements and rentals; changes in operating expenses; the financial condition of tenants; availability of obtaining financing on acceptable terms; fluctuations in interest rates; changes in zoning laws and taxation; government regulation; potential liability under environmental or other laws or regulations; and acts of God, terrorist attacks, social unrest and civil disturbances. The value of a Client's investments directly in real estate or in debt secured thereby may decline as a result of adverse changes in any of these factors. In addition, adverse changes in the real estate market increases the probability of default, as the equity in the underlying property declines.

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

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

Environmental Liabilities. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental

contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos containing materials, pursuant to which third parties may seek recovery from owners of real property for personal injuries associated with asbestos containing materials. Absent acquiring or succeeding to ownership or control of real property, a Client is not likely to be subject to any of these forms of environmental liability. If a Client ever acquires or succeeds to ownership or control of a property and becomes subject to significant environmental liabilities, the Client's business, financial condition, liquidity, and results of operations could be materially and adversely affected.

Risk of Delinquency, Foreclosure and Reduction in Value of Real Estate. Commercial mortgage loans are secured (directly or indirectly) by multifamily or commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. The value of commercial real estate depends significantly on the amount of income it generates. Net operating income of property can be affected by, among other things: (i) tenant mix; (ii) success of tenant businesses; (iii) property management decisions; (iv) property location and condition; (v) competition from comparable types of properties; (vi) changes in laws that increase operating expense or limit rents that may be charged; (vii) any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property; (viii) changes in national, regional or local economic conditions and/or specific industry segments; (ix) declines in regional or local real estate values; (x) declines in regional or local rental or occupancy rates; (xi) increases in interest rates; (xii) real estate tax rates and other operating expenses; (xiii) changes in governmental rules, regulations and fiscal policies, including environmental legislation; and (xiv) acts of God, terrorist attacks, social unrest and civil disturbances.

In the event of any default under a real estate loan held by a Client, the Client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the real estate loan, which could have a material adverse effect on the Client's cash flow from operations and limit amounts available for distribution to the Client's investors. It is likely that a Client may find it necessary or desirable to foreclose on some, if not many, of its real estate loans. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against a Client, including, without limitation, numerous lender liability claims and defenses, even when such assertions have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disruption to the ongoing leasing, management and operation of the property. The expense and delay associated with foreclosure of a mortgage loan could have a substantial negative effect on a Client's anticipated return on the foreclosed mortgage loan.

In the event of the bankruptcy of a real estate loan borrower, the real estate loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the real estate loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. The bankruptcy process can involve substantial legal, professional and administrative costs, be subject to unpredictable and lengthy delays and negatively impact the underlying property and a Client's return on that particular investment. The debt of entities in bankruptcy will in most cases not pay current interest, may not accrue interest during bankruptcy and their assets may suffer an erosion of value. Such investments can result in a total loss of principal. During the bankruptcy process, the creditors may not take adverse actions towards the bankrupt entity or any of its assets without court approval.

Property Development Risks. If a Client invests in properties that are under development or re-development, it will be exposed to a variety of risks, including regulatory, construction, leasing, sales and financing risks, as well as the risk that the completed properties will be unable to achieve the targeted return on investment. Property developments typically require substantial capital outlay during the construction period and it may take an extended period of time to complete and to occupy before a potential return can be generated. The time and costs required to complete a property development may be subject to substantial extensions and increases due to many factors, including shortages of, or price increases with respect to, construction materials (which may prove defective), equipment, technical skills and labor, adverse weather conditions, third party performance risks, environmental risks, changes in market conditions, changes in government or regulatory policies, delays in obtaining the requisite approvals, permits, licenses or certifications from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent the completion of, a property development project and result in costs substantially exceeding those originally budgeted for.

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

Receivables Relating to Financial Assets. A Client may invest in portfolios of receivables relating to financial assets, such as consumer loans, including credit cards, automobile loans and student loans. The performance of such assets may be affected by general economic conditions.

Recent changes in economic conditions have adversely affected the performance and market value of such assets. The ability to collect on consumer loan accounts receivables is dependent on the performance of a servicer. Additionally, servicers may be subject to regulation by certain government agencies, including the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Furthermore, consumer loans are subject to various consumer protection laws which regulate the creation and enforcement of such loans. The violation of such laws by lenders and their affiliates may permit borrowers to reduce their obligation to pay the amount of receivables they owe or require lenders to pay certain penalties. Similarly, if a borrower were to seek protection under U.S. federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the borrower's obligations to repay amounts due on its receivable.

