

# UrsaMine

Credit Advisors, LLC

**Gallatin Loan Management, LLC  
DCM Senior Credit, LLC  
Dislocation Capital Management, Inc.**

**Form ADV Part 2A**

## **Brochure**

**207 Calle del Parque  
AM Tower, 8<sup>th</sup> Floor  
San Juan, PR 00912**

**March 27, 2018**

**This brochure provides information about the qualifications and business practices of UrsaMine Credit Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (203) 653-9110 or [info@gallatinfunds.com](mailto:info@gallatinfunds.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any states securities authority.**

**Additional information about UrsaMine Credit Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**UrsaMine Credit Advisors, LLC is registered as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended. An investment adviser does not have to demonstrate or meet any minimum level of skill or training to be registered with the U.S. Securities and Exchange Commission.**

**Item 2 Material Changes**

This is an update to our Firm Brochure dated July 21, 2017, reflecting changes to our ownership structure and shared employees.

We may update this Firm Brochure at any time and we will either send you a copy or offer to send you a copy (either electronically or in hard copy) as may be necessary or required, but at least on an annual basis.

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**Item 4 Advisory Business****Overview**

UrsaMine Credit Advisors, LLC (“UrsaMine” or “we”, along with affiliates Gallatin Loan Management, LLC “GLM”, Dislocation Capital Management, Inc., or DCM Senior Credit, LLC, either/both “DCM”) is an investment advisory firm specializing in the management of below investment grade (high yield) commercial bank loan assignments and collateralized loan obligation (“CLO”) securitizations, including sponsoring CLOs. Justin Driscoll is currently the Chief Executive Officer (“CEO”) of GLM.

UrsaMine was originally established in 2008. As of February 15, 2018, UrsaMine (along with certain DCM entities) announced its intention to merge with GLM, in light of the holding of the US Circuit Court of Appeals for the District of Columbia Circuit in *Loan Syndication and Trading Association v. Securities and Exchange Commission and Board of Governors of the Federal Reserve System*, which, on February 9, 2018, vacated the so-called Credit Risk Retention Rule insofar as it applies to open-market CLO managers. The merger became effective March 26, 2018 upon expiration of the statutory 45-day appeal period. UrsaMine is a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”); both GLM and the DCM entities are relying on UrsaMine’s registration, in accordance with the American Bar Association No Action Letter, publicly available January 18, 2012. Until the merger, GLM was also a separately-registered investment adviser – the merged entities will continue to file with the SEC under the UrsaMine registration. In this respect, so long as UrsaMine is registered under the Investment Advisers Act of 1940 as amended (the “Advisers Act”), DCM and GLM will conduct investment advisory activities in accordance with the Advisers Act and the policies and procedures of UrsaMine, GLM and DCM. All supervised persons and activities will be subject to UrsaMine’s supervision and control for regulatory purposes.

GLM (as the survivor of the merger with Dislocation Capital Management PR, Inc.) is the 100% owner of UrsaMine, which in-turn is the 100% owner of DCM Senior Credit, LLC. Dislocation Capital Management, Inc. is an affiliate under common control. GLM’s principal officers and board of managers control all affiliated entities.

UrsaMine’s investment management services of its legacy Collateral Debt Obligations (“CDOs”) where UrsaMine was the sole collateral manager are no longer active and all distributions have been made to investors, with the most recent and final CDO closed in October 2015. GLM is, however, currently the collateral manager of all current active CDOs and/or Clients.

As UrsaMine, GLM, and DCM are under common control, all related entities have implemented compliance policies and procedures that address certain business practices and potential conflicts of interests.

For the purposes of this brochure, the term “Principal Officer” refers to Justin Driscoll, Jeff Byrne, and Bo Williams, who are currently acting in the capacity of Officers and Managers of

GLM. The term “Clients” or “Client Accounts” used in this brochure refers to CLOs and/or separate managed accounts.

GLM’s principal place of business is San Juan, Puerto Rico. GLM and DCM are UrsaMine’s relying advisers with the SEC. As registered investment advisers under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), UrsaMine, GLM, and DCM will conduct investment advisory activities in accordance with the Advisers Act and their stated policies and procedures.

