

**Item 1. Cover Page**

**GARRISON INVESTMENT GROUP LP**

**Part 2A of Form ADV: Firm Brochure**

1290 Avenue of the Americas  
New York, NY 10104

[www.garrisoninv.com](http://www.garrisoninv.com)

March 30, 2020

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

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

Additional information about Garrison Investment Group LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Since our last update to this brochure on October 9, 2019, we made updates to Item 8 to address additional risks related to the Clients' investment strategies, including public health risks and risks associated with our transition plan as we wind down certain investment strategies.

Our Brochure may be requested, free of charge, by contacting our Chief Compliance Officer ("**CCO**") at (212) 372-9500.

### Item 3. Table of Contents

#### Table of Contents

	<u>Page</u>
Item 1. Cover Page .....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	5
Item 6. Performance-Based Fees and Side-by-Side Management .....	10
Item 7. Types of Clients .....	12
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9. Disciplinary Information .....	32
Item 10. Other Financial Industry Activities and Affiliations .....	32
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	36
Item 12. Brokerage Practices.....	39
Item 13. Review of Accounts .....	40
Item 14. Client Referrals and Other Compensation .....	41
Item 15. Custody.....	41
Item 16. Investment Discretion .....	41
Item 17. Voting Client Securities .....	42
Item 18. Financial Information.....	43

#### Item 4. Advisory Business

GIG, a Delaware limited partnership, is an alternative asset management firm. GIG commenced operations in May 2007. GIG's principal owners are Joseph B. Tansey and GIG GP LLC (whose members are Joseph B. Tansey and JTSS Borrower LLC (which is controlled by Joseph B. Tansey)). From time to time, GIG and/or its affiliates may establish "relying advisers" as further described in Item 10 and listed in Section 1.B, Schedule D and Schedule R of Part 1A of this Form ADV. Such relying advisers, notwithstanding that they are organized as separate legal entities, are in a control relationship with GIG and are subject to a unified compliance program. Garrison Investment Management LLC, a Delaware limited liability company ("**GIM**"), is a relying adviser and controlled by GIG. GIM's principal owner is GIG, and JTSS Borrower LLC owns a preferred interest in GIM entitling it to certain economic rights. Garrison Bluebird Management LLC, a Delaware limited liability company, is a relying adviser that is wholly-owned and controlled by GIG. Garrison Middle Market II GP LLC, a Delaware limited liability company ("**GMM II**"), is a relying adviser that is controlled by GIM. Garrison Middle Market Funding II Manager LLC, a Delaware limited liability company ("**GMMF II**"), is a relying adviser that is controlled by GIM. GIG Miramar AM LLC, a Delaware limited liability company ("**GIG Miramar**"), is a relying adviser that is controlled by the principal owner of GIG.

GIG, together with its relying advisers and any other investment management entities it organizes from time to time (collectively, "**we**," "**us**" or the "**GIG Managers**"), provides investment management services on a discretionary basis, and, in certain limited instances, on a non-discretionary basis, to privately offered investment funds (each, a "**Fund**," and, collectively, the "**Funds**") and certain other Clients (as defined below), including collateralized loan obligations ("**CLOs**"). Affiliates of GIG serve as the general partners or managing members of the Funds (each and as applicable, a "**General Partner**" or "**Managing Member**"); however, the investment management services are performed by GIG or each of the GIG Managers pursuant to an investment advisory agreement by and between the respective GIG Manager and its respective Client. We tailor our advisory services as described in the investment program of the relevant Client's offering memorandum, limited partnership agreement ("**LPA**"), organizational documents, subscription agreement, and/or investment management agreement with such Client (collectively, the "**Governing Documents**"). The Funds, the CLOs, any separately managed accounts advised by the GIG Managers and any co-investment vehicles organized to facilitate investments by third party co-investors alongside the Funds, and any other investment vehicles managed or advised by the GIG Managers are collectively referred to herein as "**Clients**".

GIG is affiliated with Garrison Capital Advisers LLC ("**GCA**"), a Delaware limited liability company and SEC-registered investment adviser. As of December 31, 2019, GCA managed \$464,449,000 of regulatory assets under management. GCA commenced operations in November 2010. GCA provides investment advisory services on a discretionary basis to Garrison Capital Inc., a Delaware corporation. Garrison Capital Inc. is a publicly traded, externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company (known as a "**BDC**") under the Investment Company Act of 1940, as amended (the "**1940 Act**").

GIG is also affiliated with Garrison Loan Management LLC ("**GLM**"), a Delaware limited liability company and SEC-registered investment adviser. As of December 31, 2019, GLM and its relying

advisers managed \$1,189,672,873 of regulatory assets under management including unsettled trades of \$17,426,322. GLM commenced operations in 2013. GLM provides investment advisory and collateral asset management services on a discretionary basis to collateralized loan obligations, known as CLOs. GIG (See Item 11 above for a description of the Investment Allocation Policy). GCA, GLM, GMMF II, GIG Miramar, and GMM II.

As of December 31, 2019, the GIG Managers had regulatory assets under management of \$2,789,414,000 on a discretionary basis and \$1,645,313 on a non-discretionary basis.

We provide investment advice to the Clients and not individually to the limited partners, members, or other underlying investors in the Clients. As investment advisers, we are primarily responsible for identifying investment opportunities for the Clients, effecting all investment transactions, and performing, among other things, asset management services with respect to the Clients' investments. The assets of each Client are managed in accordance with the terms of any LPA and any other Governing Documents applicable to such Client.

In our capacity as collateral manager to the CLOs, we control the management of the collateral supporting certain debt obligations issued by the CLOs. The collateral generally consists of debt obligations, secured claims, any equity securities acquired as part of a unit consisting of both a debt obligation and an equity security, certain derivative instruments, and, rarely, unsecured claims. We perform numerous administrative and advisory functions with respect to the collateral, including selecting the portfolio of collateral and instructing the trustee with respect to any acquisition, disposition, or reinvestment or proceeds of the collateral. Our ability to invest a CLO's assets is constrained by the portfolio quality criteria and asset and income coverage tests spelled out in the indenture pursuant to which the CLO's securities are issued. In our purchase and sale of assets for a CLO's portfolio, we are required to comply with the restrictions and parameters set forth in the indenture governing the CLO.

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

### Non-CLO Clients

Each Client is governed by an LPA and/or other Governing Document that sets forth in detail the fee structure relevant to that Client. The terms of the LPAs are generally established during the fundraising period of the applicable Client. Management fees, Carried Interest and expenses (each as described below) are generally negotiated with prospective investors during the fundraising period. The following description of fees and expenses borne by the Clients is not intended to be exhaustive. Prospective and existing investors are advised to review the applicable Client offering documents, LPA and other Governing Documents for further information regarding the fees and expenses associated with an investment in the Clients.

*Management Fees.* Pursuant to a Client's LPA or other Governing Documents, compensation paid to us in consideration of our investment advisory services is generally comprised of a management fee (the "**Management Fee**") based on a percentage of the Client's capital commitments during the investment period (i.e., the period during which a Client may make new investments), and thereafter based on a percentage of capital invested. Management fees payable in relation to a particular Fund may also be based on a blended percentage of capital commitments and capital

invested or alternatively on the net asset value of the applicable Client. The typical asset-based management fee payable by a Client with respect to a non-commitment Fund ranges from .75% to 2% of the net asset value of a particular Fund. The typical asset-based management fee payable by a Client with respect to a Commitment Fund (defined below) ranges from 1.5% to 2% generally of funded commitments but may also be calculated based on unfunded commitments.

*Performance-Based Fees.* In the case of Clients whose investors are not permitted to withdraw capital or transfer their interests without General Partner or Managing Member consent (each a “**Commitment Fund**”), GIG affiliates, in their role as General Partners or Managing Members, are generally eligible to receive Carried Interest (as defined in Item 6 below), with respect to realized investments, which is generally determined as a percentage of profits derived from the disposition of all investments (after taking into account expenses of the Fund, including management fees, following a preferred return to investors). If the payment of the Carried Interest results in a distribution in excess of the amount of Carried Interest contemplated in the Governing Documents to the applicable Fund’s General Partner or Managing Member, such General Partner or Managing Member is generally subject to a “claw back” arrangement in which instance the excess amounts are returned to the Fund. The Carried Interest allocable to a General Partner or Managing Member in a Commitment Fund typically ranges from 15% to 25% of the profits, derived from the disposition of all investments (after taking into account expenses of the applicable Client, including management fees, and following a preferred return or IRR hurdle to limited partners or members ranging from 5% to 9% per annum).

In the case of Clients whose investors are generally permitted, at their option, to withdraw their capital at various intervals during the life of the Fund (each, an “**Open-End Fund**”), the General Partner or Managing Member of an Open-End Fund is typically entitled to receive a Carried Interest at the end of each year (and upon withdrawals from the Open-End Fund) of between 18.5% and 20% of the Open-End Fund’s increase in the Fund’s net asset value that is attributable to the capital account of each investor in such Open-End Fund during the preceding year (or portion thereof, in the case of withdrawals); such Carried Interest, however, is generally subject to a minimum IRR or preferred return hurdle. However, the General Partner or Managing Member will not be allocated any Carried Interest with respect to an investor’s capital account until the investor has recovered any net capital depreciation attributable to its capital account (as adjusted for withdrawals of capital). Certain defined holdback or clawback provisions may prohibit distributions (in whole or part) to the General Partner or Managing Member for a period of time.

