

Glendon Capital Management L.P.

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This brochure provides information about the qualifications and business practices of Glendon Capital Management L.P. If you have any questions about the contents of this brochure, please contact us at (310) 907-0450 or at office@glendoncap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Glendon Capital Management L.P. is registered with the U.S. Securities and Exchange Commission (the "SEC") as an Investment Adviser. Registration as an Investment Adviser does not imply any level of skill or training. The verbal and written communications of an Investment Adviser provide you with information from which you determine to hire or retain an Investment Adviser.

Additional information about Glendon Capital Management L.P. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Except for updates to the material risk disclosures (Item 8) based on market and regulatory events and the client referral disclosures (Item 14) based on the amendment to the marketing rule under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), there have been no other material changes to this brochure since the last annual update filed with the SEC on March 31, 2022.

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Item 4 – Advisory Business

Glendon Capital Management L.P. (“GCM”, “Glendon”, or the “Firm”) is a limited partnership organized under the laws of the state of Delaware and is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser. GCM is owned by Matthew Barrett, Holly Kim, Christopher Sayer, Alexander Thain, Christopher Delaney, Brian Berman, Michael Keegan and Glendon Employee Company M, LP. Other than Mr. Keegan, who retired in 2021, all of GCM’s individual owners are active in managing the business of GCM (such active partners, the “Glendon Partners”). Messrs. Barrett, Sayer and Thain and Ms. Kim are members of the Glendon Investment Committee.

GCM was founded by Matthew Barrett, Holly Kim and Brian Berman, among others, and commenced operations on April 26, 2013. Christopher Sayer became a Partner on January 1, 2018. Alexander Thain and Christopher Delaney became Partners on October 1, 2021. Prior to forming GCM, Messrs. Barrett and Berman, and Ms. Kim (the “Founding Partners”) were the Managing Directors of Barclays Asset Management Group (“BAMG”), a subsidiary of Barclays Bank PLC (“Barclays”). The Founding Partners had previously worked together as Managing Directors of the Oaktree Capital Management Opportunities Fund (the “OCM Opportunities Fund”) investment team. From 2007 – 2014, the Glendon Partners and certain members of the Glendon Investment Team (as defined below) managed an account for Barclays (the “Barclays Account”). The Partners are supported by additional investment professionals (together with the Glendon Partners, the “Glendon Investment Team”).

GCM is focused primarily on investing in credit opportunities and other special situations resulting from markets experiencing distress or dislocation, as well as adjacencies to those markets. Clients (as defined in the immediately following paragraph) may invest in and hold a variety of instruments, including, but not limited to, bank loans, public and private corporate bonds, municipal and sovereign debt, asset-backed securities, bankruptcy claims, equity securities received in connection with debt restructurings or otherwise (including, occasionally, through initial public offerings), and investments in private equity. Clients may also hold a variety of derivative instruments or short positions for investment and hedging purposes. GCM provides advisory services as described in the investment program of each Client’s Governing Documents (defined below) or as set forth in the advisory contract with such Client. Please refer to Item 8 for a more detailed description of our investment strategies and the types of investment instruments held by our Clients.

GCM acts as the investment manager to Glendon Opportunities Fund, L.P. and its associated feeder funds (“G1”), Glendon Opportunities Fund II, L.P. and its associated feeder funds (“G2”), and to certain separately managed accounts of institutional investors. In the future, GCM may provide discretionary or non-discretionary investment advisory services to other investment funds (collectively with G1 and G2, the “Funds”) and separate account clients (collectively with the managed accounts of institutional investors, the “Separate Accounts”).

and together with the Funds, the “Clients”).¹ The Funds may use master-feeder structures, parallel funds, alternative investment vehicles or other structures. To the extent that such structures are employed, references to a particular Fund will mean collectively the associated master fund, feeder funds and/or any parallel funds or alternative investment vehicles. GCM tailors its advisory services as described in the investment program of each Fund’s private placement memorandum and organizational documents (collectively, “Governing Documents”) or the advisory contract with each Separate Account client (each, an “Account Agreement”), as applicable. Investors and prospective investors are urged to consult such the applicable Governing Documents or Account Agreements for more complete information about the investment objectives and investment restrictions with respect to a particular investment program. In managing assets for a particular Fund, GCM may enter into “side letters” or other arrangements with certain investors of a Fund granting such investors certain specific rights, benefits or privileges that are not made available to other investors.