GLM is the ultimate parent of all the related affiliates other than Dislocation Capital Management, Inc. (which is a parallel entity under common control), UrsaMine and its relying advisors, and is majority owned by Jeff Byrne and Bo Williams, while being controlled by its Board of Managers. GLM’s Board of Managers includes Board seats designated by Jeff Byrne, Bo Williams, and CEO, Justin Driscoll.

#### Investment Management Services

GLM’s provides investment management services, including sponsoring and managing CLOs, which pooled investment vehicles are GLM’s direct Clients (as such term is defined below), even as GLM works indirectly on behalf of CLOs’ underlying noteholders.

For the purposes of this Firm Brochure, the term “Principal Officers” refers to Justin Driscoll, Jeff Byrne, Gary Uhliar and Bo Williams, who are currently acting in the capacity as Officers, Portfolio Managers (Driscoll & Williams), Head Trader (Byrne), and as members of the Board of Managers of GLM (Driscoll, Byrne, Williams). Gary Uhliar is a Partner of Dislocation Capital Management, Inc.

The term “Clients” or “Client Accounts” used in this Firm Brochure refers to CLOs and/or separate managed investment accounts.

GLM specializes in the analysis of below investment grade companies, with a particular emphasis on commercial bank loans financed by special purpose vehicles known as CLOs or Collateralized Debt Obligations (“CDOs”). GLM may also provide collateral asset management through separately managed accounts, pursuant to separate investment management agreements. GLM will likely also hold securities in CLOs that it manages, as markets encourage CLO managers (or controlled affiliates thereof) to do in each new CLO securitization issued.

Prior to establishing a new account with a prospective investor, GLM will make reasonable inquiries regarding the prospective investor’s financial background and sophistication, investment experience, investment time frame, investment objectives, risk tolerance, liquidity constraints, tax situation, and any other information disclosed by the prospective investor. As fiduciaries, the Principal Officers are required to act in the Clients’ best interest and manage portfolios that are consistent with the Clients’ investment objectives, guidelines,

and any investment restrictions that Clients may wish to impose on their separately managed accounts, consistent with the terms of the CLO's indenture.

GLM expects that, for the foreseeable future, the majority of its assets under management will be held within CLOs, which raise capital through the private placement market under Rule 144A, Regulation S, or Regulation D. These regulations require each investor be pre-qualified as a Qualified Institutional Buyer, Qualified Purchaser, Accredited Investor, or Knowledgeable Employee, as applicable, prior to CLOs accepting any investment.

As of the filing of this Firm Brochure, GLM has approximately \$601 million of assets under management.

### **Item 5 Fees and Compensation**

GLM charges management fees to CLOs based on the CLO's total portfolio collateral. Management fees may include both senior and subordinated fee components. GLM fees will include: (i) a senior base collateral management fee, (ii) an additional subordinated collateral management fee, and (iii) an incentive collateral management fee, described in more detail in Item 6 below. All fees are negotiable.

The offering circular for each CLO will describe in detail all collateral management fees, rates, payment terms, conditions, and termination provisions which may vary from transaction to transaction. A CLO typically is issued at a discrete point in time, has a finite life, and after issuance is then closed to further issuance of notes to new investors, unless there is an agreed-upon refinancing or extension, in accordance with the terms of the governing indenture.

A CLO's management fees are calculated and approved for distribution by the trustee of each CLO, typically on a quarterly basis. Fees are paid at the same time interest and principal distributions are paid to note holders of the CLO. The payment process is governed by the indenture of each CLO and may vary. All management fees are deducted from specific expense-related accounts established at the commencement of the CLO transaction and replenished on a quarterly basis.

CLOs, which are separate legal entities with unique capital structures, will bear additional expenses other than advisory, custodial, and transaction fees. These fees will include *underwriting* (though usually not a literal firm/guaranteed underwriting) fees typically paid to an arranging investment bank for structuring and selling the various tranches of the CLO to investors. The CLO will also incur separate legal fees, trustee fees, and various other fees, such as security pricing services, portfolio record keeping, portfolio administration, and rating agency fees. Each CLO is unique and may incur additional fees not included in other transactions.