### CLO Clients

With respect to any CLO Clients, compensation received by a GIG Manager is typically composed of a senior management fee, a subordinated management fee, and an incentive fee, although incentive fees may not be present in all CLOs. The senior and subordinated fees are paid quarterly in arrears in accordance with the priority of payment waterfall (i.e., priority of payment sequence) set forth in the indenture pursuant to which each CLO’s securities are issued. The senior management fee is paid earlier in the waterfall than the subordinated management fee. The subordinated fee is subject to deferral if sufficient funds are not available to pay CLO obligations at a higher level in the waterfall. The subordinated management fee also may be deferred if the CLO is not in compliance with certain financial coverage tests set forth in the CLO indenture on the date each quarter when the tests are determined. The incentive fee is not payable unless and

until the CLO's performance exceeds the CLO's designated hurdle rate and the CLO equity investors have achieved a certain internal rate of return ("**IRR**") on their investment. Thereafter, the incentive fee is payable quarterly as a percentage of the amount (principal and interest) available for distribution to the CLO's equity investors. The trustee of each CLO generally remits the collateral management fees and incentive fees (after the designated IRR has been achieved) quarterly in arrears, from interest collections (and after the rated debt and expenses are paid in full, principal collections) associated with the applicable CLO. In some instances, we also receive an incentive management fee with respect to collateral interest and collateral principal collections available as of each payment date, in certain instances subject to a hurdle.

### General Disclosure

*Clients are Subject to Different Fee Arrangements.* The Governing Documents provide for different Management Fees, Carried Interests, and/or hurdle rates for each Client as set forth in the applicable LPAs and/or other Governing Documents. Further, we have the right to waive or reduce, from time to time, all or part of the management fee and Carried Interest, respectively, with respect to (i) certain Fund investors (including, but not limited to, our affiliates and employees (and their families) who may invest in Clients through investment vehicles managed by us), as well as (ii) certain co-investors and unrelated persons, in each instance, without waiving or reducing the Management Fee or Carried Interest to be paid by other Clients or investors. The Management Fees and Carried Interest may also be reduced toward the end of the life of a Fund under certain circumstances. In addition, certain investors in certain special purpose Funds that invest alongside other Funds in one, some or all investments may pay reduced Management Fees and/or may not be subject to the payment of a Carried Interest in connection with their investments in such special purpose Funds. Further, where a Client holds an interest in another Client, certain fees of the investing Client may be offset to the extent fees are charged at the level of the other Client.

*Transaction Fees.* In addition to the Management Fees and Carried Interest, we may also receive transaction fees, break-up fees, commitment fees, investment banking fees, directors' fees, asset management fees, consulting fees, termination fees, closing fees, origination fees, advisory fees, monitoring and other similar fees, payment or compensation (whether in the form of cash, options, warrants, stock or otherwise) from or in connection with Fund investments (collectively, "**Transaction Fees**"). With respect to Funds that pay Management Fees to us, a percentage of such Transaction Fees allocable to such Funds (net of certain expenses) is typically applied to reduce the Management Fees, if any, payable by such Fund in accordance with such Fund's LPA, which is referred to as a management fee offset. The Transaction Fees that reduce the Management Fees will generally be limited to the extent of such Fund's proportionate interest (or intended proportionate interest) based on capital committed (or proposed to be committed) to the investment to which the applicable Transaction Fee relates. While certain Transaction Fees may be allocable to Co-Investors (as defined below) that do not pay Management Fees, such Co-Investors generally will not receive the benefit of a management fee offset related to such Transaction Fees. However, certain Funds' LPAs may not contemplate the allocation of Transaction Fees as described above.

The types of fees that constitute Transaction Fees may vary among Clients. Detailed information regarding the types of Transaction Fees that may offset Management Fees is set forth in the Governing Documents (including the LPAs) of such Clients. The following, however, generally

do not constitute Transaction Fees (and, therefore, would not be applied to reduce Management Fees): (i) fees or expenses associated with internal asset management, legal, tax, operations, or accounting services provided by us (described further below); (ii) salary, fees, or other compensation of any nature paid by the Fund or a Fund investment to any individual who acts as a consultant, advisor, subject matter expert or similar person acting in a similar capacity engaged by us or a Fund; (iii) administrative, agency, origination or similar fees or compensation received by us or our affiliates in connection with administrative services provided by us or our affiliates in connection with the administration of certain lending or similar Client investments; and (iv) any fees (or portions thereof) that are allocated to a Co-Investor or other third-party investor. For the avoidance of doubt, in no instance will the Client or any of Client's investors be entitled to any fees or other monies of any kind related to the portion of an investment made by any Co-Investor or other third party who participates in a given transaction. Such amounts may be paid to the Co-Investor or other third-party investor or retained by GIG or its affiliates or related persons, at the discretion of such parties and without regard to the Client. The Client shall be entitled solely to those fees associated with its portion of a given investment.

*Expenses Paid Directly, or Reimbursed, By Clients.* In addition to Management Fees and Carried Interest as described above, Clients pay or reimburse us for certain fees and expenses. These fees and expenses vary from Client to Client, but typically include all legal and other organizational and offering expenses incurred in the formation of a particular Client investment vehicle and related entities and the offering of the interests in such Client investment vehicle; investment-related costs and expenses (whether or not any such investment is consummated and including due-diligence, travel, and related expenses); brokerage or similar commissions, custodial fees, bank service fees and interest expenses; hedging expenses; investment-related travel expenses; legal expenses, including, in some cases, the cost of internal counsel's work for Clients; professional fees relating to investments; expenses of consultants and experts); expenses associated with attendance at industry conferences and other events relevant to the Client's investment mandate; accounting expenses; the cost of asset management and accounting software and other software packages (including any and all fees and expenses incurred in implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of Clients (including, without limitation, any and all costs and expenses of any books and records, portfolio compliance, treasury and reporting systems such as "Wall Street Office," "Everest" (Black Mountain), "Fund Runner," "Bloomberg BNA," "Great Plains," "Salesforce.com" and similar systems and services, including consultant, software licensing, data management and recovery services fees and expenses); auditing, accounting and other professional service fees and expenses incurred by or on behalf of the Client (including, without limitation, expenses associated with the preparation of Client financial statements, tax returns and other filings, and Schedules K-1); valuation expenses; entity-level taxes of a Client and entity-level taxes imposed on any Fund subsidiaries; expenses of third-party servicers and asset managers; administrative expenses; insurance expenses; directors and officers and errors and omissions liability insurance; expenses incurred in connection with any amendments or supplements to the Fund's LPA or offering documents; fees and expenses of any administrator of the Client; expenses incurred in connection with any indemnification obligations of a Client; litigation and regulatory costs and expenses; expenses incurred in connection with the formation of any alternative investment vehicles or special purpose vehicles; expenses incurred in connection with any meetings of investors in a Client called by the General Partner or Managing Member of such Client; reasonable out of pocket expense (including travel expenses) incurred by the members of a Client's advisory board in



connection with the fulfillment of their duties; Capped Asset Management Services and Capped Internal Legal and Accounting Expenses (each as defined below); travel, late car and/or late meal (after 8:00pm) expenses for GIG's employees; and any other expenses permitted by a Client's Governing Documents. Please also see Item 12. Brokerage Practices herein.

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

We generally perform certain legal, tax, operational and accounting services on behalf of the Clients. Subject to a particular Client's LPA, each Client will bear its allocable share of the costs of the legal, tax, accounting and operations professionals and systems, such allocable share to be based generally on the time which the applicable employees providing such legal, tax, accounting, and operational services devote, on an estimated basis, to such Fund and such other Clients or on such other basis as we determine to be fair and equitable. Fair and equitable allocation generally means a *pro rata* allocation based on the Client's committed or invested capital; however, other methods such as equal division, relative benefit, or another equitable manner may also be appropriate in certain circumstances, which is determined by us, in our reasonable judgment, consistent with the Client's Governing Documents and our Expense Allocation Policy. Costs and expenses associated with any such of our legal, tax, accounting, and operations professionals and systems that are borne by a Client (the "***Capped Internal Legal and Accounting Services***") will not typically exceed 0.20% per annum of the aggregate capital contributions of the investors in such Client.

*Allocation of Fees, Costs, and Expenses among Multiple Clients.* We and our affiliates may incur, from time to time, fees, costs and expenses on behalf of one or more Clients. To the extent that such fees, costs, and expenses are incurred for the account or for the benefit of one or more Clients, such Clients will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of the investment made by each in the activity or entity to which the expense relates (subject to the terms of the applicable LPAs and other Governing Documents of the Clients) or in such other manner as we consider to be fair and reasonable in accordance with our Expense

Allocation Policy. Although we endeavor to allocate such fees, costs, and expenses on a fair and reasonable basis, there can be no assurance that such fees, costs, and expenses will in all cases be allocated in a manner deemed to be fair and equitable by any Client. Notwithstanding the foregoing, we may in the future adopt additional or revised policies and procedures to address the allocation of expenses that differ from our current policies and procedures, including, without limitation, our Expense Allocation Policy.

