

## Item 1: Cover Page

# GSO / BLACKSTONE DEBT FUNDS MANAGEMENT L.L.C.

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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 L.L.C., a registered investment adviser with the Securities and Exchange Commission (“**SEC**”), and its relying advisers, GSO/Blackstone Debt Funds Europe Limited, GSO Capital Partners International LL.P., 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 “Investment Adviser Firm” and type in the Registrant’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 provided to you, including this Brochure, may be used to evaluate DFM and should be considered in your decision to hire DFM or to continue to maintain a mutually beneficial relationship.

## 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 overall 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 discussion of only the material changes to this Brochure since the last annual update, dated March 25, 2015.

On May 22, 2015, Blackstone announced that Douglas I. Ostrover, one of the founding members of GSO, will step down from his existing position as a Senior Managing Director of Blackstone and will become a Senior Adviser to GSO, effective July 1, 2015.

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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 owners of such Managed Accounts, the Funds and the Adviser Clients, collectively, 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 Capital Partners L.P. (“**GSO**”) is the Managing Member of DFM. GSO was founded in July 2005 by Bennett J. Goodman, J. Albert (Tripp) Smith III and Douglas I. Ostrover. On March 3, 2008, Blackstone acquired a controlling stake in GSO. On May 22, 2015, Blackstone announced that Mr. Ostrover will step down from his existing position as a Senior Managing Director of Blackstone and will become a Senior Adviser to GSO, effective July 1, 2015.

GSO Advisor Holdings L.L.C. is the general partner of GSO. Blackstone Holdings I L.P. is the sole member of GSO Advisor Holdings L.L.C. Blackstone Holdings I/II GP Inc. is the general partner of Blackstone Holdings I L.P. The Blackstone Group L.P. (“Blackstone”) is the controlling shareholder of Blackstone Holdings I/II GP Inc. Blackstone is a publicly traded entity on the New York Stock Exchange (Ticker: BX).

DFM provides investment advice to Clients, primarily in respect of investments in first lien loans, second lien loans, CLOs, high yield bonds, distressed securities, mezzanine securities, public and private equity and derivatives in respect of the foregoing. DFM may provide advice with respect to direct lending loan origination or may provide advice with respect to 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 such 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 \$33.8 billion as of December 31, 2014, approximately \$23.2 billion of which were managed on a discretionary basis and approximately \$10.6 billion of which were managed on a non-discretionary basis.

## Item 5: Fees and Compensation

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, which are provided to prospective investors. Fees for the Adviser Clients are disclosed in the relevant investment management service agreement, to which the Adviser Client is a party and in the relevant offering documents. Fees for the Managed Accounts will be disclosed in the relevant investment management service agreement, to which the relevant account owner is a party.

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 or employees of DFM 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 a trade allocation policy (see **Item 16 – Investment Discretion**) that addresses this conflict of interest.

Generally, the management fee payable by a Client to DFM will be reduced by all or a portion (as disclosed in the governing agreements of the relevant Client) of any placement, origination or other transaction fees (including commitment, closing, amendment, waiver, directors, organizational, break-up 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.

Management fees are generally payable monthly or quarterly in arrears, as the case may be. 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.

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 below). Generally, each Client will be responsible for such Client's organizational expenses, including, without limitation, legal, accounting, filing, capital raising, travel (which may include expenses for first class or business class travel), meal and lodging and other organizational expenses, as well as organizational expenses of any related investment vehicles and any parallel funds. In the case where a Client engages a placement agent (which may be 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, such Client is expected to receive a corresponding reduction in management fees in respect of such placement agent fees as set forth in such Client's offering and/or governing documents.

In addition, each Client will be responsible for all expenses related to its operation and such Client's investments, including, without limitation:

- (i) expenses relating to compliance-related matters and regulatory filings (including, without limitation, expenses relating to the preparation and filing of Form PF, filings required under the U.S. Investment Advisers Act of 1940, the Dodd-Frank Wall Street Reform Act or the U.S. Securities Act of 1933, Treasury International Capital form filing (including, without limitation, Form SLT), filings under "blue sky" laws, 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, 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 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 the marketing of interests in such Client);
- (ii) legal, filing, regulatory, compliance, auditing, consulting, engineering, accounting, loan servicing and other professional fees and expenses (including fees and expenses of valuation experts, senior advisors, industry experts, operating partners and other similar professionals);
- (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 document of each such Client;
- (iv) research-related expenses, including, without limitation, news and quotation equipment and services, information service subscriptions and research-related travel (which may include expenses for first class or business class travel), meal and lodging;
- (v) costs of portfolio management and accounting systems;
- (vi) expenses associated with information, technology, communication and reporting;
- (vii) expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the tax matters partner's representation of such Client or its investors;
- (viii) the costs of insurance in respect of any litigation, director and officer liability or otherwise;
- (ix) interest and other fees and expenses incurred in respect of borrowings and indebtedness (including, without limitation, any credit facility, guarantee, letter of credit or similar credit support) made by such Client, if any;
- (x) investment-related expenses associated with the carrying or management of such Client's investment portfolio, including, without limitation, discovering, investigating, analyzing, developing, structuring, trading, acquiring, holding,

- monitoring, hedging and disposing of such Client's investments, or potentially unconsummated investments ("**Broken Deal Expenses**"), (including, without limitation, any brokerage commissions, 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), research fees, underwriting commissions, transaction fees, breakup fees, investment banking fees, custodial, 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 investment-related travel (which may include expenses for first class or business class travel), meal and lodging expenses (including, without limitation, attending conferences in connection with the evaluation of investments));
- (xi) the costs and expenses incurred in connection with the development of any investment or a portfolio company's assets, including the employment of third-party consultants or engineers;
  - (xii) the costs and expenses of any custodians, lenders, investment banks and other financing sources;
  - (xiii) private placement fees, sales commissions, appraisal fees, commitment fees, commissions and underwriting costs;
  - (xiv) 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 governing documents);
  - (xv) the costs and expenses of any litigation or governmental inquiry, examination or investigation involving such Client or any person in which such Client holds an investment and the amount of any judgments or settlements paid in connection herewith (including, without limitation, in connection with formal and informal inquiries, sweep examinations and any type of similar regulatory and/or governmental requests);
  - (xvi) expenses related to a default or a transfer of interest by an investor of such Client (to the extent not paid by such investor);
  - (xvii) expenses of winding-up such Client and liquidating its assets;
  - (xviii) any taxes, fees or other governmental charges levied against such Client and all expenses incurred in connection with any tax audit, investigation, settlement or any other review of such Client;
  - (xix) expenses of any meetings of such Client (including, without limitation, any third-party or other advisory committee meetings and investor meetings and conferences); and
  - (xx) similar expenses in connection with such Client's feeder funds and special purpose entities.

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.

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 Client, subject to any limitations set forth in such Client's 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.

To the extent that any fees and expenses were incurred on behalf of more than one Client, each Client will generally bear an allocable portion of any such fees and expenses on a *pro rata* basis in proportion to such Client's percentage interest in the investment to which such fees and expenses relate (subject to each Client's offering and/or governing documents), or in such other manner as DFM considers fair and equitable. Notwithstanding the foregoing, DFM or an affiliated entity may structure a co-investment opportunity such that the proposed participants (including any vehicle established in connection with Blackstone's side-by-side co-investment rights as provided in a Client's offering and/or governing documents) in such co-investment opportunity do not bear any Broken Deal Expenses. In most cases, DFM expects that proposed participants in co-investments will not bear Broken Deal Expenses, with the result that the relevant Clients will bear all such Broken Deal Expenses.

No Client is required to pay any fees in advance.

No employee of DFM accepts or otherwise receives, directly or indirectly, 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 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 affiliates or employees of DFM that are 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 ensure that investors are aware of the investment strategy and the risks associated with such strategy. DFM also has a trade allocation policy (see **Item 16 – Investment Discretion**) that addresses this conflict of interest.

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 Client Advisers 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. Generally, DFM's investment objective for each Client is to invest opportunistically in a broad range of credit and credit-related securities and instruments, including, without limitation, leveraged loans, second lien loans, CLOs, high yield bonds, distressed securities, mezzanine securities, public and private equity and credit derivatives.

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 such Client. DFM is available to discuss such customized investment strategies or separately managed accounts with existing and potential clients upon request.