For separately managed accounts, which should have a minimum account size of \$10 million, the annual management fee will be approximately 0.25-1.0%, based on each account's

average net asset value (marked-to-market), including accrued income. The annual management fee will be payable on a quarterly basis in arrears, meaning that the management fee will be charged at the end of each quarter. The annual management fees and minimum account requirements are negotiable. Accounts may be terminated at the next quarter-end upon a 90-day written notice by either party. In addition to the management fee, GLM may charge incentive fees in certain separately managed accounts in accordance with the terms of each investment management agreement.

GLM does not electronically deduct fees from managed accounts without explicit client approval and will bill Clients pursuant to invoices sent to Clients on a quarterly basis in accordance with the terms of investment management agreements. Clients may impose their own procedures related to fee billings.

GLM Clients will have the right to terminate their investment management agreement (subject to the provisions of the investment management agreement). Clients must notify GLM in writing of their intention to terminate the account in accordance with the terms of the investment management agreement. Since GLM will generally bill Clients' management fees after the end of each quarter, the management fees for a shorter period will be pro-rated and the Client will not bear more than its pro-rated portion of management fees in the event a Client terminates the investment management agreement during any given quarter.

GLM does not have the capability to custody assets on behalf of Clients. Therefore, GLM separately managed account Clients will have to independently contract for custodian services, which will result in additional fees.

Due to the over-the-counter nature of the high yield bank loan market (no organized exchange), brokerage commissions are not transparent to the Principal Officers as Portfolio Managers. Typically, broker-dealer firms provide 'bid/ask' quotes with the difference between the two interpreted to be the implied commission. From time to time, there may be additional fees charged by the executing broker that will be passed on to Clients. Please see Item 12 of this brochure for additional information regarding brokerage.

GLM and the Principal Officers do not receive any additional compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

For CLOs, GLM will generally receive performance-based incentive collateral management fees as described in the offering circular for each CLO. Such incentive fees may be 15-30% of what otherwise would be CLO subordinated note distributions, after delivering a certain pre-determined return to subordinated notes, depending on the CLO.

GLM's revenues are anticipated to include a base management fee pursuant to the terms of the investment management agreement for separately managed account Clients and



incentive fees as initiated by GLM or the CLOs. Fees for separately managed accounts are subject to negotiation.

Such incentives fees may create an economic incentive for Principal Officers to favor investments for GLM Clients that are riskier or more speculative than would be the case if such performance-based fees were not payable. It may also create an incentive for GLM to favor accounts that pay incentive fees over accounts that only have asset-based fees.

To address these potential conflicts, GLM has adopted policies, internal procedures and a Code of Ethics designed to mitigate these conflicts of interest. For more information regarding such policies, please see Item 11 below.

### **Item 7 Types of Clients**

GLM provides services to Clients including CLOs, typically discrete special purpose vehicles ("SPVs"), which make-up a meaningful part of the global structured finance marketplace. Such SPVs maintain their own capital structures and generally consist of noteholders and equity investors. CLOs are issued at discrete points in time and are typically closed to new investors once a deal has been issued (subject to future refinancing or extensions, in accordance with the governing indentures). Together, these investors form the collateral pool to which GLM serves as the investment advisor. Therefore, GLM's Client is the SPV or CLO, not the underlying noteholders and/or equity investors within these structures.

The Principal Officers actively manage the CLOs in order to pay interest and principal, and regularly report to the underlying investors as to the timely performance of the aggregate portfolios. It is important to note that each SPV or CLO has a finite life and has certain time frames during which a manager can actively manage a portfolio. It has been our experience that banks and thrift institutions, insurance companies, family offices, endowments, specialty finance companies, various limited liability companies, and hedge funds are the main underlying CLO note and equity holders.

GLM Clients may also include institutions and other investors through a separate managed account structure. GLM currently requires \$10 million to establish a separately managed account, which amount is negotiable. GLM does not provide custodial services or arrangements and will require each Client engage directly with a custodian.