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

*Co-Investments.* If any Co-Investors are participating in a co-investment alongside a Client (indirectly through a co-investment vehicle established by us or directly in the relevant investment), such Co-Investors will typically bear their *pro rata* share of fees, costs, and expenses related to the discovery, monitoring, investigation, development, acquisition or consummation, ownership, maintenance, hedging and disposition of their co-investment, and may be required to pay their *pro rata* share of fees, costs, and expenses related to proposed co-investments that are not consummated. To the extent that Co-Investors do not agree to or do not otherwise bear fees, costs, and expenses related to investments which are not ultimately consummated, such fees, costs, and expenses may be borne by the relevant GIG Manager, or if consistent with the Fund's (or Funds') Governing Documents, by the Fund(s) on whose behalf the relevant GIG Manager evaluated and pursued such investment. In addition, in the event that the Co-Investors participate in a co-investment through an investment vehicle or vehicles managed or advised by a GIG Manager, they will generally bear their *pro rata* share of organizational costs and expenses of such vehicles. GIG may (or may not) in its discretion (i) charge Carried Interest, Management Fees, or other similar fees to Co-Investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of such co-investment arrangements. Notwithstanding the foregoing, in no instance will the Fund or Fund investors be entitled to any fees or other monies of any kind related to the portion of an investment made by any Co-Investor or other third party who participates in a given transaction. Such amounts may be paid to the Co-Investor or other third-party investor or retained by us at the mutual agreement of such parties and without regard to the Fund.

*Commissions.* Neither we nor any of our supervised persons accepts compensation (e.g., brokerage commissions) from Clients for the sale of securities or other investment products.

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

*Performance-Based Fees.* As described in Item 5 *Fees and Compensation* above, the General Partners or Managing Members of the Clients are entitled to performance-based compensation in the form of an incentive allocation or carried interest (collectively, “*Carried Interest*”). Such performance-based compensation arrangements may create an incentive for us to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such performance-based compensation. Clients may also have different Management Fees or Carried Interests, which may provide an incentive for us to favor one Client over another. We have adopted our Investment Allocation Policy to address these conflicts. Additionally, investment vehicles owned by GIG's investment professionals and other GIG key

employees invest in certain Clients in an effort to align GIG's and such Funds' interests. Furthermore, the Governing Documents of the Clients that provide for performance-based compensation have "clawback" arrangements as described in Item 5 above.

*Investment Allocation.* We adopted the Investment Allocation Policy discussed in detail in Item 11 below, which governs the allocation of investment opportunities between and among Clients. As contemplated in that policy, we will use our best judgment and act in a manner that is fair and equitable to all Clients, with no particular Client being favored or disfavored over any other Client, consistent with our duty as an investment adviser. Each Client has its own investment mandate (e.g., investment objective, type of investments, expected timing of exit and other guidelines or restrictions) that may preclude it from participating in certain investments. Additionally, each Fund is comprised of a pool of investors who may have particular tax, legal, regulatory and/or other requirements, including possible capital and liquidity constraints that may prevent any one Fund from participating in certain investments. When it is determined that an opportunity is suitable for more than one Fund, GIG will seek to allocate opportunities among those Funds on a fair and, over time, equitable basis. Although in many instances, allocations will be made on a *pro rata* basis, the allocation may vary in cases where GIG's allocation policies dictate a different result. For example, GIG, in allocating such investment opportunities, will consider, among other things, the proposed investment's size, liquidity, and time horizon, each such Fund's diversification guidelines and objectives, the likelihood of current income, and each such Fund's investment period and available capital. Allocations may also differ for tax, legal, regulatory, or other reasons as deemed appropriate by GIG. There can be no assurance that a particular investment opportunity will be allocated in a particular manner, and it is possible that a particular Fund may not be given the opportunity to participate in certain investments made by other Funds that meet such Fund's investment objectives, including, possibly, in instances of follow-on investments when such Fund may have participated in the same or similar investment in the past. Where conflicts arise in the allocation of investment opportunities, we seek to resolve such conflicts fairly in accordance with the Investment Allocation Policy and procedures.

*Co-Investment Opportunities.* We have adopted a Co-Investment Policy and procedures which govern co-investment opportunities pursuant to which, to the extent that we believe in our sole discretion that it is appropriate to do so, we may offer any investor in a Client or any third party the opportunity to co-invest in any transaction in which a Client has made, or will make, an investment (each, a "**Co-Investor**"), subject in all cases (including with respect to the allocation of co-investments among potential Co-Investors) to the provisions of the LPA or other Governing Documents of the applicable Fund, the terms of any side letter or other terms negotiated with a Client's investors, and the terms of the Co-Investment Policy. The Co-Investment Policy sets forth certain factors that we may consider, based on the facts and circumstances of a potential investment, in determining whether or not to offer a co-investment opportunity to a potential Co-Investor. Such factors may include, but are not limited to, the jurisdiction in which the Co-Investor is based, the expressed interest by Fund investors or third parties in such co-investment, the proposed timing of the co-investment, the level of certainty of execution by the Co-Investor, any existing relationships between the Co-Investor and management of the relevant underlying company in which the Fund is investing or any other party relevant to the transaction, any relevant experience of the Co-Investor in the same industry or sector as the relevant investment, any strategic relationship between GIG and the Co-Investor, any fee arrangements between GIG and the Co-Investor(s), or any other factors that we deem relevant. The structure and terms of any co-

investment opportunity to be offered by us to any investor in a Client shall be determined by us, subject to the restrictions, if any, set forth in the LPA of the relevant Fund. GIG or any of its affiliates may (or may not) in their discretion charge Management Fees, Carried Interest or other fees to Co-Investors.

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

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

Details concerning applicable investor suitability criteria are set forth in the respective Client's Governing Documents, including the indenture in the case of the CLOs. The minimum commitment to the Clients is generally \$5 million although we may accept commitments for lesser amounts depending on a variety of factors including but not limited to the prospective investor's size, investment strategy and level of required portfolio servicing. Certain special purpose vehicles do not operate with committed capital. Each investor in a Client is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended and may also need to be a "qualified purchaser" within the meaning of the 1940 Act.

GIG, the GIG Managers, and/or the relevant General Partner or Managing Member may enter into separate agreements, commonly referred to as "side letters", with certain investors in the Funds, which may have the effect of establishing preferential rights under, altering, or supplementing the terms of, the LPA (or other Governing Documents) of the applicable Fund with respect to such investor, in a manner more favorable to such investor than those applicable to other investors in such Fund. Such rights or terms pursuant to such side letters may include, for example (and without limitation), fee arrangements or hurdle rates with respect to an investor, reporting obligations, waiver of certain confidentiality obligations, consent to certain transfers or withdrawals by an investor, or rights or terms necessary in light of particular legal, regulatory, or tax requirements or concerns of an investor. The provisions set forth in any such side letter are generally available for review (but not necessarily adoption) by all of the investors in the relevant Fund that have entered into side letters, following the final closing date of such Fund.

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

### ***Methods of Analysis and Investment Strategies Generally***

The following is a summary of the investment strategies and methods of analysis employed by GIG and the GIG Managers on behalf of Clients. This summary should not be interpreted to limit in any way our investment activities. We may offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that may not be

described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client's Governing Documents. There can be no assurance that the investment objectives of any Client will be achieved or that substantial losses will be avoided.

We perform research into each prospective investment and disposition. In conducting such research, we may consult various sources of information, including financial periodicals, inspections of corporate activities, research materials prepared by others, corporate rating services, financial statements, annual reports, prospectuses, filings with the SEC, company press releases and any other materials we deem relevant. In addition to their own due diligence and analyses, we may engage the services of experts and consultants to supplement their research and to diligence certain prospective investments, including experts and consultants with expertise in a particular industry or sector. Such experts may be made available to us pursuant to agreements with third-party expert network firms subject to controls relating to access to material non-public information set forth in our Research Consultants and Other Experts Policy.

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

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

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

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

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

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

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

### ***Certain Associated Risks***

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

*Use of Leverage.* A Client may regularly employ leverage as part of its capital planning and investment program, including subscription-based facilities, fund-level credit facilities, and other borrowing structures as may be available in the market from time to time. The greater the total borrowings of a Client relative to its investments, the greater will be its risk of loss and possibility of gain due to market fluctuations in the values of its investments. In addition, money borrowed by a Client will be subject to interest costs, which will be an expense of the Client, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of the Client. Additionally, the agreements under which a Client borrows money may limit certain activities of the Client based on the representations made by the Client in connections with accepting such facility.