GCM also provides investment advice to Altair Global Credit Opportunities Fund (A), LLC on a sub-advisory basis and may sub-advise other third-party Funds in the future.

Glendon does not participate in any wrap fee programs.

As of December 31, 2022, GCM managed regulatory assets of \$4,446,651,750 on a discretionary basis (approximately \$4.1 billion AUM).² Of this amount, (i) approximately \$549 million was attributable to G1, including undrawn capital commitments available for follow-on investments as permitted by G1’s Governing Documents, (ii) \$3.8 billion was attributable to G2, including undrawn capital commitments, and (iii) approximately \$80 million was attributable to other GCM client accounts.

Item 5 – Fees and Compensation; Expenses

Potential Fund investors and Separate Account clients should review the applicable Governing Documents or Account Agreements in conjunction with this brochure for more complete information about the fees and compensation payable and expenses reimbursable to GCM. GCM does not currently have a fee schedule. Fees payable to GCM under its Separate Account arrangements are generally subject to negotiation. Fees payable to GCM with respect to its Funds may be waived or modified by GCM in its sole discretion with respect to certain investors, as more fully disclosed in the applicable Fund’s Governing Documents.

The specific manner by which GCM will charge fees to a Fund or a Separate Account will be established in the applicable Governing Documents or Account Agreements. Our fees will generally consist of a management fee which will be billed on a quarterly basis payable in

¹ As of the date of this brochure, GCM has activated its third private fund, Glendon Opportunities Fund III, L.P. (“G3”); however, as of December 31, 2022, GCM was fundraising for G3 and had not yet advised on the investment of any capital of G3. G3 will have a substantially similar investment strategy to G1 and G2.

² The amounts set forth in this paragraph do not include the assets of G3, which had not been activated as of December 31, 2022.

advance, and performance-based compensation that may take the form of a performance fee billed on an annual basis, an incentive allocation or a carried interest distribution. Subject to the applicable Governing Documents or Accounts Agreements, accounts initiated or terminated during a calendar quarter may be charged a prorated fee. Upon termination of the relationship with any Separate Account client or Fund investor, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

GCM's fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses, which shall be incurred and paid by the Client. Clients will incur and pay certain charges imposed by custodians, brokers, fund administrators, and other third parties, including, but not limited to, fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to GCM's fees, and GCM shall not receive any portion of these commissions, fees and charges. Additionally, GCM will, depending on the terms of the applicable Governing Documents or Account Agreement, charge for research expenses (including, but not limited to, Bloomberg terminal access and general industry or sector research that may not be specific to a particular investment), investment-related attorneys' fees and expenses, for other investment-related advisory fees, including the use of "expert network" consultants, and other due diligence related expenses (including, but not limited to, GCM staff travel that is investment-related).

The expenses referred to herein (and as more fully set forth in the applicable Governing Documents and Account Agreements) will be charged regardless of whether an investment is made and will be allocated on a fair and equitable basis where more than one GCM Client invests or potentially would have invested. GCM generally will allocate investment-related expenses based on each Client's relative holdings of such investment(s) as of the end of the quarter in which the expense was paid. GCM may adjust such allocation, however, as it deems appropriate to account for disproportionate changes in the relative holdings among the Clients. For expenses relating to a potential investment that has not been made (including broken deals and general research in industries or sectors where an investment has not yet been made), GCM generally will allocate such expenses based on each Client's expected participation in the potential investment(s). In addition, in some cases, GCM will allocate expenses associated with industry or sector research expenses based on each Client's relative holdings of investments in such industry or sector. Item 12 further describes the factors that GCM considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (*i.e.*, commissions).

In addition to the fees and expenses described above, investors in Funds and Separate Account clients will be subject to additional expenses associated with managing, operating or servicing a Separate Account or Fund, as applicable. Potential Fund investors and Separate Account clients should consult the relevant Governing Documents or Account Agreement for a more complete discussion of the fees, expenses and other compensation arrangements to which such Clients and investors will or may be subject.