GLM and its investment advisory affiliates have established two marketing channels targeting institutional investors. One channel, the structured finance marketplace, which entails managing the investment portfolio of CLOs and the other channel geared towards institutional clients, such as domestic public and private pension funds, endowment and foundation funds, high net worth and insurance separate accounts, along with sovereign wealth funds and investment consulting firms, which also serve the institutional client marketplace. GLM and its investment advisory affiliates may also seek to market their

services as a sub-advisor to various pooled investment strategies targeting institutional investors, such as sponsored commingled vehicles and/or mutual funds.

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

The Principal Officers' primary method of analysis in formulating investment views on individual issuers is bottom-up, fundamental credit analysis. GLM's proprietary credit analysis has been developed by the Principal Officers and draws extensively on their experience in commercial lending and at previous investment management firms prior to forming GLM. The Principal Officers' credit analysis is focused on issuers with the following attributes:

- Issuers that generate consistent positive cash flows (earnings before interest, taxes and depreciation and amortization "EBITDA") less capital expenditures ("CapEx");
- Issuers' with experienced management teams, including history operating with leveraged capital structures; and
- Credits supported by adequate (target ~50%) junior capital relative to bank loan investments, including bonds, subordinated notes, and equity (common and/or preferred).

For each issuer, GLM will generally review a financial credit model over a minimum of three years, broken-down on both quarterly and annual periods, to judge earnings predictability, industry positioning, and management capability. GLM will generally also:

- Seek to value the issuer, relative to how the issuer is capitalized (*i.e.* magnitude of leverage and interest coverage);
- Compare the issuer to comparable companies;
- Calculate a proprietary private enterprise multiple (market value of an issuer's combined debt and equity capital), similar to the analysis that private equity sponsors and mergers and acquisitions analysts perform to evaluate investment merit; and
- Undertake a detailed review of the credit agreement and ascertain the quality and availability of the collateral securing the debt, and review various covenants (affirmative, incurrence, negative, and maintenance).

The main sources of information that the Principal Officers use include prospectuses, SEC filings, annual company reports, offering memoranda, quarterly company earnings press releases and conference calls, financial newspapers and magazines, inspection of corporate activities, and research materials prepared by third-parties. In addition, GLM may obtain non-public information directly from portfolio companies, which may present a conflict of interest. Such conflicts are described in Item 11 below.

### Credit Risk

Clients should be prepared to bear a potential significant principal loss related primarily to credit risk. Credit risk is the risk that the issuers to which our Clients lend money will not be able to repay their obligations. Due to the below investment grade nature of GLM's strategy, credit risk is higher relative to other high-grade fixed income strategies. Credit losses could arise if loans are sold below cost prior to default, if we believe there could be further losses over time after default.

### Counter-Party Risk

In addition, Clients should be aware of counter-party brokerage-related risks. Due to the over-the-counter nature of bank loan trading and non-standard delivery vs. payment settlement methods of loan assignments, bank loans are subject to delayed settlement and issuers in distress and, in particular, may take much longer than the target seven-day settlement cycle.

### Additional Risks

Other risks include the underlying agent banks (*i.e.*, the issuing bank that underwrote the loans, from which we purchase the loan assignments), may fail to implement instructions received from the manager regarding amendment or loan agreement modification requests. This could lead to price erosion if additional tranches of loans are created at better terms.

Furthermore, Clients should also be aware that the Principal Officers and all GLM employees may obtain private (material non-public) information of portfolio companies in the manner described above, which may subject Clients to confidentiality agreements and restrict trading in other securities of portfolio companies if such information were transferred to Clients.

The Principal Officers' principal strategy is fundamental credit analysis. The Principal Officers seek to analyze each loan on a company-by-company basis, sometimes referred to as bottom-up analysis. The credit analysis could prove to be wrong and subject the portfolios to principal-related losses through defaults or default-like events. The Principal Officers seek to mitigate this risk by diversifying portfolios across individual borrowers or issuers and not concentrate highly in any one industry of the market. An additional trading risk in a work-out situation (issuer in default) is that the Principal Officers could sell a loan at a significant loss prior to bankruptcy exit, for example, only for that loan to actually recover more than what we sold it for upon exit.