*Illiquidity of Investments.* A Client may invest in securities, loans, real estate or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on

transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on a Client's investments. A Client may not be able to sell investments when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid investments often requires more time and results in higher selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over the counter markets. Additionally, illiquid assets are often more difficult to value than more liquid investments, and also such valuations are highly susceptible to the assumptions upon which they are based. As such, a Client's asset value may be subject to a high degree of change from period-to-period as additional information becomes available to assess the value of a given asset.

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

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

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

*Risks Associated with Investments in Distressed Assets.* A Client may invest in distressed assets and portfolios of distressed assets, including high yield securities and non-investment grade obligations, delinquent and charged-off consumer loans, commercial and residential mortgage loans, small business loans, commercial and industrial loans, commercial maritime vessels, and real estate. Although such investments may result in significant returns to a Client, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary

for successful investment in distressed assets is high. Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the applicable GIG Manager. To the extent that a GIG Manager becomes involved in such proceedings, a Client may have more active participation in the affairs of the company than that assumed generally by an investor. In addition, involvement by a GIG Manager in a company's reorganization proceedings could result in the imposition of restrictions limiting the applicable Client's ability to liquidate or otherwise direct the management of its position in the company.

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

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

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

The applicable GIG Manager may elect to serve on creditors' committees, equity holders' committees, or other groups to ensure preservation or enhancement of the applicable Client's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the GIG Manager concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the applicable Client, it will resign from that committee or group, and the Client may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if the Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.



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

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

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

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

While loans invested in by a Client are generally intended to be over-collateralized, the Client may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower, and the priority of the lien are each of great importance. A Client cannot guarantee the adequacy of the protection of the Client’s interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a Client cannot assure that claims may not be asserted that might interfere with enforcement of the Client’s rights. In the event of a foreclosure or default, a Client may assume direct ownership of the underlying collateral. The

liquidation proceeds upon a sale of such collateral may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying collateral may further reduce the proceeds and thus increase the loss.

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

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

*Participations.* A Client may acquire interests in loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest and not with the borrower. In purchasing participations, the Client may have no right to enforce compliance by the borrower with the terms of the credit agreement, nor any rights of set-off against the borrower, and the Client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Client may assume the credit risk of both the borrower and the institution selling the participation to the Client. Participations may also be used as a means to facilitate participation in an investment by a Co-Investor. A Client may also sell all or some of its participation interests to co-investors, and while such sale may offset some of the financial risk that otherwise would have been borne by the Client, it may increase the Client's exposure to other risks, for example, if the purchaser of the participation interest should become averse to the Client's interest. We may receive compensation in connection with services we provide as arranger or administrative agent in connection with loans originated by us or one of our affiliates and participated out to Co-Investors. Our role as originator and administrative agent on a loan generates fees and creates duties which may conflict with the interests of our Clients. These fees constitute a de minimis amount relative to our investment management fees. We have adopted the Conflicts Procedures to address these types of conflicts.

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

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

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

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

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

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. The factors that affect the value of real estate investments include, among other

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

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

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

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

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

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

In the event of the bankruptcy of a real estate loan borrower, the real estate loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the real estate loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. The bankruptcy process can involve substantial legal, professional and administrative costs, be subject to unpredictable and lengthy delays and negatively impact the underlying property and a Client's return on that particular investment. The debt of entities in bankruptcy will in most cases not pay current interest, may not accrue interest during bankruptcy, and their assets may suffer an erosion of value. Such investments can result in

a total loss of principal. During the bankruptcy process, the creditors may not take adverse actions towards the bankrupt entity or any of its assets without court approval.

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

*Bridge Financings.* In order to undertake commercial real estate purchases quickly, close on certain other properties, retrieve real estate from foreclosure, take advantage of a short-term opportunity, or for other reasons, Clients may enter in to a bridge loan prior to securing long-term or other financing. For reasons not always in the Client’s control, however, such long-term financing or other refinancing may not occur, and such bridge loans and interim investments may remain outstanding. In such event, the interest rate on such loans or the term of such interim investments may not adequately reflect the risk associated with the position taken by the Client.

*Environmental Liabilities.* Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation, or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos containing materials, pursuant to which third parties may seek recovery from owners of real property for personal injuries associated with asbestos containing materials. Absent acquiring or succeeding to ownership or control of real property, a Client is not likely to be subject to any of these forms of environmental liability. If a Client ever acquires or succeeds to ownership or control of a property and becomes subject to significant environmental liabilities, the Client’s business, financial condition, liquidity, and results of operations could be materially and adversely affected.

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

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

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

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

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

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

*Risks Related to Auto Loans.* A Client may invest in originators and portfolios of auto loans, including auto loans to borrowers that may not be eligible for other, more traditional, sources of lending. Automobile loans are not typically insured or guaranteed by any other person or entity. Any economic slowdown may adversely affect the performance and market value of any exposure to auto loans that a Client may acquire. Continuing unemployment in certain markets and decreases in home values in certain markets, together with decreases in the values of other consumer assets and continued lack of availability of credit from traditional credit providers, may lead to increased default rates and may also be accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding automobile loan contracts, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales.

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

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

*Trade Claims.* A Client may purchase trade claims, often in connection with the restructuring or bankruptcy of a debtor company over which the Client is trying to exercise influence. The Client might also acquire trade claims as a means of obtaining control over a debtor that is in the process of emerging from Chapter 11, with the intent to push for a Chapter 11 plan that converts debt to equity or to block acceptance of any Chapter 11 plan it opposes. By purchasing trade claims in connection with a bankrupt company, the Client could use this leverage to negotiate a more favorable Chapter 11 plan. Alternatively, the Client could retain the claim, anticipating that the present value of any distribution at the conclusion of the bankruptcy case will exceed the purchase price. Although trade claims may result in significant returns to the Client, they involve a



substantial degree of risk. In addition, if the Client has acquired trade claims with the objective of exercising influence over a distressed company or in a bankruptcy case, the expected timing can only be estimated and there may be significant delays which may affect the returns on such trade claim investments for the Client.

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

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

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

*Restrictions on Transactions with '40 Act Clients.* Some advisory clients of Garrison Managers may be registered under the 1940 Act. Such registered advisory clients are subject to restrictions on transactions with affiliates, such as GIG and its Clients. In such instances, GIG could be limited in effecting transactions that might otherwise benefit a Client if it involves simultaneous or related investments in the same portfolio company as that held by the advisory client subject to the 1940 Act—to the extent such investments constitute prohibited joint transactions under the 1940 Act.

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

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

*Timing Risk.* The debt investments in a Client's portfolio may be pre-payable at any time, some of them at no premium to par. It is not clear at this time when each debt instrument may be prepaid. Whether a debt instrument is prepaid will depend both on the continued positive performance of the investment and the existence of favorable financing market conditions that allow such investment the ability to replace existing financing with less expensive capital. As market

conditions change frequently, it is unknown when, and if, this may be possible for each investment. In the case of some of these debt instruments, having the debt instrument prepaid may reduce the achievable yield for a Client if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on a Client's business, financial condition and results of operations. Additionally, some Clients expect to receive fees and other pre-payment 'penalties', which would typically accrue to the Client. Notwithstanding such rights, it is a common practice of some borrower's and related sponsors to aggressively negotiate such fees in lieu of the promise of additional opportunities to lend with the same borrower or sponsor in the future. A Client may elect to reduce such fees in the hopes of maintaining a continuing relationship with the borrower or sponsor, but no certainty can be placed on the realization of such future business.

*Highly Volatile Instruments.* A Client may invest in derivative instruments. The prices of derivative instruments, including forward contracts, swaps and options, are highly volatile. Price movements of forward contracts and other derivative contracts in which a Client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Client may be also subject to the risk of the failure of any exchange on which its positions trade or of their clearinghouses.

*Substantial Fees and Expenses.* Clients typically pay management fees, offering and organizational expenses, and operating expenses as set forth in their LPAs and other Governing Documents, whether or not they make any profits. While it is difficult to predict the future expenses of Clients, such expenses may be substantial. Please see Item 5 and Item 6 above for additional information on fees and expenses.

*Public Health Risk.* Certain countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and most recently, the coronavirus. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the countries in which the Fund may invest and thereby adversely affect the performance of the Funds' performance.

*General Market Risks.* Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during a Client's applicable term, may adversely impact Clients. The regulation of the U.S. and non-U.S. securities and futures markets and investment funds has undergone substantial change in recent years and such change will likely continue. The effect of such new regulations on Clients could be substantial and adverse and may, directly or indirectly, subject Clients to increased fees and expenses, as well as limits on the types of investors they may solicit.

Laws and regulations, particularly those involving taxation, investment and trade, applicable to the activities of a Client can change quickly and unpredictably, and may at any time be amended,

modified, repealed, or replaced in a manner adverse to the Client's interests. It is impossible to predict what, if any, changes in regulation applicable to Clients or GIG, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Clients and/or GIG may be or may become subject to unduly burdensome and restrictive regulation.