Item 6 – Performance-Based Compensation and Side-By-Side Management

GCM charges performance-based compensation to the Funds and the Separate Accounts, which may take the form of performance fees, incentive allocations or carried interest distributions. Performance-based compensation is subject to individualized agreements with each Client. GCM will structure any performance-based compensation to comply with Section 205(a)(1) of the Advisers Act and Rule 205-3 thereunder. Performance-based compensation arrangements may create an incentive for GCM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such performance-based compensation arrangements also create an incentive to favor Clients that pay higher performance-based compensation over other Clients that pay lower or no performance-based compensation in the allocation of investment opportunities. GCM has adopted policies and procedures designed to ensure that all Clients are treated fairly and equitably, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

The amount of performance-based compensation, if any, varies amongst our Clients. In addition, performance-based compensation will be paid by Clients at different times such as annually or upon distributions exceeding various thresholds. Any given performance-based compensation may be more or less advantageous for a particular Client depending on performance and timing of distributions.

Item 7 – Types of Clients

As stated above, GCM provides portfolio management services to the Funds and the Separate Accounts. GCM expects to provide portfolio management services to other private investment funds in the future and, potentially, other separately managed account clients, including, but not limited to, accounts for institutions such as banking organizations, foreign investment companies, educational endowments, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, trust programs, sovereign funds, foreign funds, and other U.S. and international institutions. GCM will also offer its services to registered investment companies, high net worth individuals, and family offices. The minimum separately managed account size that GCM will manage is typically \$100,000,000.

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

GCM's staff integrates experienced professionals in all of the disciplines that are critical to successful analysis of distressed debt, including accounting, law, bankruptcy, capital markets and fundamental credit and securities analysis. They combine extensive experience in distressed bank debt, defaulted securities and bankruptcy situations with proven expertise in valuing companies and assets, negotiation and restructuring. However, investing in distressed debt and special situations involves risks that are more fully discussed in Item 8.B below. There can be no assurance that a Client's investment return objectives will be achieved or that substantial loss of a Client's investment principal will be avoided. Clients should be prepared to bear the loss of all of their investment principal managed by GCM.

A. Methods of Analysis and Investment Strategies

GCM's investment strategy is to seek to execute credit and equity investments in markets experiencing distress and dislocation as well as adjacencies to those markets. This strategy seeks to exploit the cyclical nature of credit markets and the assets financed by traditional credit investors. Investment in debt and equity securities involves risk of loss that investors in a Fund or Separate Account Clients must be prepared to bear.

This brochure describes our investment process, which is subject to further refinement and development by GCM and its Investment Team. This summary should not be interpreted to limit in any way GCM's investment strategies or activities. GCM may offer advisory services, provide advice with respect to any investment strategy (whether or not described in this brochure), and make any investments (including those not described in this brochure) that GCM considers appropriate subject to each Client's stated investment objectives and guidelines.

The foundational tenets of Glendon's investment philosophy, applied across industries, markets and cycles, are built upon Glendon's beliefs that:

- The cyclical nature of distressed markets is best exploited by matching investable capital to the distressed opportunity set.
- Extended periods of low volatility can lead to the creation of credit excesses and asset inflation, which bring about the conditions for high market volatility. Stresses and/or exogenous shocks can trigger the recognition and reversal of these excesses, creating scalable distressed market opportunities.
- The prices and yields of credit instruments can overreact to stresses and exogenous shocks across various industries, markets and regions, creating attractive investment opportunities in credit and the assets financed by traditional credit investors.
- When properly analyzed and underwritten, these investment opportunities can generate equity like returns, often while providing the greater downside protections of credit instruments.
- Shocks and stresses in markets are episodic and global in nature. The Glendon team seeks to actively migrate its efforts and resources to where these dislocations occur.

Glendon believes that distressed investment opportunity or pricing dislocations can result from market disruptions, including the effects of economic cycles, supply and demand imbalances, regulatory changes, litigation, and other exogenous shocks. As these events occur, Glendon believes that the pro-cyclical nature of traditional credit investors (highly

leveraged financial institutions, securitization vehicles with heightened risk aversion, and fixed income funds subject to capital outflows) can cause credit prices to overreact to volatility, creating investment opportunities.