Consumer loans generally have significant risk of loss or default, particularly in the case of loans that are secured by rapidly depreciable assets, such as automobiles, or loans that are unsecured. In these cases, a Client faces the risk that any collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance. Thus, the recovery and sale of such property could be insufficient to compensate a Client for the principal and interest outstanding on these loans. In addition, because loan applications may be completed by third parties, such as automobile dealerships, a Client assumes the risks associated with that third party properly complying with federal, state, and local consumer protection laws. It may become necessary to increase a Client's provision for loan losses in the event that a Client's losses on consumer loans increase, which would reduce a Client's profits.

Risks Associated with Personal Loans. Personal loans are typically unsecured revolving or closed-end loans, including small balance loans for retail purchase financing. Personal loans may also include unsecured loans originated by mail through a pre-approved check note loan offer. A Client may acquire or originate personal loan portfolios that are generally obligations of "sub-prime" obligors who do not qualify for, or have difficulty qualifying for, credit from traditional sources of consumer credit as a result of, among other things, moderate income, limited assets, other adverse income characteristics and/or a limited credit history or an impaired credit record, which may include a history of irregular employment, previous bankruptcy filings, repossessions of property, charged-off loans and/or garnishment of wages. The average interest rate charged to such "sub-prime" obligors generally is higher than that charged by commercial banks and other institutions providing traditional sources of consumer credit. As a result of the credit profile of the loan obligors and the interest rates on such loans, the historical delinquency and default experience on such loans will likely be higher (and may be significantly higher) than those experienced by financial products arising from traditional sources of consumer credit.

Risks Associated with Credit Cards. A Client may invest in portfolios of credit card receivables. Timing and quantum of payments by cardholders, default rates of cardholders and the creation of accounts receivable may not be consistent over time due to a variety of economic, competitive, political, social and legal factors. Economic factors include the rate of inflation, unemployment levels and relative interest rates.

Risks Related to Auto Loans. A Client may invest in originators and portfolios of auto loans. Automobile loans are not typically insured or guaranteed by any other person or entity. Recently,

the U.S. has experienced significant economic slowdown that may adversely affect the performance and market value of any exposure to auto loans that a Client may acquire. Continuing unemployment in certain markets and decreases in home values in certain markets, together with decreases in the values of other consumer assets and continued lack of availability of credit from traditional credit providers, may lead to increased default rates and may also be accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding automobile loan contracts, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales.

Risks Associated with Peer-to-Peer Lending. A Client's investment return on peer-to-peer loans depends on borrowers fulfilling their payment obligations in a timely and complete manner under the corresponding peer-to-peer loan. Borrowers may not view peer-to-peer lending obligations originated on the Internet as having the same significance as other credit obligations arising under more traditional circumstances, such as loans from banks or other commercial financial institutions. If a borrower neglects his or her payment obligations on a peer-to-peer loan or chooses not to repay his or her peer-to-peer loan entirely, a Client may not be able to recover any portion of its investment in such peer-to-peer loan.

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

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

Hedging Transactions and Counterparty Risk. A Client may from time to time enter into forward contracts, options and swaps (such as credit default swaps, interest rate swaps or other swaps) as a way to mitigate risk associated with its investments; however, it is impossible to fully hedge a Client's investments.

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

Control Position. A Client may obtain a controlling or other substantial position in any public or private company. Should such a position be obtained, filings concerning such holdings with the SEC may be required and other regulatory restrictions that could limit the ability to dispose of such holdings at the times and in the manner preferred. Additionally, such control could impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

Diversification. Notwithstanding the investment limitations in a Client's LPA, certain investments of a Client may be substantially larger than others. An unfavorable performance by one or more of a Client's relatively large investments could have a substantial adverse impact on a Client as a whole.

Material Geographic Concentrations. Adverse market or economic conditions in a particular town, city, state or region where a Client has significant investments may disproportionately affect the value of those investments and adversely affect the value of that Client.

Timing Risk. The debt investments in a Client's portfolio may be prepayable at any time, some of them at no premium to par. It is not clear at this time when each debt instrument may be prepaid. Whether a debt instrument is prepaid will depend both on the continued positive performance of the investment and the existence of favorable financing market conditions that allow such investment the ability to replace existing financing with less expensive capital. As market conditions change frequently, it is unknown when, and if, this may be possible for each investment. In the case of some of these debt instruments, having the debt instrument prepaid may reduce the achievable yield for a Client if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on a Client's business, financial condition and results of operations.

Highly Volatile Instruments. A Client may invest in derivative instruments. The prices of derivative instruments, including forward contracts, swaps and options, are highly volatile. Price movements of forward contracts and other derivative contracts in which a Client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In

addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Client may be also subject to the risk of the failure of any exchange on which its positions trade or of their clearinghouses.

Substantial Fees and Expenses. Clients typically pay management fees, offering and organizational expenses and operating expenses as set forth in their LPAs and other governing documents, whether or not they make any profits. While it is difficult to predict the future expenses of Clients, such expenses may be substantial. Please see Item 5 above for additional information on fees and expenses.

General Market Risks. Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during a Client's applicable term, may adversely impact Clients. The regulation of the U.S. and non-U.S. securities and futures markets and investment funds has undergone substantial change in recent years and such change may continue. The effect of such new regulations on Clients, while impossible to predict, could be substantial and adverse and may, directly or indirectly, subject Clients to increased fees and expenses, as well as limits on the types of investors they may solicit. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment and trade, applicable to the activities of a Client can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the Client's interests. It is impossible to predict what, if any, changes in regulation applicable to Clients or GIG, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Clients and/or GIG may be or may become subject to unduly burdensome and restrictive regulation.

In recent years, due to events in the financial markets, the financial services industry generally, and the activities of private funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and accompanying regulatory changes may increase the exposure of Clients to potential liabilities and to legal, compliance and other related costs and may have an adverse effect on private funds generally, and in particular, on the ability of Clients to achieve their investment objectives. The private fund industry may continue to be adversely affected by any future legal, regulatory, or governmental action and developments in the financial markets in the U.S. and abroad, and the broader global economy could have an adverse effect on the business, operations and performance of the Funds.

Regulation and Enforcement; Litigation. Clients are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting investments, the profitability of investments, and the costs of operating the Funds. Additional regulation could also increase the risk of third-party litigation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission and the SEC broad rulemaking authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives markets. These expanded powers have resulted in rules that could adversely affect Funds or investments made by Clients.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a Client’s, prospective Client’s, investor’s or prospective investor’s evaluation of GIG’s advisory business or the integrity of GIG’s management.

Item 10. Other Financial Industry Activities and Affiliations

Garrison Securities LLC (“**Garrison Securities**”), an affiliate of GIG, is registered with the SEC as a broker-dealer and is a member of the United States Financial Industry Regulatory Authority. Garrison Securities may provide private placement services to GIG with respect to certain Clients established by GIG from time to time. Garrison Securities is under common control with GIG. Certain employees of GIG are also registered representatives of Garrison Securities. As GIG does not trade in specific securities through Garrison Securities for its Clients, there is not anticipated to be any conflict of interest. Garrison Securities does not receive commissions or any other remuneration directly related to the solicitation of investors in the Clients, however, Garrison Securities may receive remuneration from funds managed by investment managers unaffiliated with GIG or Garrison Securities in connection with such funds’ private placements.

GIG Managers serve (or may serve) as investment advisers to the Clients. Each GIG Manager is deemed to be an investment adviser registered under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) because each such investment manager entity is an affiliate of GIG and is subject to GIG’s supervision and control for compliance purposes. Consequently, each GIG Manager is a “relying adviser” of GIG in reliance upon the SEC’s Staff’s No-Action Letter to the American Bar Association dated January 18, 2012 (the “**2012 NAL**”). In addition, each General Partner or Managing Member is a “related person” of GIG and a special purpose vehicle formed to act as the general partner or managing member of certain Funds. In reliance on the 2012 NAL, each such related person is covered by GIG’s registration as an investment adviser with the SEC and deemed to be registered with the SEC.