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

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

*Certain Third-Party Interests.* From time to time, GIG, GIM or their affiliates may undertake transactions that could have indirect consequences to GIG, GIM, or their Clients. It is not uncommon for investment managers to receive strategic or seeding investments from certain investors that make such investments, and GIG and GIM have participated in such arrangements in the past. In addition, GIG and GIM are currently two of several entities controlled by Mr. Tansey that are obligated, via Mr. Tansey's ownership interests in them, under a lending arrangement with Wilmington Trust, National Association as Administrative Agent for entities managed by Corbin Capital Partners L.P. (the "**Garrison Lenders**"), and Mr. Tansey has pledged certain of his interests, including certain management and incentive allocation streams from various Clients and equity interests in various general partners and managing members of such Clients, pursuant to his obligations under that agreement. It is possible, should Mr. Tansey, GIG, GIM, or their affiliates fail to comply with their obligations under such arrangement, that the Garrison Lenders could exercise their rights and take actions that could lead to changes in the economic incentives and ownership of GIG or GIM generally. Any such actions if taken by the Garrison Lenders would proceed subject to the terms of the Governing Documents for the applicable Clients.

### ***Methods of Analysis and Investment Strategies Related to CLOs***

During the "ramp-up" stage of CLO portfolio construction, the GIG Manager assembles a collateral portfolio consisting primarily of debt obligations, secured claims (including secured loans or bonds issued by corporations, structured products and other privately issued obligations), swaps and derivatives and other eligible instruments in each case meeting the investment

guidelines, qualifications, and rating requirements specified in each respective offering circular. The GIG Manager manages collateral through the maturity of debt obligations issued by the CLOs. The GIG Manager's ongoing functions with respect to the CLOs include instructing the trustees with respect to any acquisition or sale of the collateral and reinvestment of proceeds during the reinvestment period.

In determining which investments will make up the CLO's portfolio, individual investment positions are researched by one or more senior analysts, then discussed with the portfolio manager(s) in an iterative fact-finding process. Research includes extensive qualitative and quantitative analysis and is supplemented by reports from sell-side firms, independent analysts, and industry consultants; fundamental due diligence with companies and their partners, customers and competitors; event-oriented discussions with attorneys, lenders, accountants, investment bankers, and other investors; and review of public filings, including bankruptcy filings. This analysis is first conducted at the time of initial investment, and then subsequently assessed thereafter as part of the GIG Manager's quarterly review process.

Pre- and post-pricing for the CLO, the GIG Manager continues to monitor the CLO's holdings. In an effort to generate early warning indications of deteriorating credit quality, the management team actively monitors the portfolio on a daily basis. Actual issuer performance is gauged against key performance indicators established in the initial investment analysis process; generally updated as new information becomes available; and reviewed again by the team during the quarterly review. Actual financial performance and issue price performance are considered along with quantitative calculations to identify portfolio deterioration and possible "sale" positions. Although positions may be sold earlier to realize gains or to comply with the qualitative and quantitative requirements of the applicable CLO indenture, unless material new information is identified, investments are typically reduced or eliminated following performance deterioration.

### ***Risks Associated with CLOs***

In addition to the risks set forth above, CLOs have additional structural and regulatory risks. This summary does not attempt to describe all of the risks associated with an investment in a CLO. Although no summary can fully describe all of the risks associated with such an investment, the offering circular for a CLO contains a more complete description of the risks associated with an investment in that CLO.

*Material Risks Associated with Investment in Collateral Obligations by a CLO.* The assets of each CLO consist primarily of non-investment grade, middle- and upper-middle market leveraged loans and participation interests (the "***Assets***" or "***Collateral Obligations***"). The Collateral Obligations will generally be secured by substantially all of the assets of the related obligors. In addition to the risks described herein with respect to GIG's strategy, an investment in a CLO is also a leveraged and structured investment. Each CLO's Assets are subject to the lien of an indenture and each CLO is limited in its ability to purchase and sell Assets.

*Limited Liquidity and Recourse.* An investor's investment in a CLO is subject to the structure and terms of each CLO. Investors should have no expectation of a secondary market in notes issued by a CLO, or that markets would provide investors with liquidity. The notes issued by a CLO are

limited recourse obligations; investors must rely on available collections from the collateral pledged by a CLO, as issuer, pursuant to the indenture and will have no other source of payment.

*Subordination.* Payments on the senior-most class(es) of the CLOs' securities are subordinate to the payment of certain fees and expenses payable by us to other parties pursuant to the indenture. Payments of principal and interest on any junior class of securities are subordinated under the priority of payments to payments on any senior class of securities. To the extent any losses are suffered by any securities, those losses will be borne by each class of securities in order of subordination. Accordingly, any class of securities may not be paid in full and may be subject to 100% loss. In addition, the most subordinated class(es) of interests in CLOs' securities represent highly leveraged investments and will be most affected by any changes of market value of the collateral, including, but not limited to, defaults, prepayments and other risks associated with the collateral.

*Remedies.* If an event of default occurs under a CLO indenture, the controlling class (generally the most senior class of notes then outstanding) will generally be entitled to determine the remedies to be exercised under the indenture. The interests of the controlling class of a CLO may be adverse to those of the subordinated classes, and in pursuing this interest the controlling class will have no obligation to consider any possible effect on other interests. In addition, the junior-most class of securities is not generally entitled to exercise remedies under the indenture, nor is the trustee generally obligated to act on behalf of the holders of those securities.

*Sale of Collateral upon Default on the Securities.* If an event of default occurs under a CLO indenture, there can be no assurance that the proceeds of any sale of collateral will be sufficient to pay in full transaction expenses and principal and interest on the securities.

*Reinvestment Risk.* In certain circumstances, certain funds of a CLO will be reinvested in additional or substitute Assets. A number of factors, including the need to satisfy certain reinvestment criteria set forth in a CLO's indenture, may result in a lower yield on additional or substitute Assets. In addition, due to significant restrictions set forth in a CLO's indenture on the ability to buy and sell collateral, a CLO may be unable to buy or sell obligations or take other actions which might be in the best interests of the security holders in the absence of these restrictions.

*Early Termination of the Reinvestment Period.* Under certain circumstances, the period during which CLO assets may be reinvested may terminate earlier than scheduled in which case the return to the lower-ranking classes of CLO securities may be adversely affected, and the holders of higher-ranking classes may receive principal payments earlier than anticipated and at a time when reinvestments that offer the same level of return may not be available.

*Indirect Investments.* A substantial portion of the investments made by GIG Managers on behalf of its Clients are made through subsidiaries, and new Clients managed by the GIG Managers often invest in existing subsidiaries. Investments made indirectly through subsidiaries carry risks that direct investments do not carry. For example, indirect investments are structurally subordinate to direct investments in a bankruptcy or workout scenario. In addition, subsidiaries may have a duration, term or liquidity characteristics that differ from those of a client, which may affect a client's ability to receive capital or income distributions or in-kind.

*Impact of Securitization on a Client's Interest in Loans.* Assets that are held directly by a client or a subsidiary may later be contributed or sold to a CLO in connection with a securitization. Once held by a CLO, the underlying loan is no longer a direct investment and the risk-return profile is altered. In general, rather than holding interests in underlying loans, securitization results in the client holding interests in CLOs, with the CLO having legal title to the underlying loans.

*Acquisitions of CLO Subordinated Interests with Various Forms of Non-Cash Consideration.* The Funds investing in CLOs will not typically acquire its subordinated interests in new CLOs in exchange for a cash payment (or, if such cash payment is made, it may be made for a portion of the purchase price only). Rather, CLO subordinated interests may be acquired in any of the following ways: (i) receiving such CLO subordinated interests in exchange for equity securities associated with a warehouse or other financing facility of the CLO issuer, which is being paid off with the proceeds of the issuance of the CLO securities; (ii) receiving such CLO subordinated interests as “in kind” consideration in exchange for underlying loans being contributed (or deemed contributed) by, or transferred at the direction of, a Fund or its financing subsidiary to the CLO issuer, in order to collateralize the CLO transaction; or (iii) receiving such CLO subordinated interests as “in kind” consideration for underlying loans that were either already contributed inside (or deemed contributed) by, or already purchased in part from funds contributed (or deemed contributed) by a Fund or financing subsidiary to the CLO issuer. The manner in which a Fund or financing subsidiary will acquire its subordinated interests in each CLO will be determined in the sole discretion of the GIG Manager or an affiliate based on the facts and circumstances of that particular CLO and may not be disclosed to the client or its investors in connection with the CLOs.

*Transfers between Affiliated CLOs.* The GIG Manager or an affiliate may decide in its sole discretion to cause one CLO or other financing transaction in which Clients own equity interests to transfer loans to, or acquire loans from, another CLO or financing transaction in which Clients own or intend to acquire subordinated interests (each an “**Affiliate Finance Transfer**”). Such Affiliate Finance Transfers may be accomplished in a multitude of ways and in a number of different contexts, including to facilitate the completion of a new CLO or other financing transaction (e.g., the redemption, refinancing or replacement of an existing CLO or financing transaction with a new CLO or financing transaction).