**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 a Client and bearing the risks such investment represents. The offering and/or governing documents of each Client will contain detailed descriptions of certain of the risks associated with an investment in a Client. Below are a few of the key risks associated with such investments:

1. Loss of all or part of investment
2. No assurance of investment return
3. Changes in legal, fiscal and regulatory regimes
4. Lack of liquidity of client interests
5. Highly competitive market for investment opportunities
6. Reliance on DFM and certain of its professionals and employees
7. Misconduct of employees and of third party service providers
8. General economic and market volatility
9. Nature of debt and credit investments, including credit securities, senior debt, mezzanine debt, distressed investments and restructurings
10. Nature of equity or equity-related investments
11. Risks related to use of leverage by certain clients
12. Lack of diversification
13. Non-U.S. Investments
14. Nature of hedging or derivative instruments

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 higher targeted returns are generally accompanied by greater risk and volatility. As a result, there is a risk of loss of the assets that DFM manages that may be out of DFM's control. DFM cannot guarantee any level of performance or that investors in the Clients will not experience a 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. The marketability and value of any such investment 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 only invest in a Fund or Managed Account 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 of a Fund or Managed Account or any investment by or in a Fund or Managed Account.

## **Item 9: Disciplinary Information**

On occasion, DFM is named as a party to certain lawsuits in connection with its management of the Funds and Managed Accounts. DFM does not believe that any current or pending litigation to which it or its affiliates is a party is material or otherwise would have a material adverse effect on its DFM or its Clients.

## Item 10: Other Financial Industry Activities and Affiliations

From time to time, 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. **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.**

***Blackstone Policies and Procedures.*** Specified policies and procedures implemented by Blackstone to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions reduce the synergies across Blackstone’s various businesses that the Clients expect GSO to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different asset management and advisory businesses, 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 otherwise be subject if it had just one line of business. In connection with its investment banking, advisory and other businesses, Blackstone comes into possession of information that limits its and its affiliates’ ability to engage in potential transactions. The Funds’ activities are constrained as a result of the inability of Blackstone personnel to use such information. For example, from time to time employees of Blackstone are prohibited by law or contract from sharing information with members of the Clients’ investment teams. Additionally, there will be circumstances in which affiliates of Blackstone (including Clients) will be restricted in their trading activities because GSO and/or Blackstone has received certain confidential information. In addressing related 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 synergies that Clients expect GSO to utilize for purposes of managing its Clients’ investments. Additionally, Blackstone may limit one Client and/or its portfolio companies from engaging in agreements with, or related to, companies of any client of Blackstone and/or from time to time restrict or otherwise limit the ability of a Client and/or its portfolio entities to engage in businesses or activities competitive with companies of other clients of Blackstone, either as result of contractual restrictions or otherwise. Finally, Blackstone has in the past and is likely in the future to 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.

***Issuer Relationships.*** The Clients’ portfolio companies are expected to be counterparties to or participants in agreements, transactions or other arrangements with portfolio companies of other clients of Blackstone or Blackstone affiliates that, although GSO determines to be consistent with the requirements of such Clients’ governing agreements, may not have otherwise been entered into but for the affiliation with GSO and/or

Blackstone, and/or that involve fees and/or servicing payments to GSO and/or Blackstone affiliates from which the investor will derive no benefit. 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, GSO receives directors' fees or other similar compensation (unless a Client's governing documents otherwise provide). Such amounts may, but are not expected to be, material.

***Investment Banking, Advisory and Other Relationships.*** As part of its regular business, Blackstone provides a broad range of investment banking, advisory, underwriting, placement agent and other services. In addition, Blackstone and its affiliates may provide services in the future beyond those currently provided. Clients will not receive a benefit from such fees. In such a case, an advisory client of Blackstone would typically require Blackstone to act exclusively on its behalf. This advisory client request may preclude all Blackstone affiliated clients, including the Clients, from participating in related transactions that would otherwise be suitable. Blackstone will be under no obligation to decline any such engagements in order to make an investment opportunity available to affiliated clients including the Clients. In connection with its investment banking, advisory and other businesses, Blackstone may come into possession of information that limits its and its affiliates' ability to engage in potential transactions. The affiliated clients' activities are expected to be constrained as a result of the inability of Blackstone personnel to use such information. For example, employees of Blackstone from time to time are prohibited by law or contract from sharing information with members of the Clients' investment teams. Additionally, there are expected to be circumstances in which one or more individuals associated with Blackstone affiliates (including Clients) will be precluded from providing services related to the Clients' activities because of certain confidential information available to those individuals or to other parts of Blackstone (e.g., trading may be restricted). Where Blackstone affiliates are engaged to find buyers or financing sources for potential sellers of assets, the seller may permit a Client to act as a participant in such transactions (as a buyer or financing participant), which would raise certain conflicts of interest inherent in such a situation (including as to the negotiation of the purchase price).