Our strategy primarily revolves around investing in below investment grade commercial bank loan assignments. As mentioned above, principal risks are credit loss and counter-party related performance on trades. Bank loan assignments are not securities and thus rely on the underlying agent bank to efficiently distribute information about the borrower's or

issuer's financial performance, coupon payments, and principal repayments and administer the legal aspects of the loan documentation. This reliance risk is higher if invested in private transactions which we expect could comprise a majority of our Clients' portfolios. The Principal Officers track all the information related to each issuer and appropriately monitor each credit on a timely and informed basis.

The Principal Officers also apply the same methods of analysis and investment strategies and associated investment risks for GLM's separately managed account Clients. Any conflicts of interest regarding the investment process of GLM are described in the various items of this Firm Brochure.

### **Item 9 Disciplinary Information**

None of UrsaMine, DCM, GLM nor any management persons described within this form ADV and related to these entities have been subject to any legal or disciplinary events within the past ten years that are material to a current Client or prospective Client's evaluation of our advisory business.

### **Item 10 Other Financial Industry Activities and Affiliations**

#### **Broker-Dealer**

None of UrsaMine, DCM, GLM nor any management persons described within this form ADV and related to these entities are registered or have any pending registrations as a broker-dealer or a registered representative of a broker-dealer. GLM is not affiliated with a broker-dealer or any such other financial services firm, which eliminates potential conflicts of interest related to broker-dealer affiliated transactions.

#### **Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor**

None of UrsaMine, DCM, GLM nor any management persons described within this form ADV and related to these entities is registered or has any application pending registrations as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. GLM manages pooled investment vehicles, separately managed accounts, and acts as collateral manager for various CLOs vehicles. GLM also performs certain other administrative and reporting functions.

#### **Material Relationships or Arrangements with Certain Related Persons**

GLM and its Principal Officers have controlling relationships for all subsidiaries and commonly-controlled affiliates. The compliance policies and procedures that address potential conflicts of interest are described in the Item 11 of this Firm Brochure. In addition, GLM is subject to the approval and oversight of GLM's Board of Managers, which includes three Principal Officers.

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

All UrsaMine, DCM and GLM employees and related persons of are deemed as “Supervised Persons,” as defined in GLM’s Code of Ethics and Policy Statement on Insider Trading (the “Code of Ethics”), and are subject to the Code of Ethics. All GLM employees are also “Access Persons,” as such term is defined in the Code of Ethics. Supervised Persons must avoid any personal interest outside of GLM and its affiliates which could be placed ahead of their obligations to GLM’s Clients. Conflicts may exist even when there is an appearance of a conflict and no wrongdoing. The opportunity to act improperly may be enough to create the appearance of a conflict. GLM and affiliates recognize and respect an employee’s right of privacy concerning personal affairs, but require full and timely disclosure of any situation which could result in a conflict of interest or even the appearance of a conflict. Whether or not a conflict exists will be determined by the Chief Compliance Officer.

GLM may recommend to Clients the purchase or sale of securities in which Access Persons may have a financial interest or position. Access Persons may also serve as directors of companies whose related securities may be purchased or sold by GLM on behalf of Clients. Due to the nature of the below investment grade commercial bank loan market and GLM’s desire to at times be a private investor, Access Persons may be in receipt of potential material non-public information of portfolio companies. This information typically includes company management forecasts made available to private-side investors and more tangible access to company management. Access to this information presents a conflict of interest related to an Access Person’s personal trading activities. In such cases, Access Persons will not be free to disclose or act upon such confidential information and GLM has restricted all Access Persons’ personal trading and Client trading in a portfolio company’s securities. The Chief Compliance Officer periodically monitors Access Persons personal and related accounts against the Restricted List for any violations to the Code of Ethics. The Code of Ethics also includes other provisions to comply with the securities laws and to address conflicts of interests including:

- Reporting of personal securities transactions and holdings for Access Persons;
- Pre-clearance of private securities transactions for Access Persons;
- Certification of compliance for all Supervised and Access Persons;
- Employee restrictions on gifts and entertainment;
- Approval of employee outside business interests; and
- Restrictions on political contributions.