For a variety of reasons, including administrative convenience, the GIG Manager or an affiliate may decide in its sole discretion, from time to time, based on factors it deems relevant at the time, to effect these Affiliate Finance Transfers for little or no payment of cash consideration, as transfers of “in kind” and/or as transfers for contributed consideration (or any combination or permutation thereof). In many cases, such Affiliate Finance Transfers will be effected through the payment or receipt of “in kind” consideration (e.g., the purchase price of the underlying loans transferred is offset or credited against the purchase price of the CLO securities acquired). In certain other cases, any cash payment amounts owed to or among a client and various CLOs and other financing transactions involved in the transaction will be netted against various other amounts so as to eliminate or offset some or all of the need for sending full cash payments back and forth among such parties. In the case of any or all of such Affiliate Finance Transfers, it may be the case that underlying loans are transferred or acquired between and among the parties to such transaction for a cash purchase price that may be more or less than the fair market value of such underlying loans,

with the difference in price being documented as, or deemed to be, a capital contribution, cash capital contribution, deemed dividend or any other form of equity capitalization, as applicable.

For a variety of reasons including administrative convenience, the GIG Manager or an affiliate may decide in its sole discretion, from time to time, based on factors it deems relevant at the time to cause the transfer or acquisition of any loans or other assets to be effected in a multitude of ways depending upon the context. For example, some underlying loans may be transferred directly from one or more entities which are party to such Affiliate Finance Transfers, thereby bypassing one or more intermediate steps or transfers that would technically or otherwise be required. In addition, in certain instances such transfers may be effected through the means of a participation or master participation interest in such underlying loan or portfolio of underlying loans, which interest may be required to be elevated to a full assignment within a specified period of time and expose one or more of the selling parties to the requirement to repurchase or indemnify the buying parties for losses in connection with such failure. Each of such methods of transferring or acquiring underlying loans could expose a Client to further risk of loss in connection with these Affiliate Finance Transfers.

The exact payment, transfer or acquisition method employed in any Affiliate Finance Transfer will vary from transaction to transaction and will likely not be explicitly disclosed directly to the Clients' investors on any particular transaction. In some cases, these will involve principal transactions as described in, and subject to the requirements of, Section 206(3) of the Investment Advisers Act of 1940, as amended (the "*Advisers Act*"). For additional information, please refer to Item 11, "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*".

*Risk Retention Requirements.* In October 2014, joint Federal regulators (including the SEC) adopted final regulations implementing the credit risk retention requirements of Section 15G of the Securities Exchange Act of 1934, as amended by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "*U.S. Risk Retention Rules*"). The U.S. Risk Retention Rules, along with similar rules applicable in the European Union (the "*EU Risk Retention Rules*") are referred to herein as the "*Risk Retention Rules*". The Risk Retention Rules generally require securitizers of asset-backed securities, including collateral managers of CLOs, to retain not less than 5% of the credit risk of the assets collateralizing such asset-backed securities (the "*Retention Interest*") unless an exemption applies. There has been no explicit guidance regarding how entities may be structured for this purpose, and therefore the regulatory environment in which the CLOs intend to operate is highly uncertain. The GIG Managers of securitization transactions may be subject to the Risk Retention Rules and, if the Risk Retention Rules are applicable with respect to a securitization transaction, the GIG Manager is expected to comply therewith. The GIG Manager may enter into a financing arrangement to finance its risk retention position in accordance with the Risk Retention Rules. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by GIG or any GIG Manager, and the manner in which it expects to hold Retention Interests, will satisfy the Risk Retention Rules. If such transactions, structures or arrangements are determined not to comply with the Risk Retention Rules, we could become subject to regulatory action. The impact of the Risk Retention Rules on the securitization market is also unclear, and such rules may negatively impact the value of the CLOs and their underlying assets.

*Risks Related to Transition Plan.* GIG Managers are winding down certain lending and structured credit Funds and, in accordance with the respective Governing Documents, are evaluating the most prudent way to maximize the value of the remaining portfolio investments. As a result, GIG Managers have commenced a transition plan that includes, among other things, retention agreements and outsourced services including accounting and financial operations, through this transition period. While GIG Managers believe that its transition plan is appropriate, there are risks that such transition and operational changes will negatively impact client portfolios including increased costs and the risk of loss. GIG Managers seek to minimize this risk through active evaluation and implementation of its transition plan, which is subject to change, and adherence to Clients' Governing Documents, as applicable.

## **Item 9. Disciplinary Information**

On September 13, 2019, GIG and GCA entered into an order (the "Order") with the SEC. Without admitting or denying the findings in the Order, the SEC found that from 2012 through 2016, GIG and GCA structured series of loan transactions in which GCA's client, GARS, participated alongside GIG's private fund clients and third-party co-investors ("Co-Investors"). The Order stated, on November 21, 2012, GIG and GCA sought relief from the SEC to allow GARS to participate in loan transaction with certain private funds managed by GIG and its affiliates. While the application and several amendments were pending, GIG and GCA effected nine loan transactions involving the private funds, GARS, and Co-Investors. On December 11, 2014, GIG and GCA submitted to the SEC their sixth amended and restated application for an order. That application, in violation of 34(b) of the Investment Company Act, omitted certain entities that would participate in the loan transactions from the list of applicants and did not state that GIG would receive the Co-Investors' pro rata share of the upfront fee revenue, per agreement with the Co-Investors. On January 12, 2015, the SEC issued an order ("Co-Invest Order") that allowed GARS to participate in loan transactions with affiliates if GIG and GCA complied with certain conditions. GIG and GCA effected an additional seven loan transactions after the Co-Invest Order was issued but did not comply with the Co-Invest Order due to the participation of the parties not listed in the application and because Co-Investors paid GIG their pro-rata portion of the upfront fee revenue for services performed by GIG. By effecting the nine loan transactions while the application was pending and the seven loan transactions after the Co-Invest Order was issued, GIG and GCA were found to have violated Section 57(a)(4) of the Investment Company Act and Rule 17d-1 thereunder. Furthermore, the Order states, from at least October 2010 to April 2017, GIG violated Advisers Act Section 206(4) and Rule 206(4)-2 thereunder because a GCA and GIG affiliate maintained custody of client assets without subjecting it to a surprise examination by an independent public accountant and because GIG pooled advisory client assets in a bank account with its own fee revenue. The Adviser agreed to the terms of the settlement and paid a civil money penalty in the amount of \$250,000. The SEC's Order notes that, in determining to accept the offer, the SEC considered certain remedial acts undertaken by the Adviser and cooperation afforded to SEC staff.

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

Our relationships and arrangements with our affiliates and principals are material to our advisory business and may raise conflicts of interest. Our affiliates and principals currently, and may in the future, manage investment funds, accounts, or other investment vehicles with investment objectives similar to those of our Clients, or serve or may serve as officers, directors, or principals



of entities that operate in the same, or a related, line of business. To address conflicts of interest (actual and apparent) and to fulfill GIG's fiduciary duties to each of its Clients, among other things, we intend to allocate investment opportunities in a manner that is fair and equitable over time and is consistent with our Investment Allocation Policy.

Conflicts Associated with Affiliated Advisers. GIG, GLM and GCA and, as applicable, our respective relying advisers (collectively, the "*Garrison Group*"), advise numerous private funds, CLOs and a BDC. Each of GIG, GLM, and GCA is separately registered as an investment adviser with the SEC, and information concerning each entity and its relying advisers (if any) is included in its own separately-filed Form ADV.

Conflicts Relating to Time and Resources of Investment Professionals. GIG has entered into a staffing agreement with certain of its affiliates, including GCA, GLM, GMMF II, GIG Miramar, and GMM II, pursuant to which GIG has agreed to make certain of our investment professionals available to GCA, GLM and GMM II. In light of this arrangement, our investment professionals participate in the management of portfolios of more than one advisory client and perform work simultaneously for us and our affiliated investment advisers. While our principals and employees will devote as much of their time to our Clients as is reasonably required to perform their duties, they will not devote their entire time and attention to the affairs of any particular Client or Clients. In light of the foregoing, we may have conflicts of interest in the allocation of time and resources of our personnel between and among our Clients.

Conflicts Relating to Financial Interests in Advisory Clients. Clients and advisory clients advised by GLM or GCA may compete for the same investment opportunities as those sought by GIG Clients, and, in connection therewith, a conflict may arise. To the extent each of these advisory clients have different economic structures, the Garrison Group could have an incentive to favor the advisory client(s) that are most likely to pay performance compensation and/or that pay higher management fees. To mitigate this risk, we have adopted the Investment Allocation Policy and procedures applicable to the allocation of investment opportunities, as further discussed below in Item 11.

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

Conflicts Relating to Advisory Clients with Overlapping Investment Strategies. Certain inherent conflicts of interest arise from the fact that: (1) the GIG Managers will provide investment management services to more than one Client; and (2) Clients may have one or more overlapping investment objectives. Also, the portfolio strategies employed by the GIG Managers for current Clients and by GIG Managers for future Clients could conflict with one another, and may affect the prices and availability of the securities and other assets in which such Clients invest. Certain Clients have similar investment strategies, and participation in specific investment opportunities may be appropriate for more than one Client. In such cases, participation in such opportunities will be allocated pursuant to GIG's investment Allocation Policy and procedures, as further discussed below in Item 11—*Code of Ethics, Participation or Interest in Client Transactions and*

*Personal Trading*—Allocation of Investment Opportunities. Such considerations may result in allocations of certain investments among the Clients on a basis other than *pro rata*.