Blackstone has long-term relationships with a significant number of corporations and their senior management. In determining whether to invest in a particular transaction on behalf of a Client, GSO will consider those relationships, and may decline to participate in a transaction as a result of such relationship. Certain Clients may also co-invest with clients of Blackstone in particular investment opportunities, and the relationship with such Clients could influence the decisions made by GSO with respect to such investments.

Blackstone is expected to participate from time to time in underwriting or lending syndicates for portfolio companies of a Client or to otherwise be involved in the public offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, a Client's portfolio companies. Such engagements may be on a firm commitment basis or may be on an uncommitted "best efforts" basis. Blackstone may also, on behalf of a Client or other parties to a transaction involving a Client, effect transactions, including transactions in the secondary markets where it may nonetheless have a potential conflict of interest regarding a Client and the other parties to those transactions to the

extent it receives commissions or other compensation from a Client and such other parties. Subject to applicable law, Blackstone may 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) or other compensation with respect to the foregoing activities, which are not required to be shared with the Clients or GSO. In addition, the Management Fee paid by the Clients generally will not be reduced by such amounts. GSO will recommend a transaction 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 GSO believes in good faith that such transaction is appropriate for a Client. In addition, where Blackstone serves as underwriter with respect to any Blackstone portfolio company's securities, Clients may be subject to a "lock-up" period following the offering under applicable regulations during which time its ability to sell any securities that it continues to hold is restricted. This may prejudice the Clients' ability to dispose of such securities at an opportune time.

***Representing Creditors and Debtors.*** Blackstone may represent creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time Blackstone may serve as advisor to creditor or equity committees. Any such involvement, for which Blackstone may be compensated, is expected to limit or preclude the flexibility that the Clients may otherwise have to participate in restructurings. Alternatively, the Clients may be required to liquidate any existing positions of the applicable portfolio entity. The inability to transact in any security, derivative or loan held by a Client could result in significant losses to a Client.

***Service Providers.*** A Client's service providers (including lenders, brokers, attorneys and investment banking firms) may be investors in the Funds, may have a Managed Account and/or may be sources of investment opportunities or counterparties to any of the foregoing. This presents a conflict of interest, as it may influence GSO or its affiliates in deciding whether to select such a service provider or have other relationships with Blackstone. Notwithstanding the foregoing, investment transactions for the Clients that require the use of a service provider will generally be allocated to service providers on the basis of best execution (and possibly to a lesser extent in consideration of such service provider's provision of certain investment-related and other services that GSO or its affiliates believes to be of benefit of the Clients). Advisers and their service providers, or their affiliates, often charge different rates or have different arrangements for specific types of services. Therefore, based on the types of services used by Clients and portfolio companies as compared to Blackstone and its affiliates and the terms of such services, GSO or its affiliates may benefit to a greater degree from such vendor arrangements than the Clients or such portfolio companies.

***Self-Administration of Funds.*** In certain instances, GSO may choose to provide fund administration services to a Fund rather than engage a third party administrator. The costs for providing these services are not included in the investment management fee and are paid separately by the Fund. GSO also reserves the right to charge one or more Clients a reduced rate for these services, or to reduce or waive such charges entirely. GSO's ability to determine the fund administration fee it receives from the Fund creates a conflict of



interest. GSO addresses this conflict by periodically reviewing its current fund administration fee to ensure 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.*** GSO, its members, partners, officers, managers and employees will devote as much of their time to the activities of the Clients as GSO deems necessary and appropriate. 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 GSO. 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 other advisees of GSO.

***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 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.

***Conflicting Interests.*** From time to time, GSO expects a Client to acquire a security from an issuer in which a separate security has been acquired by another Client of GSO or by a client of Blackstone. When making such investments, GSO's Clients are expected to have conflicting interests. To the extent that a Client holds interests that are different (or more senior or junior) than those held by such other vehicles, accounts and clients, GSO is likely to be presented with decisions involving circumstances where the interests of such other vehicles and accounts are in conflict with those of a Client. Furthermore, it is possible that a Client's interest may be subordinated or otherwise adversely affected by virtue of such other vehicle's or account's involvement and actions relating to its investment.

For example, conflicts would be expected to arise where one Client becomes a lender to a company when a Blackstone fund owns equity securities of that company. In this circumstance, for example, if such company goes into bankruptcy, becomes insolvent or is otherwise unable to meet its payment obligations or comply with its debt covenants, conflicts of interest could arise between the holders of different types of securities as to what actions the company should take.

Subject to the terms of a Client's governing documents and the valuation policies and procedures of GSO, Clients may engage in cross transactions.

***Regulatory Inquiries.*** It is worth noting that the SEC has publicly indicated its specific focus in the area of sponsors of private funds and certain of their activities. In that

connection, the SEC's list of examination priorities includes, among other things, advisers' 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 and, in the current environment, even historical practices that have been previously examined are being revisited. 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 and the relevant Client. 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 specifically or the underlying private funds sponsored by Blackstone, would not have a material adverse effect on a Client and/or its ability to achieve its investment objectives.

***Multi-Strategy Investors.*** It can be expected that Blackstone and GSO will enter into agreements with investors relating to one or more strategies in addition to the Funds' strategies, with terms and conditions applicable solely to such investor and its investment in multiple Blackstone or GSO strategies, that would not apply to other investors' investments in any of the Funds. Such an agreement would typically involve an investor agreeing to make a capital commitment to multiple GSO or Blackstone funds, one of which would include one or more of the Funds. Other investors will not receive a copy of the agreement memorializing such a multi-strategy investment program (even if in the form of a side letter) and will be unable to elect any rights or benefits granted to such a multi-strategy investor. Specific examples of such additional rights and benefits include discounts or rebates on fees or carried interest applied to some or all of the relevant investment program and/or investment vehicles, rights to participate in the investment review and evaluation process, as well as priority rights or targeted amounts for co-investments alongside GSO or Blackstone funds, including in investments made by the Funds. The existence of any such arrangements could result in fewer co-investment opportunities being made available to other investors.

***Senior Advisors, Industry Experts and Operating Partners.*** GSO may engage and retain senior advisors, industry experts, consultants, and other similar professionals ("**Senior and Other Advisors**") who are not employees or affiliates of GSO and who, from time to time, receive payments from, or allocations of a profits interest with respect to, portfolio companies (as well as from GSO or its Clients). In such circumstances, such payments from, or allocations of a profits interest with respect to, portfolio companies and/or Clients will not result in the offset of any management fees otherwise due. These Senior and Other Advisors often have the right to co-invest alongside Clients, including in those investments in which they are involved, or otherwise participate in equity plans for management of any such portfolio company, and such co-investment and/or participation (which generally would reduce the amount invested by Clients in any investment) generally would not be considered as part of GSO's side-by-side co-investment rights. Additionally, and notwithstanding the foregoing, these Senior and Other Advisors may be (or have the preferred right to be) investors in other GSO Clients and/or be permitted to participate in

GSO's side-by-side co-investment rights. The nature of the relationship with each of the Senior and Other Advisors and the amount of time devoted or required to be devoted by them varies considerably. In certain cases, they may provide the General Partner and/or GSO with industry-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to and provide reference checks on management teams. In other cases, they take on more extensive roles and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. In certain instances, GSO has formal arrangements with these Senior and Other Advisors (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) by GSO, the relevant Clients, and/or portfolio companies or otherwise uncompensated unless and until an engagement with a portfolio company develops. In certain cases, the Senior and Other Advisors 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) even though they are not considered GSO employees, affiliates or personnel for the purposes of certain agreements and provisions within such agreements. There can be no assurance that any of the Senior and Other Advisors 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.*** Clients will be required to indemnify the General Partner, GSO and its affiliates for liabilities incurred in connection with the activities of the Client. The General Partner may cause the Client to advance the costs and expenses of an indemnitee pending the outcome of a particular matter and/or there may be periods where the Client is advancing expenses to an individual or entity with whom the Client is not aligned or is otherwise an adverse party in a dispute. Moreover, the General Partner, in such capacity to the Client, will be the beneficiary of any decision it makes to provide indemnification, including advancement of expenses. This may be the case with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such individual or entity from indemnification or exculpation so long as the General Partner has determined that such disqualifying conduct did not occur.

***1940 Act Restrictions.*** The Investment Company Act of 1940 (the "**1940 Act**") limits certain Clients' ability to enter into certain transactions with certain of its affiliates. As a result of these restrictions, a Client may be prohibited from buying or selling any security directly from or to any portfolio company of a fund managed by Blackstone. However, a Client may under certain circumstances purchase any such portfolio company's securities in the secondary market. As noted under "Conflicting Interests," owning competing securities of the same issuer could create a conflict for GSO between the interests of the Client and the portfolio company (or the Blackstone client that owns such portfolio company), in that the ability of GSO to recommend actions in the best interest of certain Clients might be impaired. Even despite compliance with the 1940 Act, potential conflicts of interest may arise in such transactions. The 1940 Act also prohibits certain "joint" or "principal" transactions with certain of GSO's affiliates, which could include investments in

the same portfolio company (whether at the same or different times). These prohibitions may limit the scope of investment opportunities that would otherwise be available to certain Clients.

**Upcoming Restructuring.** Blackstone has announced a plan to spin off its financial and strategic advisory business and restructuring and reorganization advisory business, both of which fall within Blackstone Advisory Partners L.P. (“**BAP**”), a broker/dealer affiliate of GSO. The spin off also will include Park Hill Group L.L.C. (“**Park Hill**”), another broker/dealer affiliate of GSO. All of these businesses will be combined with PJT Partners, an independent financial advisory firm founded by Paul J. Taubman. Blackstone expects the transaction to close in 2015. While the new combined entity will operate independently from Blackstone and will not be an affiliate thereof, conflicts may arise in connection with transactions between or involving Blackstone or GSO, on the one hand, and the spun-off firm on the other. Specifically, the pre-existing relationship between Blackstone and its former personnel involved in the spun off businesses, the significant overlapping ownership and other continuing arrangements may influence Blackstone/GSO in deciding to select or recommend the new entity to perform services for the Funds.

Below is a listing of DFM’s affiliates:

#### **Broker/Dealer Entities**

|                                   |                                                                                               |
|-----------------------------------|-----------------------------------------------------------------------------------------------|
| Blackstone Advisory Partners L.P. | Provides a variety of investment banking services                                             |
| Park Hill Group L.L.C.            | Places alternative investment products in private offerings to mostly institutional investors |

#### **Investment Advisor Entities**

|                                                   |                                                                                                                                         |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Bayview Asset Management, L.L.C.                  | Provides investment advisory services focusing on real estate backed loans and mortgage securities                                      |
| Blackstone Alternative Asset Management L.P.      | Manages a series of private and closed end funds engaged in multi-manager investment programs (i.e., fund of hedge funds)               |
| Blackstone Alternative Investment Advisors L.L.C. | Established by Blackstone Hedge Fund Solutions Group to provide investment advisory services to open end mutual funds                   |
| 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 private investment funds specializing in debt securities                                    |
| Blackstone / BX Mezzanine Debt Funds Europe Limited               | Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts           |
| Blackstone / BX Mezzanine Debt Funds Management Europe Limited    | Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts           |
| Blackstone / BX Mezzanine Debt Funds Management Europe II Limited | Provides investment advisory services to a number of debt focused private investment funds                                           |
| 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 L.P.                              | Provides investment advisory services to various private real estate investment funds                                                |
| Blackstone Real Estate Advisors III 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 Advisors Europe L.P.                        | Provides investment advisory services to various 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 Income Advisors L.L.C.                      | Provides investment advisory services to one or more registered closed-end 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 Real Estate Special Situations Advisors L.L.C.          | Provides investment advisory services to various private real estate investment funds                                                                                                                              |
| Blackstone Senfina Advisors L.L.C.                                 | Provides investment advisory services to private investment funds which allocate capital among unaffiliated portfolio managers and invest capital directly                                                         |
| Blackstone Strategic Alliance Advisors L.L.C.                      | Manages a series of private funds engaged in a hedge fund “seeding” program                                                                                                                                        |
| Blackstone Strategic BX Mezzanine 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 Total Alternatives Solution Advisors L.L.C.             | Provides investment advisory services to various private investment funds focusing on investments across Blackstone’s private equity, real asset, credit 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 BX Mezzanine L.L.C.                                                                      |
| BXMT Advisors L.L.C.                                               | Provides investment advisory services to a REIT and other investment vehicles                                                                                                                                      |

|                                                                         |                                                                                                                                                                                            |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CT High Grade Mezzanine Manager, L.L.C.                                 | Provides investment advisory services to assets owned by a third party insurance company                                                                                                   |
| CT High Grade Partners II Manager, L.L.C.                               | 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., L.L.C.                                    | 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 Large Loan Manager, L.L.C.                                           | 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 OPI Manager, L.L.C.                                                  | 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  |
| BX Mezzanine / Blackstone Debt Funds Management L.L.C.                  | Provides investment advisory services to a number of debt-focused private investment funds, closed-end funds and separately managed accounts                                               |
| BX Mezzanine BX Mezzanine L.L.C.                                        | Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts                                                                 |
| BX Mezzanine BX Mezzanine II L.L.C.                                     | Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts                                                                 |
| BX Mezzanine Capital Partners International LLP.                        | Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts                                                                 |
| 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                                                           |
| <b>Commodity Trading Advisor &amp; Commodity Pool Operator Entities</b> |                                                                                                                                                                                            |

|                                                   |                                                                                                                                                            |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Blackstone Alternative Asset Management L.P.      | Manages a series of private and closed end funds engaged in multi-manager investment programs (i.e., fund of hedge funds)                                  |
| Blackstone Alternative Investment Advisors L.L.C. | Established by Blackstone Hedge Fund Solutions Group to provide investment advisory services to open end mutual funds                                      |
| 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 Senfina Advisors L.L.C.                | Provides investment advisory services to private investment funds which allocate capital among unaffiliated portfolio managers and invest capital directly |
| Blackstone Strategic Alliance Advisors L.L.C.     | Manages a series of private funds engaged in a hedge fund “seeding” program                                                                                |
| Blackstone Strategic BX Mezzanine L.L.C.          | Manages private funds engaged in acquisitions of minority interests in alternative asset managers                                                          |

### **Commodity Pool Operator Entity**

|                                               |                                                                                                                       |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Blackstone Treasury Solutions Advisors L.L.C. | Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|

### **Commodity Trading Advisor Entity**

|                        |                                                                                               |
|------------------------|-----------------------------------------------------------------------------------------------|
| Park Hill Group L.L.C. | Places alternative investment products in private offerings to mostly institutional investors |
|------------------------|-----------------------------------------------------------------------------------------------|



## Item 11: Code of Ethics

As required by the Advisers Act, Blackstone and DFM 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 DFM 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 there are several potential conflicts of interest which may arise. Please see Item 10 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 which 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.

DFM’s 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 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.

Accordingly, GSO considers the full range and quality of a broker's services including, (i) for executing brokers: expertise and ability to perform execution services; ability to execute transactions in liquid markets at competitive prices without disrupting the market for a particular security; ability to execute transactions in illiquid 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; credit worthiness and financial responsibility and (ii) for clearing brokers: operational expertise; ability to maintain confidentiality; credit worthiness; financial responsibility; 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 Chief Portfolio Risk Officer oversees the counterparty approval process in consultation with the Counterparty Committee. The Chief Portfolio Risk Officer will maintain the Approved Counterparty List and coordinate the due diligence process on potential counterparties evaluating creditworthiness, level of experience, and regulatory background. The Chief Portfolio Risk Officer is responsible for ensuring that trades are only executed with parties on the Approved Counterparty List or otherwise approved by the Chief Portfolio Risk Officer prior to trading.

***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 governing agreements, 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 and any other Client and any investment opportunity, to the extent established to generally receive a primary allocation of such investment opportunity, as determined by GSO in its sole discretion, which include, without limitation, Funds organized by GSO, as well as certain other investment funds, client accounts, and proprietary accounts managed, advised or sub-advised by GSO will herein be referred to as a “**GSO Primary Client**”. Any Client, in respect of the relevant Fund and 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 such 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**”. GSO Overflow Clients include, without limitation, single investor (or multiple affiliated investor) funds organized by GSO, as well as certain other investment funds, client accounts and proprietary accounts managed, advised or sub-advised by GSO.

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 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 deemed 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 other Clients, may be allocated first to such other Clients and may then be allocated by GSO in its sole discretion to any member, shareholder or equivalent equity holder of any other Client that is interested in co-investment opportunities.

The relevant Fund and other GSO Overflow Clients will generally participate on an overflow basis in relevant investment opportunities *pro rata* (as between the relevant Fund and such other GSO Overflow Clients) 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 GSO Clients).

**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 GSO Clients with similar investment objectives as the relevant Fund on a primary basis as between the relevant Fund and such other GSO Clients, *pro rata* based on targeted acquisition size (generally based on available capacity) or targeted sale size (or, in some sales cases, the aggregate positions) for such investment in each of the foregoing, taking 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 governing agreements 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 among Clients' portfolios, as applicable) and taking into account any existing non-*pro rata* investment positions in 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 Clients' specified term or investment period, any redemption/withdrawal requests, anticipated future contributions and available cash; (e) tax consequences; (f) regulatory or contractual restrictions or consequences; (g) avoiding a *de minimis* 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 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 obligations 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.

***Co-investment Opportunities.*** In certain circumstances, GSO will determine that a co-investment opportunity should be offered to one or more third parties, including investors in one or more Clients (such investors, the “Co-Investors” and Co-Investors that are investors in the applicable Fund are known as “L.P. Co-Investors”) and will maintain discretion with respect to which Co-Investors are offered such opportunity. Each co-investment opportunity is likely to be different and allocation of each such opportunity will be dependent upon 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 we deem relevant to such opportunity. Such factors are likely to include, among others, whether the potential Co-Investor has demonstrated a long-term and/or continuing commitment to the potential success of GSO, the Clients, or other co-investments; the ability of a potential Co-Investor to process a co-investment decision within the required timing deadline of the particular transaction; and such other factors that GSO deems relevant under the circumstances. Generally, 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 L.P. Co-Investors under the terms of any agreement and/or (b) appropriate for other GSO 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. It is expected that few investors who express an interest in participating in co-investments alongside one or more Clients will ultimately be offered an opportunity to so participate. 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. 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.

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, which, among other things, provides for referral or sharing of investment opportunities. While 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 would otherwise be presented to or made by one or more Clients would instead be

referred (in whole or in part) to such third party. 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.

Aggregation opportunities for GSO generally arise when more than one Client is capable of purchasing or selling a particular asset based on investment objectives, available cash, and other factors. GSO will generally execute Clients’ transactions 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 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 do not have the same counterparty relationship established. An “aggregated order” shall mean an order placed by GSO on behalf of one or more Clients which does not specify to the counterparty prior to execution: (a) the allocation between Clients or groups of Clients and (b) that any partial fills should be allocated pro rata between Clients or groups of 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 transaction.

**Trade Errors.** 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 practical. GSO generally will reimburse losses suffered by a Client as a result of a trade error caused by GSO. 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 governing documents and (ii) the Registrant cures such violation after becoming aware of the violation in accordance with such governing documents.

## **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 organizational and offering documents of such Clients, and 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 the 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. Typically, the third-party solicitors will receive a portion of the management fee and/or performance fee paid to DFM (although other payment arrangements could exist). A prospective investor solicited by a third party 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 will not be subject to 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, 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.

Park Hill Group L.L.C. (an affiliate of DFM) may receive cash payments from DFM in connection with activities such as those described above. Please refer to Item 10 (Other Financial Industry Activities and Affiliations) for a more detailed discussion on conflicts of interest that may arise in connection with DFM's engagement of Park Hill Group L.L.C. DFM also has distribution/placement arrangements with a number of other, unaffiliated third parties.



## 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 assets 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).

Where applicable, DFM maintains Client assets with qualified custodians, such as U.S. banks, U.S. registered broker-dealers, U.S. futures commission merchants (limited to holding client funds and security futures and any other securities incidental to client futures transactions), and certain foreign financial institutions that customarily hold customer assets and that segregate customer assets from its own assets.

In accordance with the Custody Rule, any Client assets of which DFM has custody are subject to an annual audit and the audited financial statements are distributed to each investor in such Client. The audited financial statements are prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion and distributed within 120 days of the Clients’ respective fiscal year ends.

To the extent that DFM does not have custody of a Client’s assets, the applicable custodian will prepare and distribute to such Client quarterly, or more frequent, account statements, which should be reviewed carefully by the Client. Copies of Client account statements are available upon request.

Information about a Client’s qualified custodian, if any, including such qualified custodian’s name, address and the manner in which the Client’s assets are maintained, may be provided in the relevant organizational and/or offering documents of such Client. DFM will promptly notify investors of any relevant changes to the qualified custodian.

## **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 Fund documents or investment management agreement, as applicable.

Please refer to Item 12 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 to ensure that DFM votes proxies in the best interests of its Clients and 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.