The types of distressed opportunities Glendon pursues can occur abruptly, across different regions, industries, asset classes and types of instruments. To capitalize on these opportunities, Glendon has positioned itself as a responsive and analytical investor with a flexible investment mandate described below. Glendon believes that these characteristics are essential to its investment strategy because specific sources and/or timing of exogenous shocks are generally not foreseeable, and deep values presented by pockets of dislocation may develop, and close, quickly. Glendon will invest across regions, industries, asset classes and types of instruments as dislocations are inherently episodic in nature. Glendon believes that a flexible approach is likely to yield a wide range of attractive risk-adjusted investments for credit opportunities and special situations for its Clients. Glendon will seek to generate substantial appreciation in its investments as market stresses subside, often as a result of restructuring, reorganization or the return of normal markets and liquidity conditions. Preservation of capital is a primary goal of Glendon, and Glendon expects to focus on conservative underwriting of the investment opportunities it pursues and seek appropriate downside protections with respect to its investments. As part of its investment strategy, Glendon also considers certain responsible investment factors in accordance with its Responsible Investment Policy.

Investment Types

GCM expects its investment strategy will be executed primarily through the following categories of distress / dislocation:³

- **Stressed and Distressed Company Securities.** Glendon's primary strategy is to purchase the instruments – bonds, loans, unsecured claims, convertible instruments, preferred stock and equity – in the secondary market issued by companies that are undergoing financial stress, including companies involved in insolvency proceedings. Deterioration in a company's financial condition can result from a downturn in general economic conditions or a decline in its industry conditions or company performance and is often exacerbated by a highly leveraged capital structure and liquidity pressures. Glendon focuses on claims that are senior and/or secured in the capital structure of target companies undergoing distress in order to insulate its investment from the risk of bankruptcy, valuation decline, the costs of distress, and/or an elongated cycle. Glendon also may invest in the more junior securities of a company if it believes there is strong valuation coverage. Glendon may also purchase different types of claims to reduce the risk of intercreditor issues that may result from collateral valuation or process risk. Glendon may also enter into credit default swaps, short sales of securities and other structured

³ The opportunities Glendon pursues depend on a variety of factors, including prevailing market conditions and investment availability. There is no assurance that any particular investment or strategy will be successful, or that Clients will be able to achieve their investment objectives or avoid substantial losses.

investments as part of its overall investment strategy. Glendon values a company in the context of its market distress—whether going concern or liquidation—and, through its analysis, estimates a recovery value for the different claims in the company’s capital structure. The Glendon Investment Team is experienced in valuing and investing in distressed companies across many different sectors, including industrials, consumer goods, retail, chemicals, metals and mining, energy, transportation, media and telecommunications, auto suppliers, building materials, real estate and infrastructure. The Firm also has experience investing in opportunities across regions, generally focusing on jurisdictions with strong creditors’ rights protections and an established rule of law. At times, Glendon may be the lead investor and ultimately gain control of an entity or participate with other creditors in a restructuring process. Typically, distressed investment opportunities occur episodically across these different categories and, as such, the composition of GCM’s portfolio will likely depend in large part on the particular industries, asset classes or regions experiencing cyclical downturns or impacted by exogenous shock.