Conflicts Relating to Service by GIG Personnel to Portfolio Companies. Pursuant to the Code of Ethics, with the permission of the CCO, GIG personnel may serve as directors of portfolio companies, which may give rise to potential conflicts between such personnel's duties to the portfolio company and their duties to GIG and its Clients.

Conflicts Relating to Valuation. Valuations, and particularly valuations of private investments and private companies, require judgment, are inherently uncertain, may fluctuate over short or long periods of time and may be based on estimates and a variety of assumptions. Our determination of fair value may differ materially from the values that would have been used if an active market for these investments existed, which is not the case. If our determinations regarding the fair value of the investments were materially higher than the values that were ultimately realized upon the sale of such investments, their value may be affected. With respect to certain Funds, because the Carried Interest payable to us or our affiliate will be based, in part, on valuations of assets and performance, we could have an incentive to assign valuations that may be higher than could be, or ultimately are, realized upon sale. We have adopted the Valuation Policy to mitigate conflicts associated with the valuation of our investments. Further, the majority of Funds do not pay Carried Interest based on unrealized investments.

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

Governing Documents will not act as a waiver on the part of such Client's investors of any of their rights under applicable U.S. securities laws, the Employee Retirement Income Security Act of 1974, as amended, or other laws the applicability of which is not permitted to be waived, the application of the foregoing standards may result in such Client bearing significant financial losses even where such losses were caused by the negligence (even if heightened) of such covered persons. Such financial losses may have an adverse effect on the returns to the applicable Client's investors, and, if the Client's assets are insufficient to satisfy such Client's indemnification obligations, its investors may be required to return amounts distributed to them, subject to any limitations set forth in such Client's LPA and other Governing Documents.

Conflicts Relating to Regulated Entities. GIG, GIM, and certain of our affiliates are investment advisers registered with the SEC. Garrison Capital Inc. is a publicly traded BDC. Garrison Investment Group International Advisors LLP is authorized with the U.K. Financial Conduct Authority. In connection with such registrations and memberships and otherwise in connection with our investment business, we, in the ordinary course of business, are subject to requests for information, inquiries and informal or formal investigations by a wide variety of regulatory bodies both in the United States and abroad, including, but not limited to, the SEC, with which we routinely cooperate. Because we have many asset management and advisory businesses and operate on an international basis, we may be subject to greater regulatory oversight than we would be absent our affiliation with such businesses.

Conflicts Relating to the Use of Certain Software Platforms. In connection with the acquisition, management and disposition of investments on behalf of our Clients, we expect to utilize a commercial real estate software platform in which certain of our affiliates hold an economic interest. As a result, we would have a conflict of interest in negotiating fees related to the use of this platform, and in determining whether to use this platform over other similar types of available software packages.

Conflicts Relating to the Use of Subscription Facilities. We may, and likely will, on behalf of our Clients, borrow money, including in the form of subscription facilities, to reduce the applicable Client's need to hold cash or investments in order to make investments, pending the receipt of required capital contributions from Clients or available cash from other investments. Any such borrowings are expected to be secured by the applicable Client's unfunded capital commitments. Any subscription facility entered into pursuant to the foregoing may be secured by (i) a pledge by the Fund of, or other security interest in, all or a portion of the aggregate Commitments of all investors and the Fund's right to receive capital contributions and (ii) a pledge by the applicable General Partner of all or a portion of, or grant of other security interest in, its rights contained in the LPA and the Governing Documents including, without limitation, the right to deliver capital call notices and to enforce all remedies against investors that fail to fund their respective unfunded commitments pursuant to the LPA and the Governing Documents. Clients and/or Fund investors may be required to confirm that their capital contribution obligations are unconditional, to provide financial information to such lender(s) or agents and to execute other documents required to obtain such facility. The use of a subscription facility will increase the vehicle's overall leverage until such subscription facility is finally and fully repaid. In addition, prior to the repayment of a subscription facility, the Fund will incur interest expenses that will be borne by the investors. The use of a subscription facility represents a potential conflict of interest

in that such use delays the drawdown of capital contributions and potentially increases the Client's internal rate of return on capital contributions when drawn, making it more likely that the Client (or Fund, as appropriate) will generate distributions in excess of each investors preferred return, while such investor(s) bear the associated interest expenses and their commitments provide credit support for the subscription facility.

### Conflicts Procedures

We have adopted our Code of Ethics (described in Item 11 below) and the Conflicts of Interest Policy and procedures to address potential conflicts among our various Clients (collectively, the “**Conflicts Procedures**”). These Conflicts Procedures, which may be modified from time to time at our sole discretion, may require prior review or approval of certain transactions by the CCO and/or General Counsel. Additional procedures for addressing conflicts may be contained in the Governing Documents of our Clients. With respect to certain conflicts of interest including affiliate transactions, the Governing Documents may provide for consultation regarding or approval of such transactions by a person or body such as a trustee, a board of directors, or an advisory committee comprised of representatives of certain of the underlying investors in a Fund. Our Conflicts Procedures, together with the provisions of the relevant Governing Documents, may limit our ability to buy or sell a security or otherwise participate in an investment opportunity, or to take other actions that we might consider to be in the best interests of a Client and its underlying investors.

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

### Code of Ethics and Personal Trading

As an investment adviser, GIG owes a fiduciary duty to its Clients. Accordingly, we adopted a Code of Ethics pursuant to the Advisers Act which provides that GIG and its employees must not act or behave in any manner or engage in any activity that (i) gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any Client, (ii) creates any undisclosed and/or unaddressed actual or potential conflict of interest, or even the appearance of an undisclosed and/or unaddressed conflict of interest, between any Client, on the one hand, and GIG or any employee, on the other hand, or between Clients, or (iii) creates even the suspicion or appearance of the misuse of material non-public information. We seek to foster and maintain a reputation for honesty, integrity, and professionalism.

The Code of Ethics sets forth standards of ethical and business conduct expected of GIG's personnel, and addresses conflicts that may arise from personal trading by such personnel. The Code of Ethics, among other things, prohibits certain personal securities transactions, requires GIG personnel (and their respective immediate family members) to periodically report their personal securities transactions and to preclear certain securities transactions (including initial public offerings and private placements), and addresses prevention of insider trading and access to and the misuse of material non-public information. GIG maintains records of all discretionary personal securities accounts of its employees in order to monitor all such personal investment activity. All such persons are restricted (absent the preclearance requirement described above) from purchasing or selling securities for their own accounts that are held in Client accounts or being considered for

purchase or sale in Client accounts. The Code of Ethics also includes, among other items, requirements related to confidentiality, pre-clearance of political contributions, and pre-clearance of outside business activities.

The Code of Ethics will be provided free of charge upon request to any Client or Fund investor or potential Client or Fund investor by contacting our CCO at (212) 372-9500.

#### Participation or Interest in Client Transactions

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

Except in exceptional circumstances and only with the prior approval of the General Counsel, CCO and in accordance with the applicable Governing Documents, we and our personnel do not purchase any securities for our own accounts from, or sell any securities for our own accounts to, Clients. However, from time to time, subject to applicable Client investment guidelines, CLO indentures and/or regulatory restrictions and our Principal Transactions & Cross Trades Policy, we may direct one Client to sell securities to another Client through a cross transaction (see further information in this regard in Item 6). These “cross transactions” also may occur with other Clients, such as managed accounts or co-investment vehicles. Cross trades may be executed as an “internal cross” where the Fund may book the transaction at a price determined in accordance with GIG’s valuation policies, or, if required by a client of GCA, procedures allowable under the 1940 Act. No fees will be charged to Clients in connection with the completion of a cross trade.

Cross transactions and principal transactions may give rise to conflicts of interest. For example, one Fund could be advantaged to the detriment of another Fund in the event that the securities being exchanged are not priced in a manner that reflects their fair value. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Funds by GIG and its personnel, GIG will comply with the requirements of Section 206(3) of the Advisers Act and the Governing Documents of such Fund. In all cases, any proposed cross transaction must be determined to be advantageous to each of the Clients involved in the transaction and is subject to the approval of the General Counsel in consultation with the Chief Financial officer in accordance with our Principal Transactions and Cross Trades Policy.

With respect to certain Clients, the pertinent General Partner or Managing Member may appoint (in certain instances, subject to the consent of a majority of the unaffiliated Fund investors) one or more independent investor representatives to provide a mechanism for approving a cross-trade or the valuation of a cross-trade, such as an advisory board comprised of investors in the particular Fund that are unaffiliated with GIG. If necessary, a third-party valuation agent may be engaged in order to validate the pricing in connection with a cross trade. In situations in which consent is required from a financing subsidiary or a CLO in connection with a principal trade, consent generally will be obtained from the contracted professionals or an independent reviewer appointed by such financing subsidiary or CLO, as applicable, and not the indirect investors of interests of

the financing subsidiary or CLO (including private funds) or the conflicts committee of any indirect investors.

### Allocation of Investment Opportunities

GIG attempts to act in a fair and reasonable manner in allocating investment and trading opportunities among GIG's Clients, considering both the best interests and specific restrictions of the Clients. GIG intends to ensure that each investment is appropriate for each account in light of the characteristics of the specific investment and the overall portfolio composition of such Client. Although the allocation of investment opportunities among Clients may create potential conflicts of interest because of the interests of GIG or because GIG may receive different fees or compensation from its Clients, the allocation decisions will not be based on such interests, fees or compensation.

In connection with the purchase or disposition of an investment, we will generally reasonably attempt to effect trades simultaneously for multiple advisory clients including advisory clients of our affiliates. Such purchases and sales will generally be aggregated for the benefit of all participating advisory clients and allocated. Where an investment opportunity is suitable for two or more advisory clients of the Garrison Group, such investment opportunity will be allocated among advisory clients in accordance with our Investment Allocation Policy. The Investment Allocation Policy and procedures are designed to achieve equitable allocation of investment opportunities among GIG's Clients and other advisory clients of the Garrison Group over time, such as allocating the investment *pro rata* to each client. However, due to the nature and transaction timing of many investment opportunities, as well as specific investment mandate and guidelines of each Client and separate investment teams, *pro rata* allocation and/or aggregation of investment opportunities among advisory Clients may not always be feasible. Within the overall parameters, consideration is given to account investment objectives, strategies and guidelines, account constraints and restrictions, account size, diversification, cash availability, liquidity constraints, tax issues, exposure to asset classes, ramp-up or ramp-down status, investment time horizon and other factors, including, where appropriate, the value of having round lots in the portfolio. In particular, GIG has in the past and currently intends in the future in certain circumstances to over-allocate certain instruments to certain client accounts (in particular CLOs) during an initial period at the beginning of such clients' investment cycle. Such allocations may reduce the supply of such instruments available to other client accounts. The Investment Allocation Policy provides for a multi-step approach and contemplates, in summary, when determining allocations, the following factors, among others, will be considered: the relative size of the advisory Client's account, available cash for investment, investment objectives and restrictions, investment horizons, liquidity considerations, legal and regulatory restrictions, purchases or sales to reach target position sizes, availability of trading accounts for all clients, risk tolerance, the possibility to participate in future investment opportunities, leverage limitations, and the expected capacity of the Client.

## Item 12. Brokerage Practices

### Best Execution

We focus on making investments on behalf of our Clients in private securities, and therefore we do not typically transact with any financial intermediary such as a broker-dealer, and brokerage commissions are not ordinarily payable in connection with such investments. However, to the extent that we transact in public securities or utilize a financial intermediary in connection with investments in private securities, we have the sole discretionary authority to direct trades for the Funds, and may recommend broker-dealers and counterparties for any separately managed accounts with respect to which we do not exercise discretion. While the transactions in which we engage do not typically require the use of broker-dealers, to the extent a broker-dealer is used to execute securities transactions for any Client, we are subject to a duty to seek best execution for such securities transactions given the specific circumstances of the particular transaction.

To comply with our duty to seek best execution, we have adopted our Best Execution Policy and procedures which provide that, in selecting broker-dealers, GIG will use its reasonable efforts to obtain best price and execution and will consider factors, including but not limited to, (i) quality of execution, (ii) any conflicts of interest regarding a trading counterparty, (iii) reputation, financial strength and stability of the broker-dealer, (iv) overall costs of a trade and (v) willingness to execute difficult transactions. To the extent applicable, the GIG Managers will also consider the above factors in selecting and approving counterparties that may be used in connection with transactions for Clients.

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

### Soft Dollar Benefits

We do not currently have any formal soft dollar arrangements or receive soft dollar credits from brokers and, pursuant to our Soft Dollar Arrangements Policy, no soft dollar arrangements may be entered into without the prior written approval of the CCO. However, we may receive proprietary research from broker-dealers used to execute securities transactions. To the best of our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. We do not separately compensate such broker-dealers for the research and do not believe we pay higher transaction costs to receive such services. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by the Clients or the volume of business that we direct to such broker-dealers. Nonetheless, we may have an incentive to select a broker based on our interest in receiving the research or other

products or services offered by such broker, rather than on the Clients' interest in receiving most favorable execution.

GIG may in the future decide to select a broker-dealer based upon research and related products or services or brokerage products or services provided to us or our Clients. In such cases, such research and related products or services or brokerage products or services furnished by brokers will be limited to services that constitute "research" or "brokerage" within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended.

### Trade Errors

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

### Aggregation of Trades

We may, but are not required to, aggregate sales and purchase orders of securities being made simultaneously for more than one Client, if, in our reasonable judgment, such aggregation will result in an overall benefit to the participating Clients. When trades are aggregated, the investment will be allocated in accordance with our Investment Allocation Policy (See Item 11 above for a description of the Investment Allocation Policy).

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

*Review of Accounts.* GIG personnel serve on the firm's investment committee which is involved in each step of the investment process. In addition, the senior investment personnel and asset managers across the Funds managed by GIG engage in ongoing monitoring of each investment. The key decisionmakers relating to a particular investment varies from Client to Client, however, in any event, Mr. Tansey holds an overriding vote for all Client transactions. The investment committee and/or asset managers typically meet one to two times per week or otherwise as needed based on then prevailing facts and circumstances in accordance with GIG's Portfolio Investments & Portfolio Management Policy. All GIG personnel are invited to attend any meetings of the investment committee.



*Reports to Clients.* Clients and underlying investors typically receive (i) annual audited financial statements and tax information necessary for completion of their tax returns; and (ii) monthly updates, quarterly reports and net asset value statements describing investment performance and/or net asset value for the relevant reporting period. CLO investors receive monthly reports from the CLO trustee. GIG may also furnish additional information as Clients and underlying investors may reasonably request. Any separately managed accounts will receive reports as set forth in the pertinent investment advisory agreement.

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

We do not currently compensate any person who is not a supervised person, including solicitors or placement agents, for investor referrals. However, GIG may enter into compensation arrangements with solicitors for investor referrals to the Funds. These solicitation arrangements are subject to pre-clearance by the CCO in accordance with our Solicitor and Finders Policy and will be disclosed to affected investors and otherwise comply with Rule 206(4)-3 under the Advisers Act. Generally, the terms of such arrangements are for GIG or for the applicable Fund to pay the solicitor or placement agent a placement fee equal to a percentage of the capital commitment made by each investor introduced to a Client by the solicitor or placement agent, however, if the Client bears such fee, any Management Fees otherwise payable by such Fund to GIG will typically be reduced on a dollar-for-dollar basis by the amount of such fee. Solicitors that solicit or refer potential Clients or investors to GIG are subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

#### **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “*Custody Rule*”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities of a Client.

*Funds.* We are deemed to have custody of Fund assets because we (or our affiliate) serve as general partner or managing member of each of the Funds. Fund investors do not receive account statements from the custodian; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor no later than 120 days after the end of each Fund’s fiscal year.

*Separately Managed Accounts.* We do not maintain custody of (or have access to) funds and securities contained in any separately managed account where the assets of such account are held on the balance sheet of the investors in such account.

In the event that GIG has custody of Client assets or is deemed to have custody of Client assets, GIG may obtain an audit or alternatively undergo a surprise examination under the Custody Rule.

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

Except in limited instances with respect to certain separately managed accounts, GIG has full discretionary authority with respect to investment decisions by or for Clients, and its advice with respect to the Funds is provided in accordance with the investment objectives and guidelines set forth in their respective LPAs and other Governing Documents. The LPAs and other Governing

Documents of the Funds generally place limitations on GIG regarding its management of the Funds, including but not limited to (i) the percentage of aggregate capital commitments that a particular Fund may invest in a single investment, (ii) the amount of leverage that a particular Fund may incur in connection with its investments, and (iii) the percentage of aggregate capital commitments that a particular Fund may invest outside of the United States. Investors in the Funds may also negotiate with the applicable General Partner or Managing Member in side letter agreements for more specific limitations applicable to such investor, such as prohibited investments in specific countries, industries or sectors. Pursuant to the management agreement entered into by the GIG Manager and the relevant Fund, the applicable GIG Manager is delegated the authority to consummate investments on behalf of that Fund.

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

The GIG Managers have voting authority and responsibility with respect to securities held by the Funds and may have voting authority with respect to securities held by other Clients, and we have adopted a Proxy Voting Policy and corresponding procedures to comply with Rule 206(4)-6 under the Advisers Act and with their fiduciary obligations. In addition to proxy solicitations in connection with equity securities of traditional operating companies, the policy provides that proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

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

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

Our Clients can obtain a copy of our Proxy Voting Policy and voting procedures and information on how we have voted proxies or made determinations by contacting our CCO at (212) 372-9500.

## **Item 18. Financial Information**

*Balance Sheet.* We are not required to attach a balance sheet because GIG does not require or solicit the payment of fees six months or more in advance.

*Contractual Commitments to Our Clients.* There is no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to its Clients.

*Bankruptcy Petitions.* We have never been the subject of a bankruptcy petition.