The Code of Ethics also includes general company (including affiliates) policies and procedures. Aside from potentially holding securities in GLM-managed CLOs, GLM employees and applicable related persons do not buy, as principal, securities from (or sell securities to) Clients nor do they act as general partners in a Client partnership.

These policies and procedures, which are embodied in GLM's Code of Ethics, are intended to comply with the requirements of Rule 204A-1 under the Investment Advisers Act. Copies of GLM's Code of Ethics will be made available to all Clients upon request.

## **Item 12 Brokerage Practices**

### **Limits on Investment and Brokerage Discretion Authority**

The Principal Officers manage Client Accounts on a discretionary basis. Client Accounts may also be accepted on a non-discretionary basis. For discretionary Client Accounts, without consultation with the Client and within the Client's specified investment objectives and guidelines, the Principal Officers determine which securities are bought or sold, the total amount of securities to be bought or sold, and the broker or dealer through which the securities are to be bought or sold.

In exercising its investment discretion, the Principal Officers are guided by the investment policies and guidelines for each of the CLOs and any investment policies and guidelines that are imposed on the separately managed accounts. The investment policies and guidelines cover matters such as the degree of risk that Client's may wish to assume and the types and amounts of securities that will comprise the Client's portfolio. Clients may also restrict certain securities from being purchased for their portfolios within the Client's specified investment objective.

By virtue of its investment advisory business, GLM does not engage in any soft dollar arrangements with broker-dealers and third parties. GLM does not receive Client referrals from any broker-dealer or third-party from which it buys or sells securities on the Client's behalf, nor does it accept any directed brokerage arrangements.

### **Factors Considered in Selecting Broker-Dealers**

The corporate loan markets differ from equity markets in several areas, each of which has a bearing on the process that GLM employs in seeking best execution including transparency, liquidity, and pricing. GLM trades in a non-transparent market. Transparency is often categorized as either pre-trade transparency, which involves the dissemination of quotes (*i.e.*, publicly posted bid-ask spreads) or post-trade transparency, which involves the dissemination of data about completed trades. Markets that disseminate little or no price data such as the corporate loan markets are referred to as being "opaque" or "non-transparent."

GLM generally trades with a select group of broker-dealers in an illiquid market, who are active participants in the marketplace and can provide liquidity to GLM Clients. GLM typically conducts deals in the *new issue* (technically seasoned by the agent bank) and secondary trading markets, and will attempt to solicit favorable bids and offers on trades in the best interests of the Client. Applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is affected, and the extent to which it is possible to select from multiple dealers capable of effecting the transaction.

The Principal Officers place trade orders for Client Accounts in accordance with the firm's best execution policies. The objective of the best execution policy is to achieve the most favorable net results for portfolios on each transaction considering the circumstances, including the availability of securities, buyers and sellers in the market, market impact as a result of the solicitation process, and quality of a broker-dealer's services. The key factors under consideration when the Principal Officers select broker-dealers are: timing; order size and execution capability of the broker-dealer; specialized access and depth of the market; reputation, integrity, credit standing and financial stability of the broker-dealer; clearance and settlement capabilities of the broker-dealer; role as a market maker; ability to facilitate transactions; proprietary offerings; capital; and new issues available. Commissions are not charged to the portfolios for these types of investments; however, certain transactions executed with non-agents could incur a transaction fee.

#### Aggregation and Allocation of Trade Orders

The Principal Officers may aggregate orders for the CLOs and/or with other Client orders for the separately managed account Clients for the purchase or sale of the same security. The Principal Officers are not required to aggregate orders if the Principal Officers determine that aggregation would be inconsistent with their investment management duties or the investment guidelines for the Client Accounts. The amount of securities to be purchased or sold for a Client Account participating in the aggregated order is designated at the time of execution. There are no additional costs to Clients if an order is not aggregated.

Generally, trade allocations are made on a *pro rata* basis based on the desired positions, portfolio construction, and percentage of cash available for each Client Account, among other factors. Each Client Account that participates in an aggregated security order will participate at the average share price for such aggregated order. If an aggregated order is not completely filled, partial fills will typically be allocated on a *pro rata* basis. If the allocation for a Client Account is disproportionately small in relation to the size of the Client Account, on account of associated fees, or as a result of a partial fill situation, the share that was intended to be allocated to the Client Account may be reallocated to other participating Client Accounts. The *pro rata* calculation is generally rounded-off to a lot size that would fit the Client portfolio as a reasonable investment suitable for the Client. In certain cases, the Principal Officers may determine that *pro rata* allocation is not appropriate and, as a result, allocations will be made on the basis of other factors. When evaluating whether a particular allocation is fair and equitable, the Principal Officers will consider the following factors in relation to all suitable accounts such as:



- cash limitations or excess cash;
- Client Account-specific investment guidelines;
- existing portfolio composition and applicable industry, sector, or capitalization weightings;
- size of the Client Account (allocation may be adjusted to minimize transaction fees for smaller accounts or otherwise improve the overall efficiency of the transaction);
- undesirable position size (if a *pro rata* allocation would create an undesirably small or large position);
- refinancing of the existing terms of the loan position and an investment in the refinanced loans;
- tax status;
- associated transaction fees;
- regulatory restrictions; and
- common sense and/or equitable adjustments that clearly lead to meaningful cost savings or other transactional efficiencies.

New issue purchases for GLM Clients are subject to GLM's trade allocation policy for all Client Accounts whose investment objectives and guidelines, tax reasons, and other potential restrictions allows for participation in the order. In determining the allocation of a new issue to a Client's Account, the Principal Officers take into consideration the suitability of the investment, whether Client Accounts who are suitable for the investment opportunity are able to participate in the allocation, any reasons for non-participation, and the size of the order for the new issue placed by the Principal Officers.

Certain new issue orders granted to GLM may be *de minimus* in nature for a *pro rata* allocation across all eligible Clients. For these instances, the Principal Officers may conduct allocations to a specific Client where such issues are traded on a short-term basis. The allocation for short-term trades, on a trade-by-trade basis, is contingent on ensuring that all eligible Clients generally receive an equitable distribution over a quarterly period and at year-end.

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

As provided in the Collateral Management Agreement for each of the CLOs, the Principal Officers and other employees will review and monitor the performance and credit quality of all of the portfolio collateral on an ongoing basis. The Principal Officers and the supporting staff will conduct ongoing credit monitoring of all Client Accounts. The review seeks to identify problem credits prior to default, in order to establish candidates for a watch-list that is frequently updated. Aggregate portfolios are monitored daily through loan administration systems that consist of a daily review of the issuer, industry, credit rating, prices, and *ad hoc* client requests.

On a monthly basis, the Principal Officers conduct a formal credit review with a targeted minimum review of ten issuers including informal daily discussions and help facilitate summary monthly portfolio reports. Aggregate portfolio issuers are formally reviewed, at a



minimum, on a quarterly basis. The Principal Officers also utilize other off-the-shelf applications (such as Bloomberg) that support credit market analysis and process. Additional reviews may be triggered by various events, including changes in market conditions and other circumstances.

GLM itself does not formally provide Client reports for the CLOs. The Trustees of the CLOs, however, send out a written monthly report to underlying investors that identifies the portfolio holdings and investments in the CLO, after consulting with GLM regarding reporting accuracy. GLM, through the Trustee, will make themselves available for further discussions with the underlying investors related to the management of the CLO. For separately managed accounts, GLM will send out a written report at least quarterly, which is customized based on the Principal Officers' consultation with the separately managed account Clients.

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

Currently, GLM and the Principal Officers do not have any arrangements with any third-parties or other persons involving any economic benefit regarding Client referral fees or other compensation.

Generally, employees are prohibited from entering into a solicitation arrangement without first obtaining prior approval of a Principal Officer and the Chief Compliance Officer on behalf of GLM.

#### **Item 15 Custody**

GLM does not have custody of any Client's funds or securities. A qualified bank or trust custodian acts as the custodian to the CLOs and makes available a Trustee Report identifying the CLO portfolio's cash and positions to the investors on a monthly basis. GLM has electronic access of the Trustee Report through a service provider and reviews the Trustee Report that is made available by the Trustee to the CLO investors.

For separately managed account Clients, the Client will direct a qualified custodian to hold the funds and securities in a separate account in the Client's name or in accounts that contain only Client funds and securities. GLM would not have authority to access the Client custody account and all management fees would be charged via an invoice to the Client.

#### **Item 16 Investment Discretion**

The Principal Officers, on behalf of GLM, manage Client Accounts on a discretionary basis in accordance with the CLO indentures and the terms of the investment management agreements for separately managed accounts. In exercising investment discretion, the Principal Officers are guided by the relevant investment policies and guidelines.

#### **Item 17 Voting Client Securities**

GLM provides investment advisory services as collateral managers to Client Accounts. Typically, GLM does not manage securities that require voting proxies on behalf of Clients. The Proxy Voting Procedures (as defined below) apply to securities where GLM could pursue other investment strategies and have the authority to vote proxies and/or respond to any corporate actions. In the event that any securities held require a proxy vote, the Principal Officers, on behalf of GLM, will exercise such voting rights and monitor such corporate actions in accordance with GLM's Policies and Procedures for Voting Proxies for Clients (the "Proxy Voting Procedures"), pursuant to Rule 206(4)-6 under the Advisers Act.

Although not considered proxy voting pursuant to SEC rule 206(4)-6, the Principal Officers do vote on amendments to the existing credit agreement documents. Such amendment requests usually entail the portfolio company soliciting consents from current lenders and typically require at least 51% (in some cases a higher percentage) of lenders for the amendment to take effect. These amendment requests occur often and sometimes a consent fee is offered as an incentive for the lending group to vote in favor. The Principal Officers act according to their fundamental credit view of the company's credit worthiness, which may place them at odds with other security holders and/or the underlying portfolio company's equity holders. It is also possible that GLM does not receive a consent fee, even if the Principal Officers consent to the request, due to the issuer's agents not receiving the consent notification properly or relative to a time sensitive deadline.

What constitutes a conflict of interest for proxy-voting purposes will be determined by the Chief Compliance Officer. The Chief Compliance Officer will deem a conflict to exist whenever GLM, its related persons or the Principal Officers have a personal or business interest in the outcome of a particular matter before shareholders. Putative conflicts deemed by the Chief Compliance Officer to be immaterial to a shareholder vote will not disable the Principal Officers from voting proxies. The Chief Compliance Officer will presume the existence of a conflict of interest for proxy-voting purposes whenever:

- a current Client is affiliated with a company soliciting proxies and has communicated its view to the Principal Officers on an impending proxy vote;
- GLM or any one of its affiliates has identified a personal or business interest either in a company soliciting proxies or in the outcome of a shareholder vote; or
- a third-party with an interest in the outcome of a shareholder vote has attempted to influence GLM or any of its affiliates.

Assuming no conflict of interest exists, if a Client Account has authorized GLM to vote proxies on its behalf and nevertheless instructs GLM to vote its proxy in a fashion different from the Principal Officers' recommendation with respect to such vote, the Principal Officers will vote the proxy in accordance with the Client's written instructions.

GLM will, for a period of at least five years, maintain or have ready access to the following documents:

- a copy of GLM's current Proxy Voting Procedures,
- a copy of each proxy statement received by the Principal Officers regarding securities held on behalf of its Clients (which may be obtained from the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system),
- a record of each vote cast by the Principal Officers on behalf of its Clients,
- a copy of any document created by the Principal Officers that was material to a proxy vote on behalf of Clients, and
- a copy of each written request received from a Client as to how the Principal Officers voted proxies on Client's behalf and a copy of any written response from the Principal Officers to any oral or written Client request for such information.

A copy of DCM's Proxy Voting Procedures will also be made available to Clients upon request. Clients will be provided with a contact at GLM from whom Clients may obtain the proxy-voting records with respect to the securities held in the account.

The Principal Officers have the authority to vote proxies and respond to all corporate actions for securities held in separately managed accounts.

### **Item 18 Financial Information**

GLM does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance, and is not required to provide a balance sheet.

GLM does not have any financial condition that is reasonably likely to impair GLM's ability to meet contractual commitments to Clients.

GLM has not been the subject of a bankruptcy petition at any time.