- **Post-Reorganization Securities.** These securities are issued to creditors of companies that have completed a reorganization in satisfaction of a creditor’s claims and may include both fixed income and equity securities. Glendon may receive these securities in connection with a claim it held in a company’s bankruptcy, or it may purchase these securities after a company’s reorganization on a secondary basis from traditional credit investors as well as non-traditional investors receiving these securities in exchange for prior claims. The markets for these securities – frequently issued from companies in out-of-favor industries – are often characterized by limited liquidity, wider bid/asked spreads, an absence of major broker-dealers and limited research. Glendon believes that the limited market participation of traditional buy-side investors in these securities results in volatile price swings, and the limited published research can result in overlooked inherent value of the company, including tax attributes such as net operating loss carry-forwards that may have been preserved as part of the company’s reorganization.
- **Downgraded Securities (“Fallen Angels”).** An important component of Glendon’s investment strategy is investments in fixed-income securities that have been downgraded by credit agencies. Ratings decisions (in particular, a downgrade to below investment-grade ratings) can create heavy selling, as investment-grade funds may have limits for investing in lower-rated securities, and regulated entities may face punitive capital charges in holding these instruments. Due to the large size of the investment-grade fixed-income market, Glendon is often able to readily scale its sourcing of downgraded securities given the relative lack of buying interest in these securities. Glendon typically performs a recovery analysis that takes into consideration the stress the target company is undergoing and the process and period of time over which those stresses may be resolved. Broadly, three outcomes are weighed in Glendon’s analysis to determine an entry point: (i) if the stress is transitory, the instrument may regain its rating; (ii) if the stress is ongoing, the instrument may be relegated to a different, more speculative, asset class, such as high

yield; or (iii) if the stress is profound, the instrument may be restructured in a workout or insolvency proceeding. Generally, the catalyst for the investment is the eventual return of traditional investors to the market for the instrument. The Firm has a particular focus on the securities of financial institutions with capital adequacy concerns, including hybrid securities of banks and insurance companies. Glendon believes its experience in the valuation of credit instruments held by financial institutions is vital in assessing outcomes in this particular sector.

- **Tax-Exempt Bonds.** Glendon believes that the volatility of the U.S. tax-exempt bond market is highly correlated to the pro-cyclical fund flows for the retail funds that dominate this market. In Glendon's experience, fund flows are very reactive to news reports regarding the financial health of the municipalities and commonwealths of the United States, given the prospect of low recovery rates for unsecured bonds issued by municipalities that have undergone Chapter 9 reorganizations. Retail outflows have at times led to indiscriminate selling. Glendon focuses on those tax-exempt bonds where (i) it believes that the likelihood of insolvency is low, (ii) and/or the bond is protected by an enforceable security interest or other features that may limit downside or (iii) the bond's credit is unrelated to the underlying creditworthiness of any municipality.
- **Asset-backed securities.** The Firm periodically participates in the securitization markets, with participations coinciding with credit cycle turns for the assets financed by these instruments. Asset-backed securitizations in which Glendon has invested include securitizations involving aircraft, residential mortgages, commercial mortgages and student loans, among others. Glendon generally focuses on the more senior instruments in securitizations as determined by securitization documentation and cash-flow or "waterfall" analysis. In addition, the Firm focuses on those instruments that have been downgraded below investment-grade and, as a result, may carry punitive capital charges to the financial institutions that may hold them, which may incentivize these institutions to sell at prices that Glendon believes are undervalued.
- **Special Situations.** Glendon also focuses on "special situation" investments, which include investments in asset platforms, liquidations of companies or financial institutions, rescue or debtor-in-possession financing and securities or claims, including litigation trusts, where the enforcement of creditors' rights or a litigation outcome is determinative. Glendon also seeks to invest in equities and other securities of non-distressed and non-stressed companies by utilizing Glendon's knowledge of and experiences with companies that are reorganizing or the credit markets in general. Glendon may also invest in equities and other securities not implicated in the dislocation of credit markets if, in its judgment, these investments are important for portfolio construction purposes.

B. Risk of Loss

The investment strategies employed by GCM on behalf of our Clients involve significant risks. Prospective investors in our investment funds should carefully review the risks described in the relevant Governing Documents for the relevant investment fund and should evaluate the merits and risks of an investment in the context of their overall investment and financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable Governing Documents.

Account values will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of the underlying securities or loan positions, governmental intervention, market conditions, geopolitical conditions, and local, regional, national and global economic conditions. Therefore, Clients should be prepared to lose all or a portion of their principal invested with GCM if the investment strategies are not successful. Among the risks that investing in securities involves are:

General Economic and Market Conditions. The success of GCM's investment activities and its operations could be affected by general economic and market conditions, in the U.S., Europe and the rest of the world, as well as by changes in applicable laws (including laws relating to taxation of GCM's investments), trade barriers or disputes, tariffs, currency exchange controls, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency, energy or commodity market volatility and national and international political, environmental and socioeconomic circumstances in respect of the countries in which Glendon may invest. These factors may adversely affect Glendon's ability to source attractive investment opportunities, the pricing of such investment opportunities, the value of investments held and the ability to exit or monetize its investments, which could impair the profitability or result in losses. In addition, general fluctuations in the market prices of securities and interest rates may affect the investment opportunities and the value of the investments. Accounts may hold investments that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

There can be no assurances that conditions in the global financial markets, or any changes to such conditions, will not adversely affect one or more of a Client's investments or the overall performance of a Client's account. GCM's investment strategy and the availability of opportunities satisfying GCM's risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the market for investments (e.g., the inability of certain companies to obtain financing solutions from traditional lending sources or otherwise access the capital markets) and the broader financial markets as a whole, and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by GCM will prove correct, and actual events and circumstances may vary significantly. Any of the foregoing events could result in substantial or total losses to Clients in respect of certain investments, which losses will likely

be exacerbated by the presence of leverage in an issuer's or portfolio company's capital structure.

Public Health Emergencies and Other Geopolitical Risks. An unstable geopolitical climate and continued threats of war and terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt global, national and/or regional economies. No assurance can be given as to the effect of these events on the value of Client's investments.

Without limiting the foregoing, the outbreak of Covid-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. At various points during the pandemic, many countries instituted quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues for extended durations. Businesses also implemented precautionary measures. Such measures, as well as the general uncertainty surrounding the long-term impact of Covid-19, have created significant disruption in supply chains and economic activity and have had a particularly adverse impact on transportation, oil-related, hospitality, tourism, entertainment and other industries. As the Covid-19 pandemic continues, the potential long-term impacts, including a global, regional or other economic recession, continue to be uncertain and difficult to assess.

Any public health emergency, or the threat thereof, could have a significant adverse impact on GCM and its portfolio companies and could adversely affect GCM's ability to fulfill its or its Clients' investment objectives. The extent of the impact of any public health emergency on a Client and its portfolio companies will depend on many factors, including the duration and scope of such public health emergency, the scale and efficacy of government stimulus measures, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact (a) the value and performance of the portfolio companies and other GCM investments, (b) the ability of the portfolio companies to continue to meet loan covenants, post margin or repay loans provided by Clients on a timely basis or at all, or (c) GCM's ability to source, manage and divest investments and GCM's ability to achieve its investment objectives, all of which could result in significant losses to Clients. With respect to any revolving or delayed draw loans made by Clients to a portfolio company, a portfolio company may be incentivized for liquidity or other reasons to draw on most, if not all, of the unfunded portion of such loan and Clients may not have the ability under the applicable credit agreement to refuse to fund such draw without the Clients being in default and suffering financial penalties. The foregoing market conditions may cause GCM to write down assets materially as the fair market value of its investments may be reduced in light of a potential or actual economic decline or recession, decline in or lack of consumer confidence or uncertain and volatile market conditions that are difficult to assess or predict. In addition, the operations of the Funds, the portfolio companies, and GCM may be

significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

On February 24, 2022, Russia launched an invasion of Ukraine that has resulted in an ongoing military conflict between Russia and Ukraine (the "Russia-Ukraine Conflict"). The Russia-Ukraine Conflict has caused, and is currently expected to continue to cause, significant disruptions to the global financial system, international trade, and the transportation and energy sectors, among other disruptions. In addition, the Russia-Ukraine Conflict has displaced millions of people, causing an acute refugee crisis in Europe, and has increased the threat of nuclear accidents or attacks, cyberattacks and further regional or global conflicts (including a potential expansion of the Russia-Ukraine Conflict to other geographic locations and between other state and non-state actors). Global sanctions and other severe restrictions or prohibitions imposed by governments and private companies severely limit, and in some cases, reverse or cancel, business transactions involving individuals and businesses connected to or associated with Russia and its allies. The ultimate impact of the Russia-Ukraine Conflict and its effect on global economic and commercial activity, including supply chains and commodity prices, or on any particular industry, business, currency or country and the duration and severity of those effects is impossible to predict. Developing and further governmental actions (sanctions-related, military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy that Glendon intends to pursue, all of which could adversely affect Glