

## Item 1: Cover Page

# GSO / BLACKSTONE DEBT FUNDS MANAGEMENT LLC

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as of March 30, 2018

Part 2A of Form ADV (the “**Disclosure Brochure**” or “**Brochure**”), as required by the Investment Advisers Act of 1940 (the “**Advisers Act**”), provides important information about GSO / Blackstone Debt Funds Management LLC, a registered investment adviser with the United States Securities and Exchange Commission (the “**SEC**”), and its relying advisers, Blackstone / GSO Debt Funds Europe Limited, GSO Capital Partners International LLP, Blackstone / GSO Debt Funds Management Europe Limited, and Blackstone / GSO Debt Funds Management Europe II Limited (together, “**DFM**”).

This Brochure provides information about DFM’s qualifications and business practices. If you have any questions about the contents of this Brochure, please contact DFM at +1 (212) 503-2100. Additional information about DFM is also available on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link “Investment Adviser Search,” select “Firm” and type in DFM’s name). Results will provide you with Parts 1 and 2A of DFM’s Form ADV.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. DFM’s registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications DFM provides to you, including this Brochure, serve as information for you to use to evaluate DFM and should be considered in your decision whether to invest in an investment vehicle advised by DFM.

## Item 2: Material Changes

This Brochure contains important information about DFM. This Brochure is intended to provide potential and existing clients with an overview of DFM (together with its affiliated advisory entities that operate as part of the credit-focused business of The Blackstone Group L.P., “**GSO**,” and together with its affiliated advisory entities that operate as part of the business of The Blackstone Group L.P., “**Blackstone**”). It also contains important disclosures such as certain practices of DFM, potential material conflicts that may arise and key potential investment risks. DFM may, at any time, update this Brochure and either send or offer to send a copy to you (either by electronic means (email) or in hard copy form).

The information below is a summary of only the material changes to this Brochure since the last annual update dated March 29, 2017, which was posted on the SEC’s public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please carefully read Items 5, 8, 10 and 12, which describe certain fees and expenses, potential risk of loss, new affiliates, potential conflicts of interest and brokerage practices, respectively.

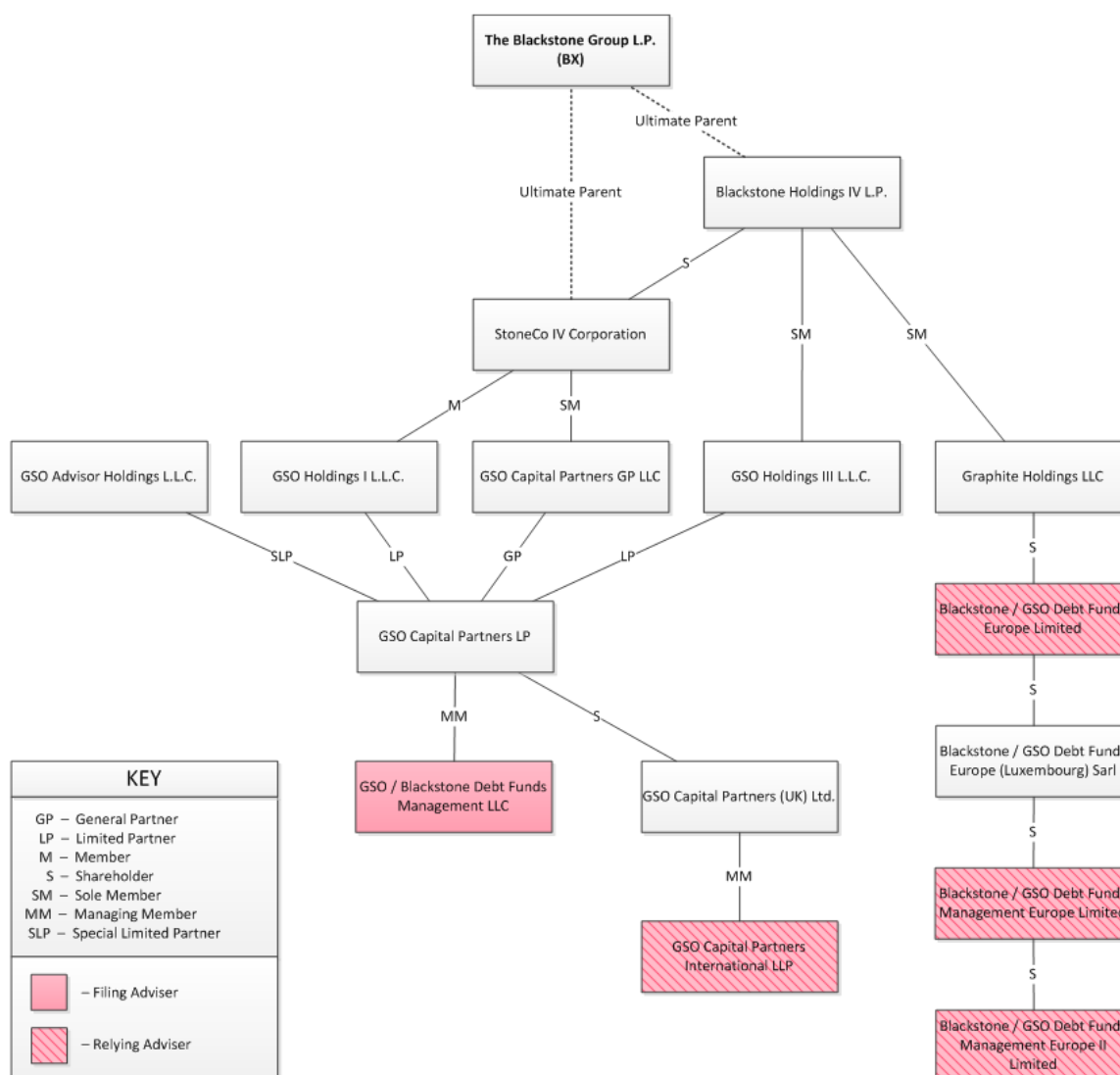
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## Item 4: Advisory Business

DFM serves as investment manager for (i) pooled investment vehicles operating as private investment funds, including collateralized loan obligation (“**CLO**”) vehicles, open-ended funds, closed-ended funds, and funds in which affiliates or employees of DFM invest alongside such other private investment funds and (ii) registered investment companies (collectively, the “**Funds**”). In addition, DFM provides sub-advisory services to other investment advisers (the “**Adviser Clients**”) who in turn advise their clients, which include registered investment companies. Also, DFM provides investment advisory services to individually-managed accounts (the “**Managed Accounts**”). The Funds, Adviser Clients, and the third-party investors in or owners of such Managed Accounts shall be referred to herein as the “**Clients**.” Affiliates of DFM serve as general partner (each, a “**General Partner**”) of certain of the Funds. GSO also provides investment management services to other clients, other investment funds, client accounts, and proprietary accounts in which certain Clients will not have an interest (such other clients, funds and accounts, collectively the “**Other GSO Clients**” (as further defined below)). In addition, Blackstone provides investment management services to other clients, other investment funds, client accounts, and proprietary accounts in which certain Clients will not have an interest (such other clients, funds and accounts, other than the Other GSO Clients, collectively the “**Blackstone Clients**” (as further defined below), and together with the Other GSO Clients, the “**Other Clients**”).

GSO was founded in July 2005. On March 3, 2008, Blackstone acquired a controlling stake in GSO. The ultimate parent of DFM is The Blackstone Group L.P., which is a publicly held limited partnership listed on the New York Stock Exchange that trades under the ticker symbol “BX.” Please see the structure chart below. Blackstone is a leading global alternative investment manager with investment programs concentrating in the private equity, real estate, hedge fund solutions, non-investment grade credit, secondary funds and other multi-asset class strategies. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for more information.



DFM provides investment advice to Clients primarily in respect of investments in first lien loans, second lien loans, high yield bonds, distressed securities, mezzanine securities, public and private equity, and derivatives in respect of the foregoing. DFM provides advice with respect to direct lending loan origination and with respect to trading of syndicated and actively traded loans or securities.

In certain situations, DFM is able to tailor its advisory services and investments based on specific Client objectives and/or investment strategies as discussed with the applicable Client. DFM is available to discuss such customized investment strategies or individually-managed accounts with existing and potential clients upon request.

DFM's regulatory assets under management were approximately \$49.57 billion as of December 31, 2017, approximately \$35.66 billion of which are managed on a discretionary basis and approximately \$13.91 billion of which are managed on a non-discretionary basis.

## Item 5: Fees and Compensation

### Management Fees

For its investment advisory services provided to Funds, DFM or an affiliated entity may receive a management fee at an annual rate of up to 2% of either the net assets or invested capital, which may include capital borrowed from leverage providers, pursuant to the Offering and/or Governing Documents (as defined below), which are provided to prospective investors. Fees for the Adviser Clients are disclosed in the relevant investment management service agreement, to which the relevant Adviser Client is a party, and in the relevant offering documents. Fees for the Managed Accounts are disclosed in the relevant investment management agreement, to which the relevant account owner is a party. Such offering and/or governing documents, including the investment management agreement in the case of an Adviser Client or a Managed Account, when applicable, will be referred to herein as the “**Offering and/or Governing Documents.**” Notwithstanding this Item 5 and Item 6 below, a Client’s Offering and/or Governing Documents may provide for a fee structure pursuant to which DFM is compensated on the basis of entirely different criteria, metrics, or circumstances than those described herein, for example by receiving some or all of the fee income associated with a transaction in which a Client participates.

While DFM’s policy is that its fees are not negotiable, DFM reserves the right to waive or reduce its fees for certain investors. For example, certain affiliates of Blackstone, current or former senior advisors and employees of Blackstone, executive officers of Blackstone portfolio companies, investment funds advised by Blackstone Multi-Asset Advisors L.L.C. (“**BMAA**”)(including, among other investment funds, side-by-side vehicles sponsored by Blackstone), and/or charitable programs, endowment funds and related entities established by or associated with any of the foregoing (collectively, “**GSO Investors**”) that are investors in the Funds do not pay management fees. Further, the existence of differing management fees for Clients of DFM or its affiliates trading side-by-side may create a conflict of interest for DFM and its affiliates with respect to the allocation of investment opportunities. DFM has an investment allocation policy (see **Item 16 – Investment Discretion**) that addresses this potential conflict of interest. Notwithstanding the foregoing, such GSO Investors will either directly pay for their *pro rata* share of certain Fund expenses (as described below), or the *pro rata* share of such expenses will be allocated to the relevant General Partner or its affiliates. Such *pro rata* allocation of Fund expenses may be calculated based on capital commitments, invested capital, available capital or other metrics as determined by such General Partner in good faith pursuant to the terms of the applicable Offering and/or Governing Documents. Any such methodology (including the choice thereof) involves inherent conflicts and may not result in perfect attribution and allocation of expenses.

### Management Fee Offset

Generally, the management fee payable by a Client to DFM will be reduced by all or a portion (as disclosed in the Offering and/or Governing Documents of the relevant Client) of

any placement, origination or other transaction fees (including commitment, closing, amendment, waiver, directors', topping, organizational, break-up, monitoring, exit or other disposition fees, or other similar fees in respect of a Client's purchase, monitoring or disposition of an investment) received by DFM for transactions effected for such Client's account.

Subject to the applicable Offering and/or Governing Documents, each Client will generally be responsible for such Client's organizational expenses, including, without limitation, legal, accounting, filing, capital raising, and other organizational expenses, as well as organizational expenses of any related investment vehicles and any parallel funds. However, in the case where a Client engages a placement agent (which may be either affiliated with DFM or an unaffiliated third party) to market and sell interests or shares in such Client to prospective investors, to the extent placement agent fees are paid by such Client, the management fees payable by such Client are expected to be reduced dollar-for-dollar by the amount of such placement agent fees paid, as set forth in such Client's Offering and/or Governing Documents.

### **Exceptions to Management Fee Offset**

DFM and its personnel can be expected to receive certain intangible and/or other benefits, rebates and/or discounts and/or perquisites arising or resulting from their activities on behalf of the Clients, which generally will not be subject to management fee offset or otherwise shared with the Clients, investors and/or portfolio companies. For example, airline travel or hotel stays incurred as Client expenses may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to DFM and/or such personnel (and not the Clients and/or portfolio companies) even though the cost of the underlying service is borne by the Clients and/or portfolio companies. DFM, its personnel, and other related persons in certain instances also receive discounts on products and services provided by portfolio companies and/or customers or suppliers of such portfolio companies. Such other benefits or fees may give rise to conflicts of interest in connection with the Clients' investment activities, and while the General Partner and DFM will seek to resolve any such conflicts in a fair and equitable manner, there is no assurance that any such conflicts will be resolved in favor of the Clients. See also "Service Providers and Counterparties" and "Issuer Relationships" in **Item 10 – Other Financial Industry Activities and Affiliations**.

Certain personnel of Blackstone and/or its affiliates may be seconded to one or more portfolio companies and provide finance-related and other services to such portfolio companies. The salaries, benefits, overhead and other similar expenses for such personnel during the secondment will be borne (in whole or in part) by such portfolio companies. To the extent Blackstone and/or its affiliates receive any fees or expense reimbursement from such portfolio companies with respect to such personnel, they will not result in any offset to the management fee payable by the relevant Clients.

DFM, on behalf of certain Funds and/or their portfolio companies, enters into agreements with Core Trust, an independent group purchasing organization used by large corporations

and private equity firms. DFM and its affiliates receive referral fees in connection with the services provided to the Funds and/or their portfolio companies by Core Trust. These referral fees do not offset management fees payable by investors. See “Service Providers and Counterparties” in **Item 10 – Other Financial Industry Activities and Affiliations** below.

DFM or its portfolio companies may also engage and retain certain Blackstone affiliates (including, for example, Equity Healthcare (defined in **Item 10 – Other Financial Industry Activities and Affiliations**) that will receive fees from the Funds and/or their portfolio companies for providing administrative, management or other services. See “Service Providers and Counterparties” in **Item 10 – Other Financial Industry Activities and Affiliations** below. These fees will be borne by the Funds and will not result in any offset to the management fee.

DFM engages and retains on behalf of the Funds and/or their portfolio companies, strategic advisors, senior advisors, consultants and other similar professionals who are not employees or affiliates of Blackstone and who may, from time to time, receive payments from, or performance-based compensation with respect to, portfolio companies (as well as from Blackstone or the Funds), and such amounts will not offset the management fees payable by the investors.

In addition, DFM will from time to time receive fees associated with capital invested by co-investors relating to investments in which the Funds participate. These fees do not offset management fees payable by Fund investors.

### **Timing of Fee Payments**

Management fees generally are payable monthly or quarterly in arrears. DFM may elect to defer payment of all or part of the management fee. Management fees are generally deducted from the applicable Fund assets and may be deducted from the Client assets. Alternatively, certain Clients may be invoiced for such management fees.

### **Additional Fees and Expenses**

The Offering and/or Governing Documents of each Client provide a description of any additional fees and expenses for which such Client may be responsible in addition to the management fees and any performance-based allocations or fees (see **Item 6 – Performance-Based Fees and Side-By-Side Management** below).