GIG, GLM and GCA (collectively, the “**Garrison Group**”), advise numerous private funds, collateralized loan obligations and a publicly-traded business development company that is registered under the Investment Company Act of 1940, as amended. Each of these entities is separately registered as an investment adviser with the SEC, and information concerning each entity and its relying advisers (if any) is included in its own Form ADV. GIG’s investment professionals participate in managing the portfolios of more than one advisory client and may perform work simultaneously for GIG and one or more of its affiliated investment advisers. As a result, they do not devote their exclusive attention to any single advisory client.

Clients and advisory clients advised by GLM or GCA may compete for the same investment opportunities, and a conflict may arise. Theoretically, to the extent each of these advisory clients have different economic structures, the Garrison Group could have an interest in favoring the advisory clients that are most likely to pay performance compensation and/or that pay higher management fees. To mitigate this risk, GIG has adopted policies and procedures applicable to the allocation of investment opportunities, as further discussed in Item 6.

From time to time, certain of GIG's employees may serve on various creditor committees or as directors of privately held or publicly traded companies in which Clients invest. Clients should be aware of the fact that receipt of material non-public information could preclude GIG from effecting discretionary transactions on behalf of Clients in certain securities of these issuers.

Certain inherent conflicts of interest arise from the fact that: (1) the GIG Managers will provide investment management services to more than one Client; and (2) Clients may have one or more overlapping investment objectives. Also, the portfolio strategies employed by the GIG Managers for current Clients and by GIG Managers for future Clients could conflict with one another, and may affect the prices and availability of the securities and other assets in which such Clients invest. Certain Clients have similar investment strategies, and participation in specific investment opportunities may be appropriate for more than one Client. In such cases, participation in such opportunities will be allocated pursuant to GIG's investment allocation policy and procedures, as further discussed in Item 6. Such considerations may result in allocations of certain investments among the Clients on an other than *pro rata* basis.

A Client's LPA generally contains provisions that, subject to applicable law, reduce or modify the duties that certain covered persons (e.g., the GIG Manager, the General Partner or Managing Member) would otherwise owe to such Client or its investors. Pursuant to the typical standard of care set forth in the exculpation and indemnification provisions of the governing documents of most Clients, the GIG Managers and each of their affiliates and each officer, director, partner, member, manager, shareholder and employee of the foregoing, and each member of the advisory board, if applicable (including, solely in connection with matters relating to the advisory board, the investor and/or other person on whose behalf the advisory board member is serving), will be indemnified and held harmless from losses sustained from any act or omission in connection with Clients' activities, absent (among other things) bad faith, gross negligence or willful misconduct and may receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. For example, in their capacity as directors and/or officers of certain portfolio companies, the officers, directors, partners, members, managers, employees and shareholders of the GIG Managers or their respective affiliates may be subject to derivative or other similar claims brought by creditors or shareholders of such companies. The fees, costs and expenses (whether or not advanced) and other liabilities resulting from such indemnification obligations are generally operating expenses and will be paid or otherwise borne by Clients (including by satisfaction out of unfunded capital commitments of their respective investors). The application of the foregoing standards may result in investors having a more limited right of action in certain cases than they would in the absence of such standards. Further, members of advisory boards are held only to a duty of good faith, and generally will be considered to have acted in good faith even if considering only the interests of the investor and/or other person on whose behalf the advisory board member is serving. As a result of these considerations, even though such exculpation and indemnification

provisions in a Client's governing documents will not act as a waiver on the part of such Client's investors of any of their rights under applicable U.S. securities laws or other laws the applicability of which is not permitted to be waived, the application of the foregoing standards may result in such Client bearing significant financial losses even where such losses were caused by the negligence (even if heightened) of such covered persons. Such financial losses may have an adverse effect on the returns to the applicable Client's investors and, if the Client's assets are insufficient to satisfy such Client's indemnification obligations, its investors may be required to return amounts distributed to them, subject to any limitations set forth in such Client's LPA and other governing documents.

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

Code of Ethics

GIG has adopted a Code of Ethics pursuant to the Advisers Act that sets forth standards of ethical and business conduct expected of GIG's personnel, and addresses conflicts that may arise from personal trading by such personnel. The Code of Ethics, among other things, prohibits certain personal securities transactions, requires GIG personnel (and their respective immediate family members) to periodically report their personal securities transactions and to preclear certain securities transactions and addresses prevention of insider trading and the misuse of material non-public information. GIG maintains records of all discretionary personal securities accounts of its partners and employees in an effort to monitor all such personal investment activity. All such persons are restricted (absent the preclearance described above) from purchasing or selling securities for their own accounts that are held in Client accounts or being considered for purchase or sale in Client accounts. The Code of Ethics also includes, among other items, requirements related to confidentiality, pre-clearance of political contributions and pre-clearance of outside business activities. The Code of Ethics will be provided upon request to any Client or Fund investor or potential Client or Fund investor.

The General Partners and Managing Members and certain GIG personnel (directly or through investment vehicles) invest some of their personal assets in the Funds, and therefore hold direct or indirect interests in the same underlying securities as other investors in the Funds. They may therefore have an incentive to allocate investments in the Funds in a way that favors GIG and its personnel. To mitigate this risk, GIG has adopted policies and procedures applicable to the allocation of investment opportunities.

GIG and its personnel do not purchase any securities for their own accounts from, or sell any securities for their own accounts to, Funds. However, from time to time, subject to applicable Client investment guidelines and restrictions, GIG may direct one Fund to sell securities to another Fund through an internal cross transaction (see further information in this regard under Item 6). These "cross transactions" also may occur with other Clients, such as managed accounts or co-investment vehicles. Cross trades may be executed as an "internal cross" where the Fund may book the transaction at a price determined in accordance with GIG's valuation policies. No fees will be charged to Clients in connection with the completion of a cross trade.

Cross transactions and principal transactions may give rise to conflicts of interest between Funds. For example, one Fund could be advantaged to the detriment of another Fund in the event that the securities being exchanged are not priced in a manner that reflects their fair value. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Funds by GIG and its personnel, GIG will comply with the requirements of Section 206(3) of the Advisers Act and the governing documents of such Fund.

With respect to certain Funds, the pertinent General Partner or Managing Member may appoint (in certain instances, subject to the consent of a majority of the unaffiliated Fund investors) one or more independent investor representatives to provide a mechanism for approving a cross-trade or the valuation of a cross-trade, such as an advisory board comprised of investors in the particular Fund that are unaffiliated with GIG.

Item 12. Brokerage Practices

Best Execution

GIG focuses on making investments in private securities, and therefore GIG does not ordinarily deal with any financial intermediary such as a broker-dealer, and brokerage commissions are not ordinarily payable in connection with such investments. However, to the extent that GIG transacts in public securities or utilizes a financial intermediary in connection with investments in private securities, GIG has the sole discretionary authority to direct trades for the Funds and may choose or recommend broker-dealers and counterparties for any separately managed accounts with respect to which GIG does not exercise discretion. While the transactions in which GIG engage do not typically require the use of broker-dealers, to the extent a broker-dealer is used by GIG to execute securities transactions for any Fund, GIG is subject to a duty to seek best execution for such securities transactions given the specific circumstances of the particular transaction.

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

GIG need not solicit competitive bids and has no obligation to seek the lowest possible commission cost. Accordingly, if GIG determines in good faith that the amount of commissions or other compensation charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by the broker-dealer, the Fund may pay commissions or other compensation to such broker-dealer in an amount greater than the amount another broker-dealer might charge.

Soft Dollar Benefits

GIG does not enter into soft dollar arrangements or receive soft dollar credits from brokers. However, GIG may receive proprietary research from broker-dealers used to execute securities

transactions. To the best of GIG's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. GIG does not separately compensate such broker-dealers for the research and does not pay higher transaction costs to receive such services. These bundled services are made available to GIG on an unsolicited basis and without regard to the rates of commissions charged or paid by the Funds or the volume of business that GIG directs to such broker-dealers. Nonetheless, GIG may have an incentive to select a broker based on its interest in receiving the research or other products or services offered by such broker, rather than on the Funds' interests in receiving most favorable execution.

Trade Errors

Given the nature of GIG's investment strategies, trade errors are not likely to, but may occasionally, occur with respect to trades executed on behalf of a Client. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold. Trade errors frequently result in losses but may occasionally result in gains. GIG will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker-dealer, GIG will strive to recover any losses associated with such error from the third party. GIG will determine whether any trade error has resulted from the gross negligence, willful misconduct or bad faith of GIG or its affiliate, and, unless it finds that to be the case, any losses will be borne by the applicable Fund; any net gain will be for the benefit of the applicable Fund. If a trade error occurs, GIG and its affiliates will make a good faith determination regarding the cause of the error. However, in making such a determination, GIG will have a conflict of interest in light of the foregoing.

Aggregation of Trades

GIG may, but is not required to, aggregate sales and purchase orders of securities being made simultaneously for more than one Fund, if, in GIG's reasonable judgment, such aggregation will result in an overall economic benefit to the pertinent Funds.

Item 13. Review of Accounts

Review of Accounts. GIG representatives serve on the investment committees established with respect to each Fund. These committees have decision-making authority with regard to the acquisition of investments. In addition, the asset managers across the Funds managed by GIG engage in ongoing monitoring of each investment. The committees and/or asset managers generally meet as needed from time to time.

Reports to Clients. Generally, Fund investors will receive unaudited information regarding the net asset value on a monthly basis of, or an unaudited quarterly performance update with respect to, a particular Fund. Fund investors also will receive annual audited financial statements of the applicable Fund within 120 days of the applicable Fund's fiscal year end. Any separately managed accounts will receive reports as agreed upon in the pertinent investment advisory agreement.

Item 14. Client Referrals and Other Compensation

GIG does not compensate any person who is not a supervised person, including solicitors or placement agents, for investor referrals. However, GIG may enter into compensation arrangements with solicitors for investor referrals to the Funds. These solicitation arrangements will be disclosed to affected investors and will comply with Rule 206(4)-3 under the Advisers Act. Generally, the terms of such arrangements are for GIG or for the applicable Fund to pay the solicitor or placement agent a placement fee equal to a percentage of the capital commitment made by each investor introduced to a Client by the solicitor or placement agent, however, if the Client bears such fee, any management fees otherwise payable by such Fund to GIG will be reduced on a dollar-for-dollar basis by the amount of such fee.

Item 15. Custody

Funds. GIG is deemed to have custody of Fund assets, since GIG or an affiliate serves as general partner or managing member of each of the Funds. Fund investors do not receive account statements from the custodian; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor no later than 120 days after the end of each Fund's fiscal year.

Separately Managed Accounts. The GIG Managers do not maintain custody of funds and securities contained in any separately managed account where the assets of such account are held on the balance sheet of the investors in such account.

Item 16. Investment Discretion

Except in limited instances with respect to certain managed accounts, GIG has full discretionary authority with respect to investment decisions by or for Clients, and its advice with respect to the Funds is provided in accordance with the investment objectives and guidelines set forth in their respective LPAs and other governing documents. The LPAs and other governing documents of the Funds generally place limitations on GIG regarding its management of the Funds, including (i) the percentage of aggregate capital commitments that a particular Fund may invest in a single investment, (ii) the amount of leverage that a particular Fund may incur in connection with its investments and (iii) the percentage of aggregate capital commitments that a particular Fund may invest outside of the United States. Investors in the Funds may also negotiate with the applicable General Partner or Managing Member in side letter agreements for more specific limitations applicable to such investor, such as prohibited investments in specific countries, industries or sectors. Pursuant to the management agreement entered into by the GIG Manager and the relevant Fund, the applicable GIG Manager is delegated the authority to consummate investments on behalf of that Fund.

Item 17. Voting Client Securities

The GIG Managers have voting authority and responsibility with respect to securities held by the Funds and may have voting authority with respect to securities held by other Clients. In addition to proxy solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or

insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

GIG's general policy is to vote in accordance with the recommendation of an issuer's management on routine and administrative matters, unless GIG has a particular reason to vote to the contrary. This general policy is not a predetermination, however, to vote in favor of the issuer's management, as GIG will review all client proxies in accordance with the general fiduciary principles noted above. With respect to non-recurring or extraordinary matters, GIG will vote on a case-by-case basis in accordance with the goals of achieving a Client's stated objectives. GIG at times may determine that refraining from voting a proxy is in the Client's best interest, such as when GIG's analysis of a particular proxy indicates that the cost of voting the proxy may exceed the expected benefit to the Fund.

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

Clients and Fund investors may request a copy of GIG's Proxy Voting Policy and Procedures, as well as applicable proxy voting records.

Item 18. Financial Information

This Item 18 is not applicable. GIG is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds, nor has GIG been the subject of a bankruptcy petition at any time during the past ten years.

Item 19. Requirements for State-Registered Advisers

Not applicable.