In addition, each Client will be responsible for all expenses related to its operation, including all costs and expenses of maintaining the operations of the Client and its investments paid by or on behalf of the Client, including, without limitation:

- (i) expenses relating to ongoing compliance-related matters (such as developing and implementing specific policies and procedures in order to comply with certain regulatory requirements) and regulatory filings (including, without



limitation, expenses relating to the preparation and filing of Form PF, filings required under the Advisers Act, the Dodd-Frank Wall Street Reform Act (“**Dodd-Frank**”) or the U.S. Securities Act of 1933, Treasury International Capital form filing (including, without limitation, Form SLT), filings under “blue sky” laws, reporting under the Common Reporting Standard, Internal Revenue Service filing under the Foreign Account Tax Compliance Act provisions of the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, as well as Report of Foreign Bank and Financial Accounts filing requirements applicable to such Client, reports to be filed with the U.S. Commodity Futures Trading Commission (“**CFTC**”), reports, disclosures, filings, and notifications prepared in accordance with the Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers (“**AIFMD**”) and/or the European Securities and Markets Authority, filings required by the Bureau of Economic Analysis (including, without limitation, Form BE-13 filings) and any other regulatory filings of such Client or DFM relating to such Client’s activities), in each case, attributable to such Client or such Client’s operations (including, without limitation, the marketing of interests in such Client);

- (ii) legal, filing, regulatory, compliance, auditing, consulting, engineering, accounting and other professional fees and expenses, including, without limitation, fees and expenses of tax advisors, valuation experts, senior advisors, industry experts, operating partners (including personnel dedicated to GSO or Blackstone and working exclusively at GSO or Blackstone on Clients), payment agents, depositaries, consultants and other similar professionals (including, for the avoidance of doubt, the costs and charges allocable with respect to the provision of internal legal, tax, accounting, technology or other services and professionals related thereto (including secondees and temporary personnel or consultants that may be engaged on short- or long-term arrangements) as deemed appropriate by the relevant General Partner where such internal personnel perform services that would be paid by the applicable Fund if outside service providers provided the same services);
- (iii) administration fees and expenses, whether provided by a third party or by DFM or an affiliate of DFM, as may be disclosed in the Offering and/or Governing Documents of each such Client;
- (iv) research or diligence related expenses, including, without limitation, news and quotation equipment and services and including costs allocated by Blackstone’s internal research group (which are generally based on time spent, assets under management, usage rates, proportionate holdings or a combination thereof), information service subscriptions and research or diligence related travel (which may include expenses for first class or business class travel), meal and lodging;
- (v) marketing, advertising, printing, wholesaling and other capital raising expenses associated with investor admission/subscription and investor-related services and other similar costs;
- (vi) costs of portfolio management and accounting systems;

- (vii) expenses associated with information, technology, communication and reporting (which may include internally allocated charges);
- (viii) expenses of loan or asset servicers and other service providers (for example, in connection with the management or administration of a pool of assets that may be held directly or indirectly by the Clients);
- (ix) expenses incurred in connection with due diligence visits by the General Partner to third-party service providers (including fund administrators) or by the General Partner or any limited partner to any portfolio companies, as well as visits by the General Partner to any limited partner;
- (x) expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the tax matters partner (or partnership representative) representation of such Client or its investors;
- (xi) the costs of insurance in respect of any litigation, director and officer liability or otherwise;
- (xii) interest and other fees and expenses incurred in respect of borrowings and indebtedness (including, without limitation, any credit facility, guarantee, letter of credit or other credit support) made by such Client, if any, and the costs and expenses of any lenders and other financing sources;
- (xiii) investment-related expenses associated with the carrying or management of such Client's investment portfolio, including, without limitation, discovering, investigating, analyzing, developing, negotiating, structuring, trading, settling, acquiring, holding, monitoring, hedging and disposing of such Client's investments, or potentially unconsummated investments ("**Broken Deal Expenses**"), or in connection with the development of any portfolio company's assets (including without limitation, any travel, entertainment, lodging and meal expenses, financing, legal, filing, auditing, tax, accounting, compliance, loan administration, advisory, consulting, engineering and other professional fees, costs and expenses in connection therewith);
- (xiv) brokerage commissions, hedging costs, custody fees, clearing and settling charges, private placement fees, syndication fees, solicitation fees, arranger fees, sales commissions, pricing and valuation fees (including, without limitation, appraisal fees), ratings service fees, research fees, commissions and underwriting costs, transaction fees, breakup fees, investment banking fees, custodial, prime brokerage, trustee, transfer agent, recordkeeping and other administrative fees and expenses, origination fees, commitment fees, collateral management fees, facility fees, float fees or similar fees, interest expenses and other investment costs, fees and expenses actually incurred in connection with making, evaluating, holding, settling, monitoring or disposing of such Client's investments (including, without limitation, any costs or expenses relating to currency conversion));
- (xv) any indemnification or extraordinary expenses or other liabilities relating to the affairs of such Client (including, without limitation, advances of fees and expenses to covered persons that may be subject to a right of indemnification under such Client's Offering and/or Governing Documents);
- (xvi) the costs and expenses of any litigation or governmental inquiry, examination or investigation involving such Client, any investment of such

Client or any entity in which such Client holds an investment and the amount of any judgments or settlements paid in connection therewith (including, without limitation, in connection with formal and informal inquiries, sweep examinations and any type of similar regulatory and/or governmental requests);

- (xvii) expenses related to a default or a transfer of interest by an investor of such Client (to the extent not paid by such investor);
- (xviii) expenses of winding-up such Client and liquidating its assets;
- (xix) any taxes, fees or other governmental charges (including any penalties incurred where GSO lacks sufficient information from third parties to file a timely and complete tax return) levied against such Client and all expenses incurred in connection with any tax audit, investigation, settlement or any other review of such Client;
- (xx) expenses of any meetings of such Client (including, without limitation, any investor meetings, third-party advisory committee or other advisory committee or board of directors meetings, including director fees and the fees, expenses and costs of any legal counsel or other advisors retained by, or at the direction or for the benefit of, such committee or board, as applicable, and meetings with potential investors, and conferences);
- (xxi) costs and expenses related to the organization or maintenance of any entity used directly or indirectly to acquire, hold or dispose of any investment or otherwise facilitating the Client's investment activities (including, without limitation, travel and related expenses related to such entity and the salary and benefits of any personnel (including personnel of DFM or its affiliates) reasonably necessary and/or advisable for the maintenance and operation of such entity), including overhead expenses (including, for example, the salary and compensation of personnel of any Luxembourg entities formed or utilized in connection with a Client's activities and the costs associated with the leasing of office space in Luxembourg, which amounts may be paid to one or more affiliates of DFM as lessor as further described under "Blackstone Europe" in **Item 10 – Other Financial Industry Activities and Affiliations**);
- (xxii) similar expenses in connection with such Client's feeder funds and special purpose entities; and
- (xxiii) travel and entertainment expenses in connection with the Clients' investment activities (including first class and/or business class airfare (and/or private charter, where appropriate), first class lodging, ground transportation, travel and premium meals (including closing dinners and mementos), cars and meals (outside normal business hours), social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers, and attendance at conferences in connection with the evaluation of investments). Most staff out-of-pocket travel expenses in connection with the Clients' transactions are treated as Client expenses, subject to the terms of the applicable Offering and/or Governing Documents.

The foregoing categories of fees and expenses will be borne by such Client regardless of whether the person or entity providing or performing the service or product giving rise to such fees and expenses is DFM, any of its affiliates or an unaffiliated third party. See also “Blackstone Europe” in **Item 10 – Other Financial Industry Activities and Affiliations**.

For certain Clients, DFM also is permitted to charge back a portion of the cost of overhead expenses attributable to the management of or operations related to such Clients, subject to any limitations set forth in such Clients’ Offering and/or Governing Documents. For example, with respect to a Client that is administered by DFM or an affiliated entity, such Client may be responsible for fees and expenses charged or specifically allocated by DFM or such affiliated entity to provide administrative services to such Client. Any such fees and expenses will not be greater than what would be paid to an unaffiliated third party for substantially similar services as determined by DFM and may be subject to other limits set forth in the Offering and/or Governing Documents of the relevant Client.

Investors in a Fund are typically allocated (or otherwise bear) their respective *pro rata* share of such fees and expenses, which may be calculated based on capital commitments, invested capital, available capital or other metrics as determined by the relevant General Partner in its sole discretion. From time to time, the General Partner will be required to decide whether costs and expenses are to be borne by such Fund, on the one hand, or the General Partner and DFM, on the other, and/or whether certain costs and expenses should be allocated between or among such Fund, on the one hand, and the Other Clients on the other. Certain expenses may be suitable for only a particular Fund or particular funds participating in specific investments and may be allocated to and borne by such funds. To the extent that any fees and expenses related to a specific investment were incurred on behalf of more than one Client, each Client will generally bear its *pro rata* portion of any such fees and expenses based on such Client’s percentage interest in such investment (subject to each Client’s Offering and/or Governing Documents), or in such other manner as GSO considers fair and equitable. The General Partner will make such judgments in its fair and reasonable discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. A different manner of allocation would likely result in a Fund bearing less (or more) expenses. Travel and entertainment expenses in connection with a trip taken by employees of DFM and/or the relevant General Partner for purposes of multiple matters will generally be allocated to each such matter in a manner determined by the General Partner to be fair and equitable and then the resulting expenses will be allocated to the applicable Fund, Other Clients and/or the management company.

DFM has adopted a policy regarding the manner in which DFM allocates Broken Deal Expenses. Pursuant to DFM’s broken deal expense allocation policy, Broken Deal Expenses will be allocated in accordance with the written allocation determination for the subject investment, if applicable. Alternatively, where no such allocation determination has been made (such investment, an “**Unallocated Investment**”), Broken Deal Expenses will be allocated among one or more Clients based on DFM’s assessment, in its discretion, of the likely allocation of the applicable investment, including the relative likelihood that the applicable investment could have been allocated to such Clients, even if such Clients could

not have co-invested with respect to such investment, taking into account the information available to DFM at the time DFM determines that such investment will not be consummated, or in such other manner as DFM considers fair and equitable. While this assessment is unavoidably speculative in nature, DFM will exercise good faith in making such allocations. In general, allocations of Broken Deal Expenses are expected to be made consistently with the foregoing, regardless of whether Client consent was sought or received or whether Clients had been given the opportunity to opt in or out of an investment in those cases where Clients have investment consent or opt out rights, respectively, subject to the relevant Clients' organizational documents.

Where an Unallocated Investment may have multiple co-investing parties, including GSO Primary Clients (as defined below in **Item 12 – Brokerage Practices**), GSO Overflow Clients (as defined below in **Item 12 – Brokerage Practices**), and potential co-investors (limited partners or otherwise), Broken Deal Expenses generally will not be allocated to a prospective participant if there is a possibility that such prospective participant would not have been allocated a portion of the investment to which such expenses relate. As a result, certain GSO Overflow Clients and potential co-investors (limited partners or otherwise) may not bear any portion of Broken Deal Expenses that, had the investment been consummated, may have been attributable to such GSO Overflow Clients' or potential co-investors' (limited partners or otherwise) respective *pro rata* shares of the investment. Consequently, a Client may be expected to bear more Broken Deal Expenses than its *pro rata* share of such expenses would have been had the investment been made.

No Client is required to pay any fees in advance.

No employee of DFM accepts, or otherwise directly receives, any compensation for the sale of securities or other investment products.

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

In addition to the management fees and other fees described in **Item 5 – Fees and Compensation** above, DFM or one of the General Partners may receive a performance-based allocation or fee of up to 20% of each Client's profits, subject in certain but not all cases to a loss carryforward provision or clawback provision, as applicable. Performance-based allocations or fees may be based on either realized or unrealized profits attributable to a Client, and all performance-based allocations for the Funds will be disclosed in the relevant Offering and/or Governing Documents of each Client.

While DFM's policy is that its performance-based allocations or fees are not negotiable, DFM reserves the right to waive or reduce such allocations or fees for certain investors. However, in no circumstance will DFM cause the allocation or fee to be increased for one investor as the result of the waiving or reduction of such allocations or fees for another investor. For example, certain GSO Investors in the Funds do not bear any performance-based allocation or fee, and that fact does not impact the allocations or fees borne by other investors.

Note that the existence of a performance-based allocation or fee may incentivize DFM to manage a Client's assets in a manner that is more aggressive than it would in the absence of such allocation or fee. Further, the existence of differing performance-based allocations or fees for Clients of DFM or its affiliates trading side-by-side may create a conflict of interest for DFM and its affiliates with respect to the allocation of investment opportunities. However, DFM manages each Client's assets in accordance with the investment strategy disclosed in each Client's Offering and/or Governing Documents to help confirm that investors are aware of the investment strategy and the risks associated with such strategy. DFM also has an investment allocation policy (see **Item 16 – Investment Discretion**) that addresses this conflict of interest. In addition, the significant commitment by DFM and its affiliates to invest in the Funds, the relevant General Partner's clawback provisions, where applicable, and the fact that the preferred return is calculated on an aggregate basis should tend to reduce the incentive to make riskier or more speculative investments or otherwise time the sale of investments in a manner motivated by the personal interests of DFM personnel. In connection therewith, the clawback obligation of the General Partner, where applicable, creates an incentive for the General Partner to defer the disposition of one or more investments if such disposition would result in a realized loss, a return on investment that was less than the preferred return and/or the finalization of dissolution and liquidation of a Fund where a clawback obligation would be owed.

As described in the respective Offering and/or Governing Documents of each Client, performance-based allocations or fees are generally allocated or paid, as the case may be, either at the end of each fiscal year or upon the making of any distribution to investors to which a performance-based allocation or fee relates.

## Item 7: Types of Clients

DFM generally provides its services and markets its Funds and Managed Accounts to a limited number of sophisticated investors, namely institutional investors and high-net worth individual investors capable of understanding the risks of their investments, including the following types of investors:

- Banks and other financial institutions
- Insurance companies
- Investment companies
- Public and private retirement and pension plans
- Public and private profit sharing plans
- Trusts and estates
- Charitable organizations
- State and municipal government agencies
- Sovereign wealth funds
- Hedge funds and funds of funds
- High net worth individuals
- Corporations
- Business entities other than those listed above

DFM (a) must have a reasonable belief that potential investors invited to participate in Funds or other products meet certain eligibility requirements and (b) in each case must satisfy certain compliance procedures (including anti-money laundering procedures), prior to accepting any subscription or investment amount. In addition, any separate maintenance or other investment-related provisions (*e.g.*, minimum account sizes, minimum fee amounts, etc.) will be provided in the Offering and/or Governing Documents of each Fund or Managed Account, which are made available to each potential investor prior to investment.

DFM also provides its services to registered investment companies (or Adviser Clients who, in turn, provide services to registered investment companies) that are marketed to retail investors.

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

DFM's investment process for evaluating potential opportunities and investments may include a variety of proprietary and non-proprietary research models and methods of analyses, and a variety of both internal and external resources, such as financial newspapers and magazines, research, and reports provided by third parties and corporate ratings services. In addition, DFM generally conducts an in-depth review of the target companies/investments, tailored to the target and type of potential investment DFM is considering. Such reviews may include, without limitation, (i) analyses of corporate activities and financials, (ii) reviews of annual reports, prospectuses and other filings with the SEC, if any, and (iii) where appropriate, interviews and meetings with senior management of potential target companies.

Generally, DFM seeks to capitalize on both long- and short-term inefficiencies in the market by investing across a spectrum of products, often employing a bottom-up analysis, utilizing market technical and fundamental analyses to select investments. There may be occasions when (consistent with applicable Client guidelines), the strategy may be weighted to deep value or be more opportunistic and seek short term gains. The types of investments pursued by a particular Fund or Managed Account may be customized based on Client guidelines.

The specific investment strategy and corresponding method of analysis for each Client will be specified in the Offering and/or Governing Documents of such Client. A brief description of certain investment strategies employed by GSO or DFM is provided below.

Senior Direct Lending – seeks to source and provide privately originated investments with the goal of delivering attractive risk-adjusted returns with strong downside protection, while generating current income through primarily stable, performing credit investments. The strategy intends to focus on investments that are senior in the capital structure and typically secured, with a majority of the assets expected to be floating rate instruments.

Mezzanine Strategy – seeks to source and provide privately originated investments in the leveraged finance marketplace with an emphasis on providing junior capital to companies in connection with leveraged buyouts, acquisitions, recapitalizations and growth financings. Due to the mezzanine strategy's focus on providing junior capital, this strategy tends to entail greater risk than the senior direct lending strategy referenced above.

Capital Solutions Strategy – seeks to provide privately negotiated capital solutions to companies in need of liquidity or capital structure transformation due to, among other things, pending covenant violations, debt maturities, market dislocation, cyclical downturns in their businesses or other funding requirements.

Event Driven Strategy – seeks to generate attractive risk-adjusted returns by investing primarily in a broad array of securities generally within the traded corporate credit market. DFM may invest in both public and private non-investment grade and non-rated



securities, including leveraged loans, high yield bonds, distressed securities, common and preferred equity securities, and credit derivatives. DFM offers exposure to this strategy in a hedged, liquid and less concentrated form, or in an unhedged and more concentrated form, often with less liquidity and greater potential risk.

Energy – seeks to generate attractive risk-adjusted returns by originating and investing in transactions in the energy sector and various energy sub-sectors across the capital structure, primarily in debt and preferred equity. The various energy sub-sectors in which investments will be targeted will include, but not be limited to, exploration and production of oil and natural gas, coal, midstream, energy services, refining and marketing, power generation and other commodity-driven sectors.

Customized Credit Strategies (“CCS”) – seeks to invest in diversified (often leveraged) portfolios of fixed income investments, primarily consisting of first lien senior secured loans.

Customized Portfolios – manage customized individual portfolios for select large institutional clients that may invest in any combination of these strategies or others.

**Prospective investors are advised to review the applicable Fund offering materials for a more extensive description of the risks of investing in the Funds.**

An investment in a Fund or a Managed Account entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating the risks associated with an investment in such Client and bearing the risks such investment represents. The Offering and/or Governing Documents of such Client will contain detailed descriptions of certain of the risks associated with an investment in such Client. Below are a few of the key risks associated with such investments (some of which may not apply to a particular investment):

1. Loss of all or part of investment
2. No assurance of investment return
3. No established market for potential investments exists
4. Changes in legal, fiscal and regulatory regimes
5. Lack of liquidity of Client interests
6. Litigation risk
7. Highly competitive market for investment opportunities
8. Technological and commercial innovation disrupting expected methods of conducting business
9. Inability to deploy capital in conjunction with finding suitable investments
10. Inability to implement a Client’s investment strategy
11. Reliance on DFM, certain of its professionals and employees and its operational systems, and reliance on placement agents
12. DFM’s policies and procedures to mitigate conflicts of interest and address regulatory and/or contractual requirements, which may reduce the synergies across

- Blackstone's and GSO's various businesses and reduce investment opportunities for Clients
13. Misconduct of employees and of third-party service providers
  14. General economic and market volatility
  15. Nature of debt and credit investments, including credit securities, senior debt, mezzanine debt, distressed investments and restructurings, including non-performing debt instruments, loans and participations
  16. Nature of equity or equity-related investments, including publicly-traded investments
  17. Nature of private equity investments
  18. Risk of under/overvaluation
  19. Risks related to use of leverage by certain Clients (including use of subscription lines and asset-backed facilities)
  20. Lack of diversification and limited number of investments
  21. Non-controlling investments and/or investments with third parties in joint ventures and other entities
  22. Non-U.S. investments, including currency fluctuation and exchange controls, economic regulation and political factors, and investments in emerging markets
  23. Cybersecurity breaches, identity theft and risks associated with electronic delivery of documents
  24. Operational risks of the Funds
  25. Nature of hedging or derivative instruments and counterparty trading relationships
  26. Unspecified investments
  27. Operating and financial risks of portfolio companies
  28. Valuation matters (see "Valuation Matters" in **Item 10 – Other Financial Industry Activities and Affiliations** for more information)
  29. Taxation risks, including tax adjustments, phantom income and tax reporting considerations
  30. Risks arising from ERISA including potential control group liability
  31. Cross incurrence of indebtedness or guarantees on a several, joint and several or cross collateralized basis (see "Investments in Portfolio Companies Alongside Other Clients" in **Item 12 – Brokerage Practices** for more information)
  32. Cross collateralization of investments (see "Investments in Portfolio Companies Alongside Other Clients" in **Item 12 – Brokerage Practices** for more information)
  33. CFTC registration requirements, compliance with the AIFMD, compliance with pay-to-play laws and with the laws of other jurisdictions where the Clients are marketed.
  34. Restrictions on transfers of investor interests under the applicable Offering and/or Governing Documents and/or the securities laws and lack of a public market
  35. Enhanced scrutiny and potential regulation of the private investment fund industry and the financial services industry (including Dodd-Frank)

**Prospective investors are advised to review the applicable Fund's offering documents for a more extensive description of the applicable investment strategies and the risks of investing in the Funds.**

The debt and equity markets fluctuate substantially over time, and performance of any investment is not guaranteed. Clients and investors should also be aware that investments that DFM believes are likely to generate higher returns are generally accompanied by greater risk and volatility. There is a risk of loss of the assets that DFM manages that is out of DFM's control. DFM cannot guarantee any level of performance or that investors in the Clients will not experience a substantial or complete loss of their account assets. There is no assurance that the Funds or Managed Accounts will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. Both the ability to realize investments and the value of investments (regardless of whether realized) will depend upon many factors beyond the control of the Clients or DFM. The expenses of the Clients may exceed their income, and an investor in a Client could lose the entire amount of its contributed capital. Therefore, an investor should invest in a Fund or Managed Account only if the investor can withstand a total loss of its investment. The past investment performance of a Fund or Managed Account cannot be taken to guarantee future results or performance of a Fund or Managed Account or any investment by or in a Fund or Managed Account.

## **Item 9: Disciplinary Information**

DFM does not have any legal, financial or other “disciplinary” events to report. As a registered investment adviser, DFM is obligated to disclose any legal disciplinary event that would be material to a Client when evaluating DFM’s advisory business or integrity of its management.

On occasion, in the ordinary course of its business, DFM is named as a defendant in a legal action. Although there can be no assurance of the outcome of such legal actions, DFM does not believe that any current legal proceeding or claim to which it is a party would individually or in the aggregate materially affect DFM and/or its Clients’ results of operations, financial position or cash flows.

Certain regulatory, litigation and other similar matters are disclosed in (i) Blackstone’s and GSO’s public filings (including, without limitation, its current, periodic and annual reports on Forms 8-K, 10-Q and 10-K), which may be accessed through the web site of the SEC ([www.sec.gov](http://www.sec.gov)) or Blackstone (<http://ir.blackstone.com/investors/annual-reports-and-sec-filings/default.aspx>), and (ii) materials made available through Blackstone’s online portal related to the Funds and/or certain of its affiliates.

## Item 10: Other Financial Industry Activities and Affiliations

Various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of DFM, its affiliates and personnel (each an “**Advisory Affiliate**” and, collectively, the “**Advisory Affiliates**”). The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts. GSO and GSO personnel may in the future engage in further activities that may result in additional conflicts of interest not addressed herein. **Investors are advised to review the applicable Client Offering and/or Governing Documents for a more extensive description of the potential conflicts of interest applicable to each Client.** Any references to Blackstone, GSO and DFM in this section will be deemed to include their respective affiliates, partners, members, shareholders, officers, directors and employees, where applicable.

If any matter arises that DFM determines in its good faith judgment constitutes an actual conflict of interest, DFM may take such actions as it determines in good faith may be necessary or appropriate to ameliorate the conflict (and upon taking such actions DFM will be relieved of any liability for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied applicable fiduciary duties related thereto to the fullest extent permitted by law). These actions include, by way of example and without limitation, (i) presenting a conflict of interest to the limited partner advisory committee or the board of a Client as expressly provided for in such Client’s Offering and/or Governing Documents; (ii) disposing of the investment giving rise to the conflict of interest; (iii) appointing a fiduciary or an independent client representative to act with respect to the matter giving rise to the conflict of interest; (iv) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the limited partner advisory committee or the board regarding the conflict of interest and either obtaining a waiver or consent from the committee or the board of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the limited partner advisory committee or the board with respect to such conflict of interest; or (v) implementing certain policies and procedures reasonably designed to ameliorate such conflict of interest. There can be no assurance that DFM will identify or resolve all conflicts of interest in a manner that is favorable to the Clients. By acquiring an interest in a Client, each investor will be deemed to have acknowledged and consented to the existence or resolution of any such actual, apparent or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

***Blackstone Policies and Procedures.*** Certain policies and procedures implemented by Blackstone to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions will from time to time reduce the synergies across Blackstone’s various businesses that the Clients expect DFM to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different businesses, which GSO investment teams and portfolio companies may engage to advise on and to execute debt and equity financings (including the Blackstone Capital Markets Group), it is subject to a number of actual and potential conflicts of interest, greater

regulatory oversight and more legal and contractual restrictions than that to which it would be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (e.g., information walls) that reduce the positive firm-wide synergies the Clients could otherwise expect DFM to utilize for purposes of identifying and managing attractive investments. For example, Blackstone will come into possession of material non-public information with respect to companies, including companies in which a Client has investments or may be considering making an investment. The information, which could be of benefit to the Clients, is likely to be restricted to those other businesses and otherwise be unavailable to the Clients. It is also possible that the Clients could be restricted from trading despite the fact that the Client did not receive such information. In addition, to the extent that GSO is in possession of material non-public information or is otherwise restricted from trading in certain securities, the Clients and GSO generally also will be deemed to be in possession of such information or otherwise restricted. This could reduce the investment opportunities available to the Clients, prevent the Clients from acquiring and exiting an investment or otherwise limit their investment flexibility. Additionally, Blackstone may restrict or otherwise limit one Client and/or its portfolio companies from entering into agreements with, or related to, companies in which any Blackstone Client has invested or has considered making an investment. Blackstone will from time to time restrict or otherwise limit the ability of a Client and/or its portfolio companies to make investments in or otherwise engage in businesses or activities competitive with companies of Blackstone Clients, either as a result of contractual restrictions or otherwise. Furthermore, there will be circumstances in which affiliates of Blackstone (including Clients) may refrain from taking certain confidential information in order to avoid trading restrictions. Finally, Blackstone has and will enter into one or more strategic relationships in certain regions or with respect to certain types of investments that, although possibly intended to provide greater opportunities for the Clients, may require the Clients to share such opportunities or otherwise limit the amount of an opportunity the Clients can otherwise take. See “Strategic Relationships” below.

***Performance-Based Allocations.*** The existence of DFM’s or a General Partner’s performance-based allocation or fee may create an incentive for the General Partner to make more speculative investments on behalf of the Clients than it would otherwise make in the absence of such performance-based compensation, or to time the sale of investments in a manner motivated by the personal interests of GSO and/or Blackstone personnel. However, the commitment by GSO to the Clients, the General Partner’s clawback obligation, and the fact that the preferred return is calculated on an aggregate basis should tend to reduce these incentives. In connection therewith, the General Partner’s clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments if such disposition would result in a realized loss and/or the finalization of dissolution and liquidation of a Fund where a clawback obligation would be owed. In addition, upon a withdrawal by an investor from a Fund (in limited circumstances) and upon the liquidation of such Fund, the General Partner may receive distributions of performance-based compensation with respect to a distribution in kind of non-marketable securities. The valuation of such securities for such purposes will be determined by the General Partner as set forth in such Fund’s Offering and/or Governing Documents. In

addition, under the terms of a Fund's Offering and/or Governing Documents, the General Partner typically is entitled to elect to receive its performance-based compensation with respect to an investment that is otherwise being sold in the form of an in-kind distribution of marketable securities, including if the purpose is to permit one or more Blackstone or GSO personnel to donate such securities to charity (which may include private foundations, funds or other charities associated with any such personnel). The tax efficiencies to such Blackstone or GSO personnel associated with this form of charitable giving may have the effect of reinforcing and/or enhancing the General Partner's incentives otherwise resulting from the existence of its performance-based allocation and therefore conflicts of interest may arise in making decisions on behalf of such Fund (including the timing of the disposition of such Fund's investments).

In addition, the manner in which the General Partner's entitlement to performance-based compensation is determined may result in a conflict between its interests and the interests of limited partners with respect to the sequence and timing of disposals of investments. For example, the ultimate beneficial owners of the General Partner are generally subject to U.S. federal and local income tax (unlike certain of the limited partners). The General Partner may be incentivized to operate the Clients, including to hold and/or sell investments, in a manner that takes into account the tax treatment of its performance-based compensation. Investors should note in this regard that recently enacted tax reform legislation relating to the taxation of carried interest provides for a lower capital gains tax rate in respect of investments held for at least three years. While the General Partner generally intends to seek to maximize pre-tax returns for each Client as a whole, the General Partner may nonetheless be incentivized, for example, to hold investments longer to ensure long-term capital gains treatment and/or to realize investments prior to any change in law that results in a higher effective income tax rate on its performance-based compensation.

In addition, the fact that all or a portion of a Fund's management fee typically is calculated based on each investor's share of such Fund's aggregate invested capital may create an incentive for the General Partner to (i) make more speculative investments than it otherwise would have made if management fees were based on capital commitments (whether or not invested), (ii) seek to deploy the capital commitments in investments at an accelerated pace and/or (iii) hold investments longer than it otherwise would have if management fees were based solely on each investor's capital commitments.

***Issuer Relationships.*** The Clients' portfolio companies may be counterparties to or participants in agreements, transactions or other arrangements with portfolio companies of Blackstone Clients that, although DFM determines to be consistent with the requirements of such Clients' Offering and/or Governing Documents, would not have otherwise been entered into but for the affiliation with GSO and/or Blackstone, and that involve fees, commissions, discounts and/or servicing payments to GSO and/or affiliated entities of Blackstone Clients that are not subject to the management fee offset, even though some of the services that may be provided are similar in nature to the services provided by DFM. Such affiliated service providers are generally expected to receive market rate fees, and under certain circumstances, may also receive performance-based compensation (as determined by the relevant General Partner or DFM, as applicable) with

respect to certain investments. The costs of such services will be borne by the Clients and will not result in any offset to the management fee.

In connection with such relationships, the General Partner will make determinations of market rates based on its consideration of a number of factors, which are generally expected to include the General Partner's experience with non-affiliated service providers as well as benchmarking data and other methodologies determined by the General Partner to be appropriate under the circumstances. While DFM generally intends to obtain benchmarking data regarding the rates charged or quoted by third parties for similar services, relevant comparisons may not be available for a number of reasons, including, without limitation, as a result of a lack of a substantial market of providers or users of such services or the confidential and/or bespoke nature of such services. Therefore, such market comparisons may not result in precise market terms for comparable services. Expenses to obtain benchmarking data will be borne by the relevant portfolio company (and indirectly by the relevant Clients) or directly by the relevant Client and will not offset the management fee. In addition, from time to time employees of Blackstone serve as directors or advisory board members of certain issuers of the Clients' investments or other entities. In connection with such services, DFM receives directors' fees or other similar compensation (unless a Client's Offering and/or Governing Documents otherwise provide). Such amounts may, but are not expected to be, material. Any such fees that result in an offset to the management fee only apply to the extent it is made as part of a Client's investment in a portfolio company. As a result, in the case of directors' fees, the management fee will not be reduced or offset to the extent any GSO employees or professionals receive directors' fees relating to continued director service after a Client has exited the portfolio company and/or following the termination of such employee's employment with GSO.

With respect to transactions or agreements with portfolio companies (including, for the avoidance of doubt, long-term incentive plans), at times if unrelated officers of a portfolio company have not yet been appointed, DFM may negotiate and execute agreements between DFM and/or the Funds on the one hand, and the portfolio company or its affiliates, on the other hand, which could entail a conflict of interest in relation to efforts to enter into terms that are arm's length. It is also possible that the Funds or their portfolio companies will be counterparties (such counterparties typically dealt with on an arm's length basis) or participants in agreements, transactions or other arrangements with an investor or an affiliate of an investor.

In addition, it is possible that certain portfolio companies of Blackstone Clients or companies in which such Blackstone Clients have an interest will compete with the Clients for one or more investment opportunities and/or engage in activities that may have adverse consequences on the Clients and/or their portfolio companies. As an example of the latter, the laws and regulations of certain jurisdictions (*e.g.*, bankruptcy, environmental, consumer protection and/or labor laws) may not recognize the segregation of assets and liabilities as between separate entities and may permit recourse against the assets of not just the entity that has incurred the liabilities, but also the other entities that are under common control with, or part of the same economic group as, such entity. In such



circumstances, the assets of the Clients and/or their portfolio companies may be used to satisfy the obligations or liabilities of one or more Blackstone Clients, their portfolio companies and/or affiliates.

In addition, a portfolio company of one Client may enter into agreements, transactions or other arrangements with another portfolio company of such Client or one or more portfolio companies of an Other Client (including the sale of assets between such portfolio companies). This may give rise to actual or potential conflicts of interest for the General Partner, the Clients and/or their respective affiliates. Such agreements, transactions or other arrangements may be entered into without the consent or direct involvement of the Client and/or such Other Client or the consent of the limited partner advisory committee and/or the limited partners of the Client or such Other Client (and may arise in particular in circumstances where the Client and/or such Other Client has made a non-controlling investment in the underlying portfolio company). This is because, among other things, portfolio companies of the Client and portfolio companies of Other Clients are not considered affiliates of the General Partner or the Client under the Offering and/or Governing Documents. In any such case, the Client may not be involved in the negotiation process and the terms of any such agreement, transaction or other arrangement may not be as favorable to the Client as otherwise may be the case if the Client were involved.

DFM may also receive fees associated with capital invested by co-investors relating to investments in which the Funds participate.

Certain portfolio companies may have established or invested in, or may in the future establish or invest in, vehicles that are managed exclusively by the portfolio companies (and not the Funds or Blackstone or any of its affiliates) and that invest in asset classes or industry sectors (such as cyber security) that fall within one or more of the Funds' investment strategies. Such vehicles, which would not be considered an affiliate of Blackstone and would not be subject to Blackstone's policies and procedures, may compete with the Funds for investment opportunities. In addition, the Funds will often hold non-controlling interests in certain portfolio companies and, as a result, such portfolio companies could engage in activities outside of the Funds' control that may have adverse consequences on the Funds and/or their other portfolio companies.

**Insurance.** The General Partner will cause the Fund to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the Client, the General Partner, DFM, GSO, Blackstone and/or their respective directors, officers, employees, agents, representatives, members of the limited partner advisory committee and other indemnified parties ("**Indemnified Parties**"), against liability in connection with the activities of the Client. This includes a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by Blackstone that cover the Client and one or more Other Clients, DFM, GSO, Blackstone and/or Indemnified Parties. The General Partner will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among the Client and one or more Other Clients, DFM, GSO and/or Blackstone on a fair and reasonable basis, and may make corrective allocations should it determine

subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Client bearing less (or more) premiums, fees, costs and expenses for insurance policies.

***Other Blackstone Businesses and Activities.*** As part of its regular business, Blackstone and its affiliates provide a broad range of services. In addition, from time to time, Blackstone and its affiliates will provide services in the future beyond those currently provided. Investors will not receive any benefit from any fees relating to such services earned by Blackstone and/or its affiliates.

In connection with its capital markets, investment banking and other businesses, Blackstone will from time to time determine that there are conflicts of interest or come into possession of information that limits its and its affiliates' ability to engage in potential transactions. The activities of the Clients are expected to be constrained as a result of such conflicts of interest and the inability of GSO personnel to use such information.

For example, employees of Blackstone from time to time are prohibited by law or contract from sharing information with GSO and its affiliates. Additionally, there are expected to be circumstances in which one or more of certain individuals associated with Blackstone will be precluded from providing to the relevant General Partner or DFM services related to the Clients' activities because of certain confidential information available to those individuals or to other parts of Blackstone. Blackstone is under no obligation to decline any such engagements or investments in order to make an investment opportunity available to one or more Clients.

Blackstone has long-term relationships with a significant number of corporations and their senior management. DFM will consider those relationships when evaluating an investment or divestment opportunity, which may result in DFM choosing not to make such an investment or divestment due to such relationships (*e.g.*, investments in a competitor of a Client). The Clients may be forced to sell or hold existing investments as a result of investment banking relationships or other relationships that Blackstone may have or transactions or investments that Blackstone and its affiliates may make or have made. The Clients may also co-invest with Blackstone Clients in particular investment opportunities, and the relationship with such Clients could influence the decisions made by DFM and the relevant General Partner with respect to such investments. Therefore, there can be no assurance that all potentially suitable investment opportunities that come to the attention of Blackstone will be made available to the Clients. In addition, the Clients may invest in securities of the same issuers as Other Clients or Blackstone Clients. When such investments are made, the Clients are expected to have conflicting interests. See also "Other Affiliate Transactions and Investments in Different Levels of Capital Structure" below for further information on these situations.

Blackstone will from time to time participate in underwriting or lending syndicates with respect to actual or potential portfolio companies of a Client, or otherwise be involved in the public offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, such Client's portfolio companies, or otherwise in arranging

financing (including loans) for such portfolio companies. Such underwritings or engagements may be on a firm commitment basis or may be on an uncommitted “best efforts” basis. There may also be circumstances in which a Client commits to purchase any portion of such issuance from its portfolio company, some or all of which portion a Blackstone broker-dealer intends to syndicate to third parties. In connection therewith and as a result thereof, Blackstone may receive commissions or other compensation. In certain cases, a Blackstone broker-dealer will act as the managing underwriter or a member of the underwriting syndicate and purchase securities from a Client or such portfolio companies or advise on such transactions. Blackstone will also from time to time, on behalf of the Clients or other parties to a transaction involving the Clients, effect transactions, including transactions in the secondary markets where it will nonetheless have a potential conflict of interest regarding the Clients and the other parties to those transactions to the extent it receives commissions or other compensation from the Clients and such other parties. Subject to applicable law, Blackstone will from time to time receive underwriting fees, discounts, placement commissions, lending arrangement and syndication fees (or, in each case, rebates of any such fees, whether in the form of purchase price discounts or otherwise, even in cases where Blackstone or a Blackstone Client or account is purchasing debt) or other compensation with respect to the foregoing activities, none of which are required to be shared with the Clients or the investors or DFM. In addition, the management fee with respect to a Fund investor generally will not be reduced by such amounts. Therefore, Blackstone will have a potential conflict of interest regarding the Clients and the other parties to those transactions to the extent it receives commissions, discounts or such other compensation from such other parties. DFM will approve any transactions in which a Blackstone broker-dealer acts as an underwriter, as broker for a Client, or as dealer, broker or advisor, on the other side of a transaction with a Client only where DFM believes in good faith that such transactions are appropriate for such Client.

Where Blackstone serves as underwriter with respect to a portfolio company’s securities, the Clients will from time to time be subject to a “lock-up” period following the offering under applicable regulations during which time their ability to sell any securities that they continue to hold is restricted. This may prejudice the ability of the Clients to dispose of such securities at an opportune time.

Blackstone employees, including employees working on matters related to GSO, are generally permitted to invest in alternative investment funds, real estate funds, hedge funds or other investment vehicles, including potential competitors of the Clients. Investors will not receive any benefit from any such investments.

On October 1, 2015 Blackstone spun off its financial and strategic advisory services, restructuring and reorganization advisory services, and its Park Hill fund placement businesses and combined these businesses with PJT Partners Inc. (“**PJT**”), an independent financial advisory firm founded by Paul J. Taubman. While the new combined business operates independently from Blackstone and is not an affiliate thereof, nevertheless conflicts may arise in connection with transactions between or involving the Clients and their portfolio companies on the one hand and PJT on the other. Specifically, given that PJT is not an affiliate of Blackstone, there may be fewer or no restrictions or limitations placed

on transactions or relationships engaged in by PJT's new advisory business as compared to the limitations or restrictions that might apply to transactions engaged in by an affiliate of Blackstone. It is expected that there will be substantial overlapping ownership between Blackstone and PJT for a considerable period of time going forward. Therefore, conflicts of interest in doing transactions involving PJT will still arise. The pre-existing relationship between Blackstone and its former personnel involved in such financial and strategic advisory services, the overlapping ownership, co-investment and other continuing arrangements, may influence Blackstone and/or DFM in deciding to select or recommend PJT to perform such services for the Clients (or a portfolio company) (the cost of which will generally be borne directly or indirectly by the Clients or such company, as applicable). Nonetheless, the relevant General Partner, DFM and their affiliates will be free to cause the Clients and portfolio companies to transact with PJT generally without restriction under the applicable Offering and/or Governing Documents notwithstanding such overlapping interests in, and relationships with, PJT.

In addition, other present and future activities of Blackstone and its affiliates (including DFM and the General Partner) will from time to time give rise to additional conflicts of interest relating to the Clients and their investment activities. In the event that any such conflict of interest arises, the General Partner and/or DFM, as applicable, will attempt to resolve such conflict in a fair and equitable manner. Investors should be aware that conflicts will not necessarily be resolved in favor of the applicable Client's interests. In addition, pursuant to a Fund's Offering and/or Governing Documents, such Fund's limited partner advisory committee may be established and authorized to give consent on behalf of such Fund with respect to certain matters. If the limited partner advisory committee consents to a particular matter as to which it is consulted and the relevant General Partner and DFM act in a manner, or pursuant to the standards and procedures, approved by such committee, or otherwise as provided in the applicable Offering and/or Governing Documents, then the General Partner, DFM and their affiliates will not have any liability to such Fund or the investors for such actions taken in good faith by them.

***Other Affiliate Transactions and Investments in Different Levels of Capital Structure.***

From time to time, the Clients may make investments at different levels of an issuer's capital structure or otherwise in different classes of an issuer's loans or securities, subject to the limitations of the Investment Company Act of 1940 (the "**Investment Company Act**"). In addition, the Clients may invest in securities of the same issuers as other Blackstone Clients. Such investments may inherently give rise to conflicts of interest or perceived conflicts of interest between or among the various classes of loans or securities that may be held by such entities. To the extent a Client holds loans or securities that differ (including with respect to their relative seniority) from those held by Other Clients in the same investment or portfolio company, the relevant General Partner, DFM and their affiliates may be presented with decisions when the interests of the Clients are in conflict. For example, conflicts could arise where a Client lends funds to a portfolio company while another Client invests in equity securities of such portfolio company. In this circumstance, for example, if a portfolio company were to go into bankruptcy, become insolvent or otherwise be unable to meet its payment obligations or comply with its debt covenants, conflicts of interest could arise between the holders of different types of loans or securities

as to what actions the portfolio company should take. In addition, purchases or sales of loans or securities for the account of a Client (particularly marketable securities) may be bunched or aggregated with orders for Other Clients, including other funds. It is frequently not possible to receive the same price or execution on the entire volume of securities sold, and the various prices may be averaged, which may be disadvantageous to such Client. Further conflicts could arise after the Clients have made their respective initial investments. For example, if additional financing is necessary as a result of financial or other difficulties, it may not be in the best interests of Clients to provide such additional financing. If Other Clients were to lose their respective investments as a result of such difficulties, the ability of the General Partner to recommend actions in the best interests of such Client might be impaired. DFM may in its discretion take steps to reduce the potential for adversity between such Client and the Other Clients, including causing Clients to take certain actions that, in the absence of such conflict, they would not take. In addition, there may be circumstances where DFM agrees to implement certain procedures to ameliorate conflicts of interest that may involve a forbearance of rights relating to Clients, such as where DFM may cause the Clients to decline to exercise certain control- and/or foreclosure-related rights with respect to a portfolio company (including following the vote of other third-party lenders generally (or otherwise recusing itself with respect to decisions), including with respect to defaults, foreclosures, workouts, restructurings and/or exit opportunities), subject to certain limitations. There can be no assurance that any conflict will be resolved in favor of the Clients. There can be no assurance that the return on a particular Client's investment will be equivalent to or better than the returns obtained by Other Clients participating in the transaction. In addition, it is possible that in a bankruptcy proceeding, a Client's interests may be subordinated or otherwise adversely affected by virtue of another Client's or vehicle's involvement and actions relating to its investment. For example, in circumstances where a Client holds a junior mezzanine interest in a portfolio company, holders of more senior classes of debt issued by such portfolio company (which may include Other Clients) may take actions for their benefit (particularly in circumstances where such portfolio company faces financial difficulties or distress) that further subordinate or adversely impact the value of such Client's investment in such portfolio company.

***Service Providers and Counterparties.*** Certain advisors and other service providers or their affiliates (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, and investment or commercial banking firms) to the Clients, Blackstone and/or portfolio companies also provide goods or services to, or have business, personal, financial or other relationships with, Blackstone, its affiliates and portfolio companies. For example, certain portfolio companies enter into agreements regarding group procurement (such as an independent group purchasing organization), benefits management, purchase of insurance policies (which will from time to time be pooled across portfolio companies and discounted due to scale) from a third party or a Blackstone affiliate, and other similar operational, administrative or management related initiatives that result in commissions, discounts, rebates or similar payments to Blackstone or its affiliates (including personnel), including related to a portion of the savings achieved by the portfolio company. Such benefits will not result in an offset to the management fee. Such advisors and service providers referred to above (or their affiliates) may be investors in the Funds or affiliates

of the General Partners, may have a Managed Account and/or may be sources of investment opportunities or co-investors or commercial counterparties and/or portfolio companies in which Blackstone and/or the Clients have an investment, and payments by the a Client and/or such portfolio company may benefit Blackstone and/or Other Clients.

Additionally, certain employees of GSO may have family members or relatives employed by advisors and service providers to GSO, Blackstone and/or one or more Clients (or their affiliates). These relationships may influence Blackstone, the General Partner and/or DFM in deciding whether to select or recommend such service providers to perform services for the Clients or portfolio companies (the cost of which will generally be borne directly or indirectly by the Clients or such portfolio companies, as applicable). Notwithstanding the foregoing, investment transactions relating to the Clients that require the use of a service provider will generally be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the General Partner believes to be of benefit to the Clients.

Advisors and service providers, or their affiliates, often charge different rates (including below-market or no fee) or have different arrangements for different types of services. With respect to service providers, for example, the fee for a given type of work may vary depending on the complexity of the matter as well as the expertise required and demands placed on the service provider. Therefore, to the extent the types of services used by the Clients and portfolio companies differ from those used by Blackstone and its affiliates (including personnel), DFM or its affiliates (including personnel) may pay different amounts or rates than those paid by the Clients and portfolio companies. Similarly, Blackstone, its affiliates, the Clients, Blackstone Clients and/or their portfolio companies may enter into agreements or other arrangements with vendors and other similar counterparties (whether such counterparties are affiliated or unaffiliated with Blackstone) from time to time whereby such counterparty may charge lower rates (or no fee) and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including, without limitation, volume of transactions entered into with such counterparty by Blackstone, its affiliates, the Clients, Blackstone Clients and their portfolio companies in the aggregate. However, DFM and its affiliates have a longstanding practice of not entering into any arrangements with advisors or service providers that could provide for lower rates or discounts than those available to the Clients or portfolio companies for the same services. Furthermore, advisors and service providers may provide services exclusively to GSO and/or Blackstone, including GSO Clients and their portfolio companies, although such advisors and service providers will not be considered employees of Blackstone or GSO.

In addition, certain advisors and service providers (including law firms) may temporarily provide their personnel to GSO and/or Blackstone, the Clients or their portfolio companies pursuant to various arrangements including at cost or at no cost. While often the Clients and their portfolio companies are the beneficiaries of these types of arrangements, GSO and/or Blackstone are from time to time the beneficiaries of these arrangements as well, including in circumstances where the advisor or service provider also provides services to

the Client in the ordinary course. Such personnel may provide services in respect of multiple matters, including in respect of matters related to GSO and/or Blackstone, their affiliates and/or portfolio companies and any costs of such personnel may be allocated accordingly.

Blackstone-affiliated service providers are generally expected to receive competitive market rate fees (as determined by the relevant General Partner or DFM) when providing services to Clients. Such affiliated service providers may include, without limitation:

**COE.** The Blackstone Center of Excellence, located in Gurgaon, India (the “**COE**”) is a captive center of resources administered by Blackstone and ThoughtFocus Technologies LLC (“**ThoughtFocus**”), an independent firm in which Blackstone holds a minority position and participates as a member of the board. The COE is expected to perform services for certain Clients that may have historically been performed by Blackstone personnel, such as Clients’ administrative services, data collection and management services, and technology implementation and support services, which may be paid for by the Clients that receive such services on a similar basis as a third party providing such services. Blackstone, through its interest in ThoughtFocus, receives an indirect benefit resulting from the Clients’ payments for such services. These fees do not offset management fees payable by the limited partners.

**Entic.** Entic Inc. (“**Entic**”) provides cloud-based software that uses proprietary wireless sensors and advanced analytics to reduce energy consumption. Entic is anticipated to provide such services to certain of the assets of the Clients’ portfolio companies in exchange for fees at competitive market rates. Blackstone, which holds a minority position in and participates as a member of the board of Entic, receives an indirect benefit resulting from payments for such services. These fees do not offset the management fees payable by the limited partners. Part of Blackstone’s investment includes performance-based warrants giving Blackstone managed funds, including Clients, the ability to earn shares of stock based on usage of Entic.

**Equity Healthcare.** Equity Healthcare LLC (“**Equity Healthcare**”) is a Blackstone affiliate that negotiates with providers of standard administrative services and insurance carriers for health benefit plans and other related services for cost discounts, quality of service monitoring, data services and clinical consulting. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms from providers that are believed to be more favorable than those that the portfolio companies could obtain for themselves on an individual basis. The payments made to Blackstone in connection with Equity Healthcare, group purchasing, insurance and benefits management will not offset the management fee payable by investors.

**Intertrust Group.** In 2013, certain Blackstone private equity funds acquired Intertrust Group. From time to time, Intertrust Group is expected to perform corporate and trust services on market terms for the Clients, intermediate entities

or portfolio companies. The retention of Intertrust Group as a service provider may give rise to actual or potential conflicts of interest such as those described above.

**Optiv.** Optiv is a portfolio company held by certain Blackstone private equity funds that provides a full slate of information security services and solutions and may provide goods and services for Clients and their portfolio companies.

Additionally, Blackstone and/or GSO will from time to time hold equity or other investments in companies or businesses (even if they are not “affiliates” of Blackstone) that provide services to or otherwise contract with portfolio companies. Blackstone and GSO have in the past entered (and can be expected in the future to enter) into relationships with companies in the information technology, corporate services and related industries whereby Blackstone acquires an equity or similar interest in such company. In connection with such relationships, Blackstone and/or GSO may also make referrals and/or introductions to portfolio companies (which may result in financial incentives (including additional equity ownership) and/or milestones benefitting Blackstone and/or GSO that are tied or related to participation by portfolio companies). The Clients and their investors will not share in any fees or economics accruing to Blackstone and/or GSO as a result of these relationships and/or participation by portfolio companies.

In addition to competitive market rate fees, certain affiliated service providers may also receive performance-based compensation.

**Blackstone Europe.** Blackstone and/or GSO may incorporate or otherwise organize, and one or more of its affiliates have incorporated or otherwise organized, one or more Luxembourg-based or Ireland-based entities (and in the future may organize other non-U.S. entities) that are the master holding companies or other structures through which the Clients may principally invest into European investments (any such structure, “**Blackstone Europe**”) and which may be utilized by GSO. Blackstone Europe is expected to provide one or more of the following key service functions to the Clients and/or to the European-domiciled entities that are part of the investments of the Clients and may also be owned, directly or indirectly, by the Clients or their affiliates. The key service functions expected to be provided by Blackstone Europe and its employees are: (i) domiciliation, (ii) account management, (iii) administration, (iv) accounting, (v) tax, regulatory and organizational compliance, (vi) transaction support services and (vii) local office space, though other services may also be provided. Blackstone Europe is expected to receive fees for such services at no greater than market rates deemed competitive by Blackstone. The Clients will also bear the cost of fund administration and other related services provided by GSO and/or Blackstone employees and/or affiliates, including the allocation of their compensation otherwise payable by GSO and/or Blackstone, and, except in certain limited circumstances, such amounts will not offset the management fee. Such allocations require judgments as to methodology that the General Partner will make in good faith. Blackstone and/or GSO will endeavor to allocate fees and expenses associated with Blackstone Europe fairly and equitably, which allocation is expected to involve certain subjective assumptions based on actual data pertaining to the services provided. DFM believes that this method will result in a fair and equitable allocation of expenses. Any such expenses attributable



directly or indirectly to the Clients, including, without limitation, the Clients' allocable portion of overhead expenses (including, for example, the salary and compensation of personnel of Blackstone Europe) and costs associated with the leasing of office space, will be treated as the Clients' expenses and will not be subject to management fee offset or otherwise be shared with the Clients or investors in the Clients.

***Self-Administration of the Funds.*** In certain instances, DFM may provide certain fund administration services to a Fund rather than engage a third-party administrator to perform such services. The costs for providing these services are not included in the investment management fee and are paid separately by such Fund. DFM also reserves the right to charge one or more Clients a reduced rate for these services, or to reduce or waive such charges entirely. DFM generally determines the fund administration fee at the time a Fund is initially launched based on a fee structure that is commensurate with that of a non-affiliated third party performing equivalent services and negotiated on an arm's length basis. DFM's ability to determine the fund administration fee it receives from such Fund creates a conflict of interest. DFM addresses this conflict by reviewing its fund administration fee as DFM believes is appropriate (generally on an annual basis) to confirm that it is comparable and fair with regard to equivalent services performed by a non-affiliated third party at a rate negotiated on an arm's length basis.

***Allocation of Personnel.*** The relevant General Partner, GSO, DFM and their respective members, partners, officers and employees will devote as much of their time to the activities of the Clients as they deem necessary and appropriate. However, GSO's personnel, including certain members of the Investment Committee, will work on other projects and/or Other Clients, will serve on other committees and have other responsibilities throughout Blackstone, GSO and/or their portfolio companies, and, therefore, conflicts are expected to arise in the allocation of personnel and such personnel's time. Subject to the terms of the applicable Offering and/or Governing Documents, GSO and Blackstone expect to form additional investment funds, enter into other investment advisory relationships and engage in other business activities, even though such activities may be in competition with the Clients and/or may involve substantial time and resources of DFM. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of GSO and its officers, managers, members and employees will not be devoted exclusively to the business of the Clients, but will be allocated between the business of the Clients and the management of the monies of such other advisees of GSO. In this regard, a group of DFM professionals will be subject to certain devotion of time requirements with respect to the activities of some of the Funds (and their respective investments) and their related entities (which may include separate accounts, dedicated managed accounts and/or investment funds formed for specific geographical areas or investments), which may vary among such vehicles.

***Activities of Principals and Employees.*** Certain of the principals and employees of DFM and/or the General Partner may be subject to a variety of conflicts of interest relating to their responsibilities to Clients and the management of Clients' investment portfolios. Such individuals may serve in an advisory capacity to Other Clients. Such positions may create a conflict between the services and advice provided to Clients and the responsibilities owed

to such Other Clients. Clients in which such individuals may become involved may have investment objectives that overlap with those of Other Clients. Furthermore, certain principals and employees of DFM may have a greater financial interest in the performance of such Other Clients than the performance of the Clients. Such involvement may create conflicts of interest in making investments on behalf of the Clients and such Other Clients. Such principals and employees will seek to limit any such conflicts in a manner that is in accordance with their fiduciary duties to the Clients.

***Portfolio Company Data.*** Blackstone, GSO and their affiliates receive various kinds of portfolio company/entity data and information (including from portfolio companies and/or entities of the Clients), including without limitation data and information relating to business operations, trends, budgets, customers and other metrics. This includes data that is sometimes referred to as “big data.” As a result, Blackstone may be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes, as a result of information learned from a portfolio company or entity. In furtherance of the foregoing, Blackstone, GSO and their affiliates have entered and may further enter into information sharing and use arrangements with portfolio companies and/or entities. Blackstone, GSO and their affiliates believe that access to this information furthers the interests of Fund investors by providing opportunities for operational improvements across portfolio companies and/or entities and in connection with a Fund’s investment management activities.

Furthermore, while trading securities of the portfolio company and/or entity to which the information specifically relates may be legally restricted, due to, among other reasons, Blackstone’s contractual restrictions under a confidentiality agreement, Blackstone shall otherwise be under no duty to refrain from trading for the benefit of Blackstone and/or Other Clients in the securities of unaffiliated issuers while using or otherwise being in possession of such information. For example, Blackstone’s ability to trade in securities of an issuer relating to a specific industry may, subject to applicable law, be enhanced by information of a portfolio company and/or entity in the same or related industry. Such trading may provide a material benefit to Blackstone without compensating or otherwise benefiting the Funds. Blackstone, however, has and expects to utilize such information outside of a Fund’s activities in a manner that may provide a material benefit to Blackstone, GSO and their affiliates, without compensating or otherwise benefitting Clients. The sharing and use of such information presents potential conflicts of interest, and any corresponding/resulting benefits received by Blackstone, GSO and their affiliates will not be subject to the management fee offset provisions or otherwise shared with Fund investors. As a result, Blackstone, GSO and their affiliates may have an incentive to pursue investments in companies and/or entities based on their data and information and/or to utilize such information in a manner that benefits Blackstone, GSO and their affiliates.

***Possible Future Activities.*** Blackstone, GSO and their affiliates may expand the range of services that they provide over time. Except as provided herein, Blackstone, GSO and their affiliates will generally not be restricted in the scope of their business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts

are described herein. Blackstone has, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with the Blackstone Clients who may hold or may have held investments similar to those intended to be made by the Clients. These Blackstone Clients may themselves represent appropriate investment opportunities for the Clients or may compete with the Clients for investment opportunities.

***Cross and Principal Transactions.*** Situations may arise where certain assets held by a Client may be transferred to Other Clients or Blackstone and/or its affiliates and vice versa, and from time to time a Client may acquire investments from and/or sell investments to, Other Clients or Blackstone and/or its affiliates. Such transactions will be conducted in accordance with, and subject to, the relevant General Partner's and/or DFM's contractual obligations to such Client. The applicable Offering and/or Governing Documents of a Fund may authorize the General Partner, on behalf of such Fund's investors, to select one or more investors not affiliated with the General Partner to serve on such Fund's limited partner advisory committee, the purpose of which will be to consider and, on behalf of the investors, approve or disapprove, to the extent required by applicable law, principal transactions and certain other related party transactions. In certain other circumstances, a cross transaction may be approved by an independent client representative, a board of directors or other party.

***Regulatory Inquiries.*** Blackstone is subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which it operates around the world. These authorities have regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are also empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel, changes in policies, procedures or disclosure or other sanctions, including censure, the issuance of cease-and-desist orders, the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships or the commencement of a civil or criminal lawsuit against Blackstone or its personnel. Moreover, the SEC has specifically focused on the alternative investment industry. The SEC's list of examination priorities includes, among other things, alternative investment firms' collection of fees and allocation of expenses, their marketing and valuation practices, allocation of investment opportunities and other conflicts of interests. Blackstone is regularly subject to requests for information and informal or formal investigations by the SEC and other regulatory authorities, with which Blackstone routinely cooperates. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against Blackstone or its personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm Blackstone, GSO, DFM and the Clients. While it is difficult to predict what impact, if any, the foregoing may have, there can be no assurance that any of the foregoing, whether applicable to Blackstone or GSO specifically or the underlying private funds in which Blackstone or GSO invests generally, would not have a material adverse effect on the

Clients and their ability to achieve their investment objectives. As a result, there can be no assurance that any of the foregoing will not have an adverse impact on Blackstone, GSO or DFM or otherwise impede the Clients' ability to effectively achieve their investment objectives.

***Strategic Relationships.*** Blackstone and GSO have entered, and it can be expected that Blackstone or GSO in the future will enter, into strategic relationships ("**Strategic Relationships**"). A Strategic Relationship often involves an investor agreeing to make a capital commitment to multiple Clients and/or Blackstone Clients, one or more of which may include a Fund. Investors will not receive a copy of any agreement memorializing a Strategic Relationship program (even if in the form of a side letter) and will be unable to elect any such rights or benefits afforded through a Strategic Relationship. Specific examples of such additional rights and benefits include, among others, specialized reporting, discounts on and/or reimbursement of management fees or performance-based compensation, secondment of personnel from the investor to Blackstone or GSO (or vice versa), targeted amounts for co-investments alongside Clients and/or Blackstone Clients (including, without limitation, preferential allocation of co-investment, and preferential terms and conditions related to co-investment or other participation in Blackstone vehicles (including any performance-based compensation and/or management fees to be charged with respect thereto)). The co-investment that is part of a Strategic Relationship may include co-investment in investments made by Clients. Strategic Relationships may therefore result in fewer co-investment opportunities (or reduced allocations) being made available to Clients or to investors in the Funds.

***Advisors, Consultants and Operating Partners.*** DFM engages and retains strategic advisors, consultants, senior advisors, executive advisors, industry experts, operating partners and/or other professionals (which may include former Blackstone and/or GSO employees as well as current and former employees of Blackstone and/or GSO portfolio companies) as well as consultants, and other similar professionals who are not employees or affiliates of GSO (collectively, "**Consultants**") and who, from time to time, receive payments from, or allocations of, performance-based compensation (*e.g.*, carried interest) with respect to, portfolio companies (as well as from DFM or the Clients). In such circumstances, such payments from, or allocations of, performance-based compensation (*e.g.*, carried interest) with respect to, portfolio companies and/or the Clients will be treated as the applicable Clients' expenses and will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by DFM, be deemed paid to or received by DFM, and such amounts will not result in the offset of any management fees otherwise due. These Consultants have the right or may be offered the ability to (i) co-invest alongside the Clients, including in the specific investments in which they are involved (and for which they may be entitled to receive performance-related incentive fees, which will reduce the Clients' returns and will not necessarily be subordinated to the return of investors' capital contributions), or (ii) to otherwise participate in equity plans for management of any such portfolio company, or (iii) to invest directly in the Funds and/or Managed Accounts or in a vehicle controlled by the Funds and/or Managed Accounts subject to reduced or waived management fees and/or performance-based compensation, including after the termination of their engagement by or other status with

Blackstone (which generally would reduce the amount invested by the Funds and/or Managed Accounts in any investment). Such co-investment and/or participation (which generally will result in the applicable Client being allocated a smaller share of the applicable investment) will not be considered as part of Blackstone's side-by-side co-investment rights. Such co-investment and/or participation may vary by transaction and such participation may, depending on its structure, reduce the applicable Client's returns and will not necessarily be subordinated to the return of investors' capital contributions. Additionally, and notwithstanding the foregoing, these Consultants, as well as other Blackstone Clients, are expected to be (or have the preferred right to be) investors in DFM's portfolio companies (which, in some cases, may involve agreements to pay performance fees to such persons in connection with a Fund's investment therein, which will reduce Fund returns and will not necessarily be subordinated to the return of Clients' capital contributions) and/or Other Clients. Such Consultants may also be permitted to participate in Blackstone or GSO's side-by-side co-investment rights, which generally do not provide for a management fee and/or performance-based compensation, as applicable, payable by participants therein and generally result in the Clients being allocated a smaller share of an investment than would otherwise be the case in the absence of such side-by-side co-investment rights. In addition, subject to the terms of the Offering and/or Governing Documents of a Fund, the General Partner may permit certain Blackstone personnel and other professionals responsible for portfolio company operations and other similar operational initiatives with respect to one or more portfolio company to participate in these side-by-side rights on an investment by investment basis. The General Partner intends to limit participation by any such professionals to investments involving the portfolio company with respect to which the General Partner expects in good faith that such professionals will be materially involved following the consummation of such investment. The nature of the relationship with each of the Consultants, and the amount of time devoted or required to be devoted by them varies considerably. In some cases, they may provide the General Partner and/or DFM with industry-specific insights and feedback on investment themes, assist in transaction due diligence, and/or make introductions to and provide reference checks on management teams. In other cases, they take on more extensive roles (and may be exclusive service providers to GSO) and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. In certain instances, DFM has formal arrangements with these Consultants (which may or may not be terminable upon notice by any party), and in other cases the relationships are more informal. They are either compensated (including pursuant to retainers and expense reimbursement, and, in any event, pursuant to negotiated arrangements that will not be confirmed as being comparable to the market rates for such services) by DFM, the relevant Clients and/or portfolio companies or otherwise uncompensated unless and until an engagement with a portfolio company develops. In certain cases, they have certain attributes of GSO "employees" (*e.g.*, they may have dedicated offices at GSO, participate in general meetings and events for GSO personnel, work on GSO matters as their primary or sole business activity, service GSO exclusively, etc.) even though they are not considered GSO employees, affiliates or personnel for purposes of the relevant Client's applicable Offering and/or Governing Documents and the related management fee offset provisions therein. There can be no assurance that any of the Consultants and/or other professionals will continue to serve in

such roles and/or continue their arrangements with GSO, the Clients and/or any portfolio companies throughout the term of the relevant Clients.

***Indemnification; Absence of Recourse.*** The Clients generally will be required to indemnify the General Partner, DFM, certain service providers and their respective affiliates, and their respective officers, directors, employees, shareholders, agents, stockholders, members, partners and certain other persons who serve at the request of DFM on behalf of Clients for liabilities incurred in connection with the affairs of the Clients. Members of any applicable Client's limited partner advisory committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the respective Offering and/or Governing Documents of such Client. Additionally, such parties may be entitled to exculpation from the Clients. Such liabilities may be material and could have an adverse effect on the returns to the Clients' investors. For example, in their capacity as directors of portfolio companies, the partners, managers or affiliates of the General Partners may be subject to derivative or other similar claims brought by security holders of such companies. The indemnification obligation of the Clients would be payable from the assets of the applicable Clients, including the unpaid capital commitments of the investors. If the assets of the applicable Clients are insufficient, the General Partners may recall distributions previously made to the investors in such Clients (subject to certain limitations set forth in the respective Offering and/or Governing Documents of each Client). It should be noted that the General Partners or DFM may cause the Clients to purchase insurance for the Clients, the General Partners, DFM and their employees, agents and representatives. There is no guarantee that such insurance will be available to satisfy losses for which the Clients may be required to provide indemnification, and potential insurance claims will not delay the availability of the advances provided to indemnified persons under the applicable Offering and/or Governing Documents. In addition, because the General Partners may cause the Clients to advance the costs and expenses of an indemnitee pending the outcome of a particular matter (including determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person's entitlement to indemnification), there may be periods where the Clients are advancing expenses to an individual or entity with whom the Clients are not aligned or are otherwise an adverse party in a dispute. Moreover, in its capacity as general partner of a Fund, the General Partner will, notwithstanding any actual or perceived conflict of interest, be the beneficiary of any decision by it to provide indemnification (including advancement of expenses). This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification or exculpation so long as the General Partner (and/or its legal counsel) has determined that such disqualifying conduct did not occur.

***Diverse Investor Group.*** The investors may have conflicting investment, tax and other interests with respect to their investments in the Funds and/or Managed Accounts and with respect to the interests of investors in other investment vehicles managed or advised by DFM that may participate in the same investments as the Clients. The conflicting interests of individual investors with respect to other investors and relative to investors in other investment vehicles would generally relate to or arise from, among other things, the nature of investments made by the Clients and such other partnerships, the structuring or

the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by DFM, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In addition, the Clients may make investments that may have a negative impact on related investments made by the investors in separate transactions. In selecting and structuring investments suitable for the Clients, DFM will consider the investment and tax objectives of the Funds and/or Managed Accounts and their investors (and those of investors in other investment vehicles managed or advised by DFM) as a whole, not the investment, tax or other objectives of any investor individually. As a consequence of the foregoing, the General Partner may elect to exclude certain investors from particular investments for legal or regulatory reasons applicable to any such investment, in which case non-excluded investors shall be allocated a greater proportionate interest in such investment.

In addition, certain investors in a Client may be investors in Other Clients, including co-investment vehicles that may invest alongside one or more Clients in one or more investments. Investors also may include affiliates of Blackstone, such as Other Clients, charities or foundations associated with Blackstone personnel and/or current or former Blackstone employees, Blackstone's senior advisors and/or operating partners and any affiliates, funds or persons may also invest through the vehicles established in connection with Blackstone and GSO's side-by-side co-investment rights. It is also possible that a Client or its portfolio companies may be counterparties (such counterparties dealt with as described in "Issuer Relationships" above) or participants in agreements, transactions or other arrangements with an investor or an affiliate of such an investor. Such transactions may include agreements to pay performance fees to operating partners in connection with the Client's investment therein, which will reduce the Client's returns and will not necessarily be subordinated to the return of the investor's capital contributions. Such investors described in the previous sentences may therefore have different information about Blackstone, GSO and the Clients than investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such investors, and the General Partner and its affiliates may not be motivated to act solely in accordance with its interests relating to the Clients. Similar information disparity may occur as a result of investors monitoring their investments in vehicles such as the Clients differently. For example, certain investors may periodically request from the General Partner information regarding the Clients, its investments and/or portfolio companies that is not otherwise set forth in (or has yet to be set forth) in the reporting and other information required to be delivered to all investors. In such circumstances, the General Partner may provide such information to such investor. The General Partner will not be obligated to affirmatively provide such information to all investors (although the General Partner will generally provide the same information upon request and treat investors equally in that regard). As a result, certain investors may have more information about a Client than other investors, and the General Partner will have no duty to ensure all investors seek, obtain or process the same information regarding the Clients, their investments and/or portfolio companies.

**1940 Act Restrictions.** The Investment Company Act limits certain Investment Company Act Clients' ability to enter into certain transactions with certain of its affiliates. As a result of these restrictions, these Clients may be prohibited from buying or selling any security directly from or to any portfolio company of a fund managed by Blackstone. However, these Clients may under certain circumstances purchase any such portfolio company's securities in the secondary market. As noted in "Other Blackstone Businesses and Activities" above, owning competing securities of the same issuer could create a conflict for DFM between the interests of such Clients and the portfolio company (or the Blackstone client that owns such portfolio company), in that the ability of DFM to recommend actions in the best interest of certain Clients might be impaired. Even despite compliance with the Investment Company Act, potential conflicts of interest may arise in such transactions. The Investment Company Act also prohibits certain "joint" or "principal" transactions with certain of DFM's affiliates, which could include investments in the same portfolio company (whether at the same or different times) by two or more Clients, and this prohibition could limit the ability of Clients, whether subject to the Investment Company Act or otherwise, to buy investments from, to sell investments to or to invest in the same securities as Other Clients. That is, these prohibitions may limit the scope of investment opportunities that would otherwise be available both to Clients that are subject to the Investment Company Act and those that are not.

**Blackstone's Relationship with Pátria.** Blackstone owns 40% of the equity interests in Pátria Investimentos Ltd. ("Pátria"), a leading Brazilian alternative asset manager and advisory firm. Pátria's alternative asset management businesses include the management of private equity funds, real estate funds, infrastructure funds and hedge funds (*e.g.*, a multi-strategy fund and a long/short equity fund). Each of Blackstone's and Pátria's respective investment funds continues to pursue investment opportunities in accordance with their existing mandates. While it is not expected that there will be material overlap between the Clients' investment program and Pátria's investment activities, there may be instances where appropriate investment opportunities will be shared with (or allocated to) Pátria. Therefore, there may be opportunities available to Pátria that are not shared with the Clients, and there may be opportunities available to the Clients that are shared with one or more Pátria funds. DFM generally expects, with respect to certain types of investments in Brazil otherwise suitable for the Clients, to permit such investments to be shared with and/or pursued by Pátria, which may be on a priority basis and may result in the Clients not participating in any such investments or participating therein to a lesser extent. In addition, the Clients may invest in companies or other entities in which Pátria sponsored investment funds have or are concurrently making a different investment (*e.g.*, an equity investment vs. a debt investment) at the time of such Client's investment, and investment funds that have been or may be formed by Pátria may invest in different securities of companies or other entities in which a Client has made an investment. In such situations, the Client and such other Pátria sponsored investment funds (and therefore Blackstone through its indirect minority interest in Pátria) may have conflicting interests (*e.g.*, over the terms of their respective investments).

**Valuation Matters.** The fair value of all investments or of property received in exchange for any investments will be determined by the General Partner in accordance with the



applicable Offering and/or Governing Documents. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of such investments will be determined by the General Partner in accordance with procedures set forth in the applicable Offering and/or Governing Documents. The valuation of investments will affect the amount and timing of the General Partner's performance-based compensation and, under certain circumstances, the amount of management fees payable to DFM. As a result, there may be circumstances where the General Partner or DFM, as applicable, is incentivized to determine valuations that are higher than the actual fair value of investments.

In addition, securities that DFM believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame DFM anticipates. In particular, purchasing securities at prices that DFM believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further. There is no guarantee that the fair value as determined by DFM will represent the value that will be realized by a Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

***Side Letters and Agreements.*** The relevant General Partner, DFM and its affiliates have entered into and will continue to enter into "side letters" or other similar agreement with certain investors in connection with their admission to the Funds without the approval of any other investor, that have and will have the effect of establishing rights under, or altering or supplementing the terms of the applicable Offering and/or Governing Documents with respect to such investors in a manner more favorable to such investors than those applicable to other investors in the Funds. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (ii) the General Partner's agreement to extend certain information rights or additional reporting to such investor, including, without limitation, to accommodate special regulatory or other circumstances of such investor, (iii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the General Partner for the benefit of lenders or other persons extending credit to or arranging financing for the Funds, (iv) consent of the General Partner to certain transfers by such investor or other exercises by the General Partner of its discretionary authority under the applicable Fund's Offering and/or Governing Documents for the benefit of such investor, (v) restrictions on, or special rights of such investor with respect to, the activities of the General Partner, (vi) rights related to the designation of a representative on an investor advisory committee, (vii) withdrawal rights due to legal, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, (viii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (ix) economic arrangements (including without limitation, discounted management fee and performance-based allocation rates), (x) additional obligations and restrictions of a Fund with respect to the structuring of any investment

(including any alternative investment vehicle through which such investment may be made) or (xi) acknowledgement of interest of co-investment opportunities and allocations thereof. Such side letters may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Any rights or terms so established in a side letter with an investor will govern solely with respect to such investor (but not any of such investor's assignees or transferees unless so specified in such side letter) and will not require the approval of any other investor notwithstanding any other provision of the applicable Fund's Offering and/or Governing Documents.

Moreover, notwithstanding the fact that an investor may have a most-favored-nations provision in its side letter, such investor will not, notwithstanding the terms of such side letter provision, be entitled to receive some or all of the following, or additional rights or benefits that may be determined by the relevant General Partner or DFM from time to time: (a) the benefit of any other "most favored nations" provision; (b) any rights or benefits that are personal to another investor based solely on the place of organization or headquarters, organizational form of, laws, rules (including those of self-regulatory organizations), regulations or policies or other particular restrictions applicable to, another investor if not also applicable to such investor; (c) any rights or benefits granted to the General Partner, its partners, members, affiliates or their employees or senior advisors (including, for this purpose, any charitable programs, endowment funds and similar or related entities and accounts established by or associated with any of the foregoing); (d) any rights contained in any side letter entered into in connection with the admission of an investor to a Fund and/or Other Clients pursuing a materially different investment strategy or diversified investment program pursuant to an integrated overall arrangement with GSO or Blackstone; (e) in the event such investor is itself an investment partnership or other collective investment vehicle having its own underlying limited partners or other investors or any investor in respect of which a Fund is required to pay a placement agent fee in connection with such investor's admission to such Fund, any economic rights or benefits (including without limitation, a reduction in management fees or performance-based allocation) established in favor of any other investor; (f) any rights related to the regulatory, sovereign or other particular legal or similar status of another investor, unless such investor has a regulatory or other particular legal or similar status that is the same as or substantially similar to the status of another investor and only to the extent such rights are applicable to such investor; (g) confirmation of having a representation on the limited partner advisory committee of the applicable Fund or any rights or benefits related thereto; (h) any rights to or notice of any co-investment; (i) any rights related to reporting obligations; (j) any rights to elect any method of giving notice by one party to another; (k) any rights to elect to receive the accommodations, rights or benefits of any provisions related to anti-money-laundering or OFAC matters; (l) any rights in respect of the use and disclosure of confidential information; (m) any rights that relate to any separately managed account that may invest alongside the applicable Fund; (n) any rights in respect of the use and disclosure of information related to the applicable investor; (o) any rights to elect jurisdiction, forum, alternative dispute resolution or immunities granted to sovereign or supranational entities; (p) any rights granted to any third-party feeder fund unaffiliated

with the General Partner, (q) economic rights or benefits (including without limitation, discounted management fees or performance-based allocation rates); (r) any rights in respect of any subscription credit facility, (s) any rights in respect of meeting with or attending trainings prepared by the General Partner or (t) any rights in respect of secondment of personnel from such investor to Blackstone or GSO (or vice versa).

In addition, Blackstone and GSO have entered, and it can be expected that Blackstone and GSO will in the future enter, into agreements with investors involving an investor's overall relationship with Blackstone or GSO, including one or more strategies in addition to the applicable Fund's strategy with terms and conditions applicable to such investor and its investment in multiple Blackstone or GSO strategies that would not apply to an investor's investment in such Fund. Unless otherwise agreed pursuant to a comparable multi-strategy investment program, investors will not receive a copy of the agreement memorializing such an investment program (even if in the form of a side letter) and will be unable to elect any rights or benefits granted to such multi-strategy investor. See "Strategic Relationships" above.

It is also expected that Blackstone and DFM will from time to time confirm factual matters to incoming investors in the Funds, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to the Funds and/or Blackstone or GSO's activities pertaining thereto in one or more respects. In addition, Blackstone and GSO may from time to time agree to certain matters relating to knowledge transfer and/or secondments with one or more investors as part of an overall firm relationship. Additionally, it is expected that investors who designate representatives to participate on the limited partner advisory committee of a Fund, if applicable, may, by virtue of such participation, have more information about such Fund and investments in certain circumstances than other investors generally and may be provided information in advance of communication to other investors generally. Any such statements, confirmations, agreements or acknowledgements will not involve the granting of any legal right or benefit, and therefore will not be subject to the "most favored nations" process or election by investors, and as a result investors will not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on the Funds or that such arrangements will not influence Blackstone's or GSO's activities or the operation of the Funds.

***Use of Leverage.*** Subject to the limitations set forth in the Offering and/or Governing Documents, the Funds may borrow money from any person, or guarantee loans or other extensions of credit, including for the purpose of financing any activities of the Funds and to provide interim financing to the extent necessary to consummate the purchase of investments prior to the completion of the permanent debt financing therefor or prior to the receipt of capital contributions or distributions (as applicable). The Funds and/or the relevant General Partner may enter into one or more credit facilities or guarantees, and in connection therewith, may pledge the assets of the Funds and may collaterally assign the Funds' rights with respect to capital commitments and rights to the capital contributions of the partners. Subject to the applicable Offering and/or Governing Documents, the Funds

may also leverage investment returns with options, short sales, swaps, forwards and other derivative instruments. The use of leverage presents several risks and conflicts of interest. Although borrowings by the Funds have the potential to enhance overall returns to the extent that returns exceed the Funds' cost of funds, the use of leverage will further diminish returns (or increase losses on capital) to the extent overall returns are less than a Fund's cost of funds. Accordingly, any event that adversely affects the value of an investment by a Fund would be magnified to the extent leverage is used. Where a Fund utilizes borrowings under such Fund's subscription-based credit facility or asset-backed facility (or other facility) in advance or in lieu of receiving capital contributions from investors to repay any such borrowings and related interest expenses, the use of such a facility will impact calculations of returns and will result in a higher or lower reported internal rate of return than if the facility had not been utilized and instead such investors' capital had been contributed at the inception of an investment. This will present conflicts of interest as a result of certain factors, including the interest rate on such borrowings typically being less than the rate of the preferred return and the fact that the Funds' preferred return typically does not accrue on such borrowings, but rather only accrues only on capital contributions when made. As a result, use of such leverage arrangements with respect to investments may reduce or eliminate the preferred return received by the investors and accelerate or increase distributions of performance-based allocation to the relevant General Partner, providing the General Partner with an economic incentive to fund investments through borrowings in lieu of capital contributions. Moreover, the costs and expenses of any such borrowings will generally be allocated among a Fund and any parallel funds pro rata or on such other basis that the General Partner determines to be more equitable under the circumstances, which will increase the expenses borne by applicable limited partners and would be expected to diminish net cash on cash returns. In addition, for investments by U.S. tax-exempt limited partners, there may be incremental tax costs related to so-called unrelated business tax income.

Subject to the limitations set forth in the Offering and/or Governing Documents, the General Partner maintains substantial flexibility in choosing when and how a Fund's subscription-based credit facilities or asset-backed facilities (or other facilities) are used. The General Partner may adopt from time to time policies or guidelines relating to the use of such credit facilities. Such policies or guidelines may include using the credit facilities to systematically defer calling capital from limited partners (such as seeking to call capital only once a year). In addition to using such facilities to defer capital calls, the General Partner may elect to use fund-level financing for investments made by a Fund including (i) for investments that have a longer lead time to generate cash flow or to acquire assets, (ii) for platform investments that require capital to fund operating expenses prior to developing sufficient scale to self-fund or generate enterprise value, (iii) for investments where cash is retained in the business to fund activity that results in incremental returns for the investment, (iv) to make margin payments as necessary under currency hedging arrangements, (v) to fund management fees and/or fund expenses otherwise payable by limited partners, (vi) for investments in portfolio companies with revenues in a foreign currency and (vii) when the General Partner otherwise determines that it is in the best interests of a Fund. See also **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.**

Below is a listing of DFM's affiliates:

### **Broker/Dealer Entities**

Alight Financial Solutions, LLC*	Provides self-directed brokerage windows to participants of plan sponsored 401(k) retirement plans
Blackstone Advisory Partners L.P. ("BAP")	Provides a variety of limited investment banking services
FEF Distributors LLC*	Serves as distributor and principal underwriter to the First Eagle mutual funds and private investment funds
Incenter Securities Group LLC***	Provides a variety of limited investment banking services

### **Investment Adviser Entities**

Alight Financial Advisors, LLC*	Provides advisory services to participants of plan sponsored 401(k) retirement plans
Blackstone Alternative Asset Management L.P.	Manages a series of private and closed end funds engaged in multi-manager investment programs ( <i>i.e.</i> , fund of hedge funds)
Blackstone Alternative Investment Advisors L.L.C.	Provides investment advisory services to open end mutual funds and UCITS
Blackstone Alternative Solutions L.L.C.	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Clean Technology Advisors L.L.C.	Provides investment advisory services to private investment funds specializing in the cleantech energy sector
Blackstone Communications Advisors I L.L.C.	Provides investment advisory services to a private investment fund specializing in communications-related private equity investments
Blackstone Core Equity Advisors L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Debt Advisors L.P.	Provides investment advisory services to a number of debt-focused private investment funds

Blackstone Europe Fund Management S.A.R.L.	Provides services to various European alternative investment funds
Blackstone Infrastructure Advisors L.L.C.	Provides investment advisory services to multi-discipline, multi-asset class private funds
Blackstone ISG-I Advisors L.L.C.	Provides investment advisory services to one or more private investment funds and managed accounts focusing on fixed income investments and investments across Blackstone's private equity, real asset, credit, hedge fund and opportunistic asset management strategies
Blackstone ISG-II Advisors L.L.C.	Provides investment advisory services to various private investment funds focusing on investments across Blackstone's private equity, real asset, credit, hedge fund and opportunistic asset management strategies
Blackstone Management Partners L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Management Partners IV L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Mezzanine Advisors L.P.	Provides investment advisory services to private investment funds specializing in mezzanine financing
Blackstone Property Advisors L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors Europe L.P.	Provides investment advisory services to various real estate investment funds
Blackstone Real Estate Income Advisors L.L.C.	Provides investment advisory services to one or more registered closed-end real estate investment funds
Blackstone Real Estate Advisors International L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors IV L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors V L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Special Situations Advisors L.L.C.	Provides investment advisory services to various private real estate investment funds

Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C.	Provides investment advisory services to private investment funds and accounts which invest primarily in public and private debt and other interests of real estate assets and real estate-related holdings
Blackstone Strategic Alliance Advisors L.L.C.	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C.	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
Blackstone Tactical Opportunities Advisors L.L.C.	Provides investment advisory services to multi-discipline, multi-asset class private funds
Blackstone Multi-Asset Advisors L.L.C.	Provides investment advisory services to various private investment funds focusing on investments across Blackstone’s private equity, real asset, credit, hedge fund and opportunistic alternative asset management strategies
Blackstone Treasury Solutions Advisors L.L.C.	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
BSCA Advisors L.L.C.	Provides investment advisory services to certain co-investment vehicles relating to funds managed by Blackstone Strategic Capital Advisors L.L.C.
BXMT Advisors L.L.C.	Provides investment advisory services to a REIT and other investment vehicles
BX REIT Advisors L.L.C.	Provides investment advisory services to a public, non-traded REIT
CT High Grade Mezzanine Manager, LLC	Provides investment advisory services to assets owned by a third-party insurance company
CT High Grade Partners II Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT Investment Management Co., LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
First Eagle Investment Management, LLC*	Provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals

GSO Capital Advisors LLC	Provides investment advisory services to a number of debt-focused private investment funds and separately managed accounts
GSO Capital Advisors II LLC	Provides investment advisory services to a number of debt-focused separately managed accounts
GSO Capital Partners LP	Provides investment advisory services to a number of debt-focused private investment funds and closed-end funds
Harvest Fund Advisors LLC	Provides investment advisory services to various categories of institutions and high net worth individuals via private pooled investment vehicles and separate accounts investing principally in publicly-traded energy infrastructure Master Limited Partnerships and the North American energy market
Incenter Capital Management LLC***	Provides investment advisory services to mortgage related asset private funds
NewStar Capital LLC*	Provides investment advisory services to a number of CLO's, private investment funds and separately managed accounts specializing in liquid credit
Newstar Commercial Loan Originator II LLC*	Provides investment advisory services to CLO's specializing in middle market credit
NewStar Financial, Inc.*	Provides investment advisory services to a number of CLO's, private investment funds and separately managed accounts specializing in middle market credit
Strategic Partners Fund Solutions Advisors L.P.	Provides investment advisory services to a number of pooled investment and custom vehicles operating as private investment funds
The Blackstone Group International Partners LLP	U.K. investment advisory firm, which serves as a sub-adviser to the registrant
Blackstone Singapore Pte Ltd	Singapore investment advisory firm, which serves as a sub-adviser to the registrant

### **Registered Commodity Trading Adviser and/or Registered Commodity Pool Operator Entities**

Blackstone Alternative Investment Advisors LLC (CTA/CPO)	Provides investment advisory services to open end mutual funds and UCITS
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Blackstone Alternative Asset Management L.P. (CTA/CPO)	Manages a series of private and closed end funds engaged in multi-manager investment programs ( <i>i.e.</i> , fund of hedge funds)
Blackstone Alternative Solutions L.L.C. (CTA/CPO)	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Strategic Alliance Advisors L.L.C. (CTA/CPO)	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C. (CTA/CPO)	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
Blackstone Treasury Solutions Advisors L.L.C. (CPO)	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
<b>Insurance Entities</b>	
Agents National Title Holding Company***	A wholly owned subsidiary of Incenter and is a title insurance broker serving consumers and lenders through a network of independent title agents
Boston National Holdings LLC***	A wholly owned subsidiary of Incenter and is a title insurance agency
HealthMarkets Insurance Agency, Inc.*	An independent health insurance agency that distributes healthcare and Medicare advantage insurance products from more than 200 insurance companies, as well as its own underwritten supplemental insurance products
Lexington National Land Services**	Places title insurance and provide title services for real property owned by various funds and/or their portfolio entities
Rothsay Life Plc***	Life insurer specializing in bulk annuities and other de-risking solutions for defined benefit pension schemes and insurance companies

\*Portfolio company of affiliated private equity fund

\*\*Joint venture between Blackstone and an existing title agent

\*\*\*Portfolio company of affiliated Tactical Opportunities funds

Various management personnel are registered with our broker-dealer, BAP, which serves as placement agent to the Funds but is not compensated for such services.

## Item 11: Code of Ethics

As required by the Advisers Act, Blackstone and GSO have adopted a Code of Ethics (the “Code”) that governs a number of potential conflicts of interest that exist in connection with the Clients under management. This Code is designed to enable DFM to meet its fiduciary obligation to Clients (or prospective Clients) and to instill a culture of compliance within DFM. An additional benefit of the Code is to assist Blackstone and GSO in preventing violations of securities laws. The Code is distributed to each employee at the time of hire and annually thereafter.

The Code addresses, among other things, the following:

- requirements related to confidentiality;
- limitations on, and reporting of, gifts and entertainment;
- pre-clearance of political contributions;
- pre-clearance and reporting of employee personal securities transactions;
- pre-clearance of outside business activities; and
- protection of persons who engage in “whistle blowing” activities from retaliation.

On an annual basis, DFM requires all employees to certify that they are in compliance with the Code.

DFM offers many different products and services across its many businesses, and several potential conflicts of interest may arise. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for a list of certain relevant investment related potential conflicts.

Subject to the Code and with proper approval, DFM’s employees may buy or sell, for their personal accounts, securities that may also be purchased or sold for Client accounts. DFM and its employees are subject to guidelines governing the ability to trade in personal accounts. The guidelines generally require that such trading be conducted for investment rather than speculative purposes and that certain personal securities transactions receive pre-clearance from the legal and compliance department.

The Code is available for review upon request. To request a copy of the Code, please contact DFM’s Chief Compliance Officer, Marisa Beeney, at +1 (212) 503-2100.

## Item 12: Brokerage Practices

**Best Execution.** Portfolio transactions for Clients will be allocated to brokers and dealers on the basis of best execution (which may include, among other items, the consideration of such broker's or dealer's ability to effect transactions, its facilities and financial responsibility). The SEC generally describes "best execution" as a duty to seek to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution.

GSO considers the full range and quality of broker services including expertise and ability to perform execution services; ability to execute transactions in the markets at competitive prices without disrupting the market for a particular security; range of services provided and products offered (*e.g.*, securities lending, margin lending, capital introduction, start-up services, reporting, research, valuation); quality and timeliness of market information provided; ability of broker to maintain confidentiality; relationship management/sales coverage; credit worthiness and financial responsibility; operational expertise; ability to maintain confidentiality; trading volumes; fees; and commission rate or spread involved.

Clients' securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Clients, and not GSO or any of its affiliates, will be obligated to pay.

Certain of GSO's brokers and other service providers or their respective affiliates are also Clients or investors in the Funds. As consideration for services provided, these brokers and other service providers will receive reasonable and customary fees or commissions.

Notwithstanding the foregoing, GSO does not "pay up" for research or other services provided by any brokers through the commission rate (*e.g.*, GSO does not use "soft dollars").

The Head of Middle Office and Operations is responsible for the implementation and oversight of the counterparty approval process. The Data Governance Team functions within Middle Office and Operations to provide an optimal control framework between Trading and Legal/Compliance. The Data Governance Team consults with Legal/Compliance and Traders for due diligence of a potential counterparty to confirm that adequate "know your customer" and credit reviews have been conducted. It is also responsible for maintaining trade workflow controls, with the objective of confirming that trades are executed only with parties that are either on the Approved Counterparty List or that have otherwise received an approval from the Head of Middle Office and Operations and Legal/Compliance on a per trade basis.

**Allocation and Aggregation Policy.** GSO is committed to transacting in securities and loans in a manner that is consistent with the investment objectives of each of the Clients,

and to allocating investment opportunities (including purchase and sale opportunities) among the Clients on a fair and equitable basis. Clients and investors should be aware that, subject to various conditions set forth in the respective Offering and/or Governing Documents, certain Clients will receive priority with respect to certain investment allocations. In particular, certain Clients have been and will be designed, in whole or in part, to participate in investment opportunities in respect of which certain Other Clients will receive a primary allocation. Any Client, in respect of the relevant Fund or any Other Client and any investment opportunity, to the extent established to generally receive an allocation of an investment opportunity with priority over certain Other Clients, as determined by GSO in its sole discretion, will herein be referred to as a **“GSO Primary Client.”** Any Client, in respect of the relevant Fund or any Other Client and any investment opportunity, to the extent established to generally receive an allocation of such investment opportunity only to the extent that the amount of an investment opportunity exceeds the amount of the investment required to be made available or otherwise deemed appropriate for the relevant GSO Primary Clients, as determined by GSO in its sole discretion, will herein be referred to as a **“GSO Overflow Client.”**

The respective investment programs of a given Fund and Other Clients may or may not be substantially similar. GSO and/or Blackstone may give advice to (and recommend securities for) Other Clients that may differ from advice given to, or securities recommended or bought for, the relevant Fund, even though their investment objectives may be the same as or similar to those of the relevant Fund. While GSO will seek to manage potential conflicts of interest in a fair and equitable manner, the portfolio strategies employed by GSO and Blackstone in managing their respective Other Clients could conflict with the transactions and strategies employed by GSO in managing the relevant Fund and may affect the prices and availability of the loans, securities and instruments in which the relevant Fund invests. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the relevant Fund and Other Clients. In any event, it is the policy of GSO to allocate investment opportunities and sale opportunities on a basis determined by GSO, in its sole discretion, to be fair and equitable over time. GSO Overflow Clients may not always participate in opportunities allocated to investment funds that constitute GSO Primary Clients, though such opportunities may be allocated to GSO Overflow Clients.

***Priority: Overflow Opportunities.*** Investment opportunities that fall within the investment objective of one or more GSO Overflow Clients and also within the investment objective of one or more GSO Primary Clients, may be offered first to the relevant GSO Primary Clients and may then be offered by GSO in its sole discretion to any member, shareholder or equivalent equity holder of such GSO Primary Client that is interested in co-investment opportunities before being offered to a GSO Overflow Client.

***Priority: Other Opportunities.*** In respect of certain investments with respect to which the relevant Fund is not a GSO Overflow Client, such investment opportunities may generally be allocated to the relevant Fund and certain Other Clients with similar investment objectives as the relevant Fund as between the relevant Fund and such Other Clients, *pro rata* based on targeted acquisition size (generally based on available or committed capital) or targeted sale size (generally the aggregate positions held by the applicable Other Clients)

for such investment. In assessing targeted sizes, GSO may take into account capital commitments, available cash and the relative capital of the respective funds and accounts, industry concentration, the portion of the portfolio dedicated to a particular strategy, any restrictions or guidelines set forth in the Offering and/or Governing Documents of such Clients and such other factors as GSO determines in good faith to be appropriate.

Notwithstanding the foregoing, GSO may also consider the following factors in making any allocation determinations, and such factors may result in a different allocation of investment and/or sale opportunities: (a) the risk-return and target return profile of the proposed investment relative to the relevant Clients' current risk profiles; (b) the relevant Clients' investment guidelines, restrictions, terms and objectives, including whether such objectives are considered solely in light of the specific investment under consideration or in the context of the respective portfolios' overall holdings; (c) the need to re-size risk in the relevant Clients' portfolios (including the potential for the proposed investment to create an industry, sector or issuer imbalance within a Clients' portfolios, as applicable) and taking into account any existing non-*pro rata* investment positions among the portfolios of the relevant Clients; (d) liquidity considerations of relevant Clients', including during a ramp-up or wind-down of one or more Client, proximity to the end of a Client's specified term or investment period, any redemption/withdrawal requests from or with respect to a Client, anticipated future contributions and available cash; (e) tax consequences; (f) regulatory or contractual restrictions or consequences; (g) avoiding a *de minimis* or odd lot allocation; (h) availability and degree of leverage and any requirements or other terms of any existing leverage facilities; (i) a Client's investment focus on a classification attributable to an investment or issuer of an investment, including, without limitation, investment strategy, geography, industry or business sector; (j) the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals dedicated to a Client; (k) the management of any actual or potential conflict of interest; (l) with respect to any investments that are made available to GSO by counterparties pursuant to negotiated trading platforms (*e.g.*, ISDA contracts), the absence of such relationships, which may not be available for all Clients; and (m) any other considerations deemed relevant by GSO in good faith. For the avoidance of doubt and notwithstanding anything herein to the contrary, an affiliate of GSO may be allocated for its own account a portion of certain origination opportunities that otherwise would be appropriate investment opportunities for a Client.

GSO shall not have any obligation to present any investment opportunity to a Client if GSO determines in good faith that such opportunity should not be presented to such Client for any one or a combination of the reasons specified above, or if GSO is otherwise restricted from presenting such investment opportunity to the Client. Moreover, with respect to GSO's ability to allocate investment opportunities, including where such opportunities are within the common objectives and guidelines of the Client and one or more Other Clients (which allocations are to be made on a basis that GSO believes in good faith to be fair and reasonable), GSO and Blackstone have established general guidelines for determining how such allocations are to be made, which, among other things, set forth priorities and presumptions regarding what constitute "debt" investments, ranges of rates of returns for defining "core" or "core+" investments, presumptions regarding allocation for certain types of investments (*e.g.*, distressed investments) and other matters. The application of those

guidelines may result in a Client not participating (and/or not participating to the same extent) in certain investment opportunities in which it would have otherwise participated had the related allocations been determined without regard to such guidelines and/or based only on the circumstances of those particular investments.

Additionally, it can be expected that GSO and/or Blackstone will, from time to time, enter into arrangements or strategic relationships with third parties, including other asset managers, financial firms or other businesses or companies, that, among other things, provide for referral or sharing of investment opportunities. It is possible that one or more Clients will, along with GSO and/or Blackstone itself, benefit from the existence of those arrangements and/or relationships. It is also possible that investment opportunities that otherwise would be presented to or made by one or more Clients would instead be referred (in whole or in part) to such third party or to other third parties. This means that co-investment opportunities that are sourced by a Fund may be allocated to investors that are not investors of such Fund. For example, a firm with which GSO and/or Blackstone has entered into a strategic relationship may be afforded with “first call” rights on a particular category of investment opportunities, although there is not expected to be substantial overlap in the investment strategies and/or objectives between a Client and any such firm.

Aggregation opportunities for GSO generally arise when more than one Client or Blackstone Client is capable of purchasing or selling a particular asset based on investment objectives, available cash, and other factors. GSO will generally execute transactions on behalf of Clients and, if applicable, Blackstone Clients on an aggregated basis when we believe that to do so will allow us to obtain best execution and to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders, Clients and Blackstone Clients will be treated in a fair and equitable manner, provided that certain trades may not be aggregated by GSO to the extent that the participating Clients or Blackstone Clients do not have the same counterparty relationship established. An “aggregated order” means an order placed by GSO on behalf of one or more Clients that does not specify to the counterparty: (a) the allocation among Clients, groups of Clients or Blackstone Clients and (b) that any partial fills should be allocated *pro rata* among Clients, groups of Clients or Blackstone Clients in accordance with the specified allocation unless otherwise designated in an allocation worksheet, if applicable. Each Client that participates in the allocation of an aggregated order will participate in such allocation at the same price for that investment on a given business day, with aggregated transaction costs shared *pro rata* based on each individual Client’s participation in the investment (subject to the terms of a Client’s Offering and/or Governing documents).

***Co-investment Opportunities.*** In addition to participation by the Consultants in specific transactions or investment opportunities, the Consultants and/or other Blackstone employees may be permitted to participate in Blackstone’s side-by-side co-investment rights. Such rights generally do not provide for a management fee or performance-based compensation payable by participants therein and generally result in a Client being allocated a smaller share of an investment than would otherwise be the case in the absence of such side-by-side. Additionally, Other Clients will be permitted (or have a preferred right) to

participate in Blackstone/GSO's side-by-side co-investment rights. In particular, funds, vehicles, accounts and other similar arrangements managed by Blackstone Multi-Asset Advisors L.L.C., which co-invest with multiple Blackstone funds, are expected to participate in investments alongside the Clients pursuant to Blackstone/GSO's side-by-side investment rights. In lieu of all or a portion of the side-by-side investment described above, one or more of the permitted GSO and/or Blackstone participants described above may instead elect to make capital contributions directly to a Client. In either of these situations, Blackstone would be eligible to receive fees and performance-based compensation, and whether or not Blackstone receives such fees will be determined in Blackstone's sole discretion. Subject to the terms of the relevant Offering and/or Governing Documents, the relevant General Partner or GSO may cause a Client to initially acquire a portion of an investment for the purpose of syndicating such portion to one or more potential co-investment vehicles established and/or controlled by the General Partner, GSO and/or their affiliates.

In certain circumstances, GSO will determine that a co-investment opportunity should be offered to one or more third parties (such investors, "**Co-Investors**"), including investors in one or more Clients (such Co-Investors that are investors in the applicable Fund, "**LP Co-Investors**"). GSO will maintain discretion with respect to which Co-Investors are offered any such opportunity. Each co-investment opportunity (should any exist) is likely to be different, and allocation of each such opportunity will depend on the facts and circumstances specific to that unique situation (*e.g.*, timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). Different situations will require that the various facts and circumstances of each opportunity be weighted differently, as GSO deems relevant to such opportunity. Such factors are likely to include, among others, (i) whether the potential Co-Investor adds strategic value, industry expertise or other similar synergies; (ii) whether a potential Co-Investor has expressed an interest in evaluating co-investment opportunities; (iii) whether a potential Co-Investor has demonstrated a long-term and/or continuing commitment to the potential success of Blackstone, GSO, any of the Funds, or other co-investments (including whether a potential Co-Investor will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to the Funds or Other Clients and their respective underlying portfolio companies); (iv) the ability of a potential Co-Investor to process a co-investment decision within the required timeframe of the particular transaction; (v) GSO's assessment of a potential Co-Investor's ability to invest an amount of capital that fits the needs of the investment (taking into account the amount of capital needed as well as the maximum number of investors that can realistically participate in the transaction); (vi) whether the Co-Investor is considered "strategic" to the investment because it is able to offer a Fund certain benefits, including but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the portfolio entity or the possession of certain expertise; (vii) the transparency, speed and predictability of the potential Co-Investor's investment process; (viii) whether Blackstone has previously expressed a general intention to seek to offer co-investment opportunities to such potential Co-Investor; (ix) whether a potential Co-Investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; (x) the familiarity Blackstone has with the personnel and professionals of the investor in working together in investment contexts (which may include such potential Co-Investor's history of investment in other Blackstone

co-investment opportunities); (xi) the extent to which a potential Co-Investor has been provided a greater amount of co-investment opportunities relative to others; (xii) the ability of a potential Co-Investor to invest in potential add-on acquisitions for the portfolio entity or participate in defensive investments; (xiii) the likelihood that the potential Co-Investor would require governance rights that would complicate or jeopardize the transaction (or, alternatively, whether the investor would be willing to defer to Blackstone and assume a more passive role in governing the portfolio entity); (xiv) any interests a potential Co-Investor may have in any competitors of the underlying portfolio entity; (xv) the tax profile of the potential Co-Investor and the tax characteristics of the investment (including whether the potential Co-Investor would require particular structuring implementation or covenants that would not otherwise be required but for its participation or whether such Co-Investor's participation is beneficial to the overall structuring of the investment); (xvi) whether a potential Co-Investor's participation in the transaction would subject a Fund and/or the portfolio company to additional regulatory requirements, review and/or scrutiny, including any necessary governmental approvals required to consummate the investment; (xvii) the potential Co-Investor's chemistry with the potential management team of the portfolio company; (xviii) whether the potential Co-Investor has any existing positions in the portfolio company (whether in the same security in which a Fund is investing or otherwise); (xix) whether there is any evidence to suggest that there is a heightened risk with respect to the potential Co-Investor maintaining confidentiality; (xx) whether the potential Co-Investor has demonstrated a long-term and/or continuing commitment to the potential success of a Fund, other affiliated funds and/or other co-investments, including the size of such commitment; (xxi) whether the potential Co-Investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for distributions; (xxii) whether the expected holding period and risk-return profile of the investment is consistent with the stated goals of the investor; and (xxiii) such other factors that GSO deems relevant under the circumstances. The factors listed in the foregoing sentence are neither presented in order of importance nor weighted, except that GSO has historically primarily relied upon the following two factors in making the determination to offer co-investment opportunities to Co-Investors: (i) whether the potential Co-Investor has demonstrated a long-term and/or continuing commitment to the potential success of the Funds, other affiliated funds, and/or other co-investments, including the size of any such commitment and fee revenue or profits generated for the benefit of GSO or Blackstone as a result thereof and (ii) the ability of a potential Co-Investor to process a co-investment decision within the required timeline of the particular transaction. Except as otherwise described herein, Co-Investors generally will not share Broken Deal Expenses with a Fund and Other Clients, and such expenses may be significant.

In addition, GSO may agree with investors (including third-party investors and investors in the Clients) to more favorable rights with respect to co-investment opportunities, including with respect to discounts of performance-based compensation and/or management fee, and to the extent any such arrangements are entered into, they may result in fewer co-investment opportunities being made available to investors in Clients. Furthermore, in connection with any co-investment by third-party Co-Investors, GSO and/or Blackstone may establish one or more investment vehicles managed or advised by GSO and/or Blackstone to facilitate such Co-Investors' investment alongside one or more Clients.



The amount and frequency of co-investment by the co-investment vehicle would be at the discretion of the General Partner or GSO, as applicable, or as determined by the Offering and/or Governing Documents of such co-investment vehicle. It is possible that the co-investment vehicle would result in fewer co-investment opportunities to investors who do not participate therein and allocations to the co-investment vehicle are likely to result in the investment vehicles investing less than it would have in the related investment.

In addition, GSO and/or its affiliates may be incentivized to offer certain potential Co-Investors opportunities to co-invest in priority and/or on more favorable terms as compared to other Co-Investors because the extent to which any such Co-Investor participated in (or is offered) co-investment opportunities may impact the amount of performance-based compensation and/or management fees (as well as any discounts or rebates thereof that may result if certain target co-investment allocations or other conditions under such arrangements are not achieved) to which the General Partner and/or its affiliates are entitled under the arrangements with such Co-Investor with respect to such Co-Investor's participation in one or more Other Clients, investments and/or otherwise in connection with such Co-Investor's relationship with Blackstone. The amount of performance-based compensation or expenses charged and/or management fees or other fees paid (or offset) by the Client may be less than or exceed such amounts charged or paid by co-investment vehicles pursuant to the terms of such vehicles' partnership agreements and/or other agreements with Co-Investors, and such variation in the amount of fees and expenses may create an economic incentive for GSO to allocate a greater or lesser percentage of an investment opportunity to such Client or such co-investment vehicles or Co-Investors, as the case may be. In addition, other terms of existing and future co-investment vehicles may differ materially, and in some instances may be more favorable to GSO, than the terms of the Client, and such different terms may create an incentive for GSO to allocate a greater or lesser percentage of an investment opportunity to the Client or such co-investment vehicles, as the case may be. Such incentives will from time to time give rise to conflicts of interest, and there can be no assurance that such conflicts of interest will be resolved in favor of the Client. Accordingly, any investment opportunities that would have otherwise been allocated, in whole or in part, to the Client may be reduced and made available to co-investment vehicles. Co-investments may be offered by the General Partner on such terms and conditions (including with respect to management fees, performance-based compensation and related arrangements) as the General Partner determines in its discretion on a case-by-case basis.

GSO will, prior to making any co-investment opportunities available to any Co-Investor, determine whether any given investment opportunity is (a) required to be offered to specific LP Co-Investors or a dedicated co-investment vehicle under the terms of any agreement and/or (b) suitable for Other Clients pursuant to the contractual terms governing such Other Clients, taking into account the Other Clients' investment strategy, GSO's policies and procedures and GSO's fiduciary duties. There are also circumstances where a portion of an investment opportunity that otherwise would have been invested in by a Client is instead allocated to Co-Investors, and there is no guarantee for any Client or investor that it will be offered any co-investment opportunities.

Apart from the factors described above, the form and terms of each co-investment opportunity will similarly be determined by GSO on a case-by-case basis, based on the facts and circumstances of the particular transaction. The terms and conditions (including, and dependent upon the proposed structure of such transaction, any fees or incentive allocation payable to GSO) will be negotiated on a case-by-case basis. Please see **Item 5 – Fees and Compensation** for information about the allocation of Broken Deal Expenses with respect to co-investment opportunities. GSO will be entitled to consider as a factor the likelihood that a potential Co-Investor will accept or be amenable to the proposed form and terms of such co-investment.

***Investments in Portfolio Companies Alongside Other Clients.*** From time to time, the Clients will co-invest with other Blackstone Clients (including co-investment or other vehicles in which Blackstone or its personnel invest and that co-invest with such other Blackstone Clients) in investments that are suitable for both the Clients and such other Blackstone Clients. Even if the Clients and any such other Blackstone Clients and/or co-investment or other vehicles invest in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (and divestment thereof) (including with respect to price and timing) for the Clients and such other funds and vehicles may not be the same. Additionally, the Clients and such other Blackstone Clients and/or vehicles will generally have different investment periods and/or investment objectives (including return profiles) and GSO, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities. As such, a Fund and/or such Other Clients may dispose of any such shared investment at different times and/or on different terms. Moreover, while GSO generally seeks to use reasonable efforts to avoid cross-guarantees and other similar arrangements, a counterparty, lender or other participant in any transaction to be pursued by the Clients and/or the other Blackstone Clients may require or prefer facing only one fund entity or group of entities, which may result in any of the Clients and such other Blackstone Clients and/or vehicles being jointly and severally liable for such applicable obligation (subject to any limitations set forth in the applicable Offering and/or Governing Documents thereof), which in each case may result in the Clients and such other Blackstone Clients and/or vehicles entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any of the Clients or such other Blackstone Clients or vehicles would be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty.

***Debt Financings in connection with Acquisitions and Dispositions.*** A Client may from time to time provide financing (1) as part of a third-party purchaser's bid for, or acquisition of, a portfolio entity or the underlying assets thereof owned by one or more Other Clients and/or (2) in connection with a proposed acquisition or investment by one or more Other Clients or affiliates of a portfolio company and/or its underlying assets. This generally would include the circumstance where a Client is making commitments to provide financing at or prior to the time such third-party purchaser commits to purchase such investments or assets from one or more Other Clients. A Client may also make investments and provide debt financing with respect to portfolio companies in which Other Clients and/or affiliates hold or propose to acquire an interest, including when such investments

or debt financing would result in the repayment of an Other Client's existing investment. While the terms and conditions of any such arrangements will generally be at arms' length terms negotiated on a case by case basis, the involvement of such Client and/or such Other Clients or affiliates may affect the terms of such transactions or arrangements and/or may otherwise influence the applicable management company's decisions with respect to the management of such Client and/or such Other Clients or the relevant portfolio company, which may give rise to potential or actual conflicts of interest and which could adversely impact such Client.

A Client may from time to time dispose of all or a portion of an investment where Blackstone or one or more Other Clients is providing financing to repay debt issued to such Client. Such involvement may give rise to potential or actual conflicts of interest.

**Trade Errors.** A trade error is an error made by GSO in the placement, execution, or settlement of a trade for a Client. Trade errors are evaluated on a case-by-case basis. Errors are reported to the Chief Compliance Officer upon discovery and are to be corrected as soon after discovery as is reasonably practicable. GSO generally will reimburse losses suffered by a Client as a result of a trade error caused by GSO's gross negligence or such other standards of care as otherwise specified in the applicable Offering and/or Governing Documents of such Client. Client losses and Client gains will be reviewed on a "net" basis, taking into account, among other factors, all income attributable to the trade that is the subject of the trade error, similar trades, or trades within a specified period, provided that the resolution is equitable to the Client over time. In addition, GSO will not correct a trade error made for one Client by causing another Client to buy or sell the securities unless such transaction has been approved by a committee that oversees conflicts of interest.

The violation of any prohibitions, limits or any other guidelines (numerical, percentage-based, ratings-based or otherwise) that constitutes a "trade error" shall cease to constitute a "trade error" if (i) such violation is expressly curable under the applicable Offering and/or Governing Documents and (ii) GSO cures such violation after becoming aware of the violation in accordance with such Offering and/or Governing Documents. GSO may purchase, acquire, sell, exchange, liquidate, transfer or otherwise dispose of any asset or instrument (whether such asset or instrument is the cause of such violation or not) in the event of, or to cure, any such violation.

The following circumstances do not constitute trade errors: (a) the error does not result in a transaction in a Client's account (such as an error that results in the loss of an investment opportunity), (b) the error is the fault of the executing broker-dealer or another third party, (c) the purchase or sale of the asset is reallocated to another Client prior to settlement in accordance with GSO's allocation policies, (d) the purchase or sale of an asset violates restrictions arising from a contractual obligation to a third party other than the applicable Client, (e) the failure to satisfy certain contractually imposed settlement requirements results in the forfeiture of delayed compensation, as provided under The Loan Syndications and Trading Association ("LSTA") Standard Terms and Conditions for Par/Near Par Trade Confirmations, which are incorporated by reference into the LSTA Par/Near Par Trade Confirmation; (f) the Offering and/or Governing Documents of the

applicable Client expressly provide for the right of GSO to cure such that a trade error is deemed not to have occurred and GSO cures in accordance therewith, or (g) the applicable Client ratifies the trade in writing.

## **Item 13: Review of Accounts**

DFM's investment professionals review Client accounts on an ongoing basis. This analysis includes, but is not limited to, a review of:

- Compliance with the investment strategy and restrictions provided in the specific offering documents of such Client
- Potential Conflicts
- Market Conditions
- Style Drift
- Performance Attribution
- Performance Deviation

These reviews take place at Investment Committee meetings, where investment ideas and strategies are discussed. A variety of internal and external resources may be reviewed during the course of such meetings. In addition to these formal meetings, which take place weekly or as needed, DFM's investment professionals may meet and discuss the review of investment advisory accounts on a more frequent, informal basis. The Investment Committee also conducts regular credit reviews based on monitoring and analysis performed by traders and investment analysts.

DFM provides unaudited performance reports on a monthly or quarterly basis to certain Clients, as specified in the Offering and/or Governing Documents of such Clients, and provides audited financial statements to Fund investors annually. DFM may elect to provide different levels of reports to investors.

Certain investors in the Funds may request information relating to a Fund and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, DFM will provide such investors with the information requested. Investors that request and receive such information will consequently possess information regarding the business and affairs of a Fund that may not be known to other investors. As a result, certain investors may take actions on the basis of such information that other investors, lacking such information, do not take.

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

DFM may make cash payments to third parties for solicitation activities in accordance with Rule 206(4)-3 of the Advisers Act, to the extent applicable.

In a typical distribution/placement arrangement, DFM may agree to pay a third-party solicitor for referring investors in certain Funds or Managed Accounts. Typically, the third-party solicitors will receive a portion of the management fee and/or performance fee payable to DFM (although other payment arrangements could exist). A prospective investor solicited by a third-party solicitor engaged by DFM will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be borne by DFM, and investors in such Fund or the owner of such Managed Account will not bear any increased or additional fees or charges. The dollar amount of any placement agent fees is paid out of the applicable Funds, but may be credited as an offset to the management fees paid by the Funds or Managed Accounts, as provided in the applicable Offering and/or Governing Documents of the Client.

Third-party solicitors in the U.S. will be registered as broker-dealers with the SEC. Third-party solicitors outside the U.S. may be registered with a non-U.S. regulatory body to the extent such registration is required.

BAP, an affiliate of GSO, serves as a placement agent to the Funds in the U.S. but is not compensated for such services. Please see **Item 10 – Other Financial Industry Activities & Affiliations** for more information.

## Item 15: Custody

In connection with the management of investments for certain Clients, DFM may have, or may be deemed to have, custody of certain funds or securities of its Clients. Rule 206(4)-2 (the “**Custody Rule**”) of the Advisers Act defines custody as holding client securities or funds or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client’s accounts or ownership of or access to client funds or securities (such as through fee deductions).

DFM maintains certain Client assets with qualified custodians, such as U.S. banks, registered broker-dealers, futures commission merchants, and certain foreign financial institutions.

## **Item 16: Investment Discretion**

DFM generally, although not exclusively, acts as a discretionary investment adviser and may exercise sole authority to determine the securities bought and sold for each account, as well as the amounts thereof, without obtaining specific client consent and without limitation on such authority. Any specific investment guidelines and restrictions are provided in the applicable Offering and/or Governing Documents.

Please refer to **Item 12 – Brokerage Practices** for a discussion on DFM's Allocation and Aggregation Policy.



## **Item 17: Voting Client Securities (Proxy Voting)**

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies on behalf of its clients, as well as a duty to cast such votes in the best interests of its clients and to not subrogate client interests to its own. Rule 206(4)-6 under the Advisers Act (the “**Proxy Voting Rule**”) places specific requirements on registered investment advisers with proxy voting authority. Due to the nature of the investment strategies deployed by DFM, equity securities will generally not be a large portion of the investments of any Client. Nevertheless, because DFM generally has discretionary authority over the securities held by the Clients, DFM is viewed as having proxy voting authority over such securities. Accordingly, DFM is subject to the Proxy Voting Rule. To meet its obligations under this rule, DFM has adopted written Proxy Voting Policies and Procedures, which are available upon request. These policies and procedures are reasonably designed and implemented in a manner reasonably expected to confirm that DFM votes proxies in the best interests of its Clients and to address how DFM will resolve any conflict of interest that may arise when voting proxies.

Clients may request a copy of DFM’s proxy voting policy and the proxy voting record by contacting DFM at the address or telephone number on the cover of this Brochure.

## **Item 18: Financial Information**

DFM is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its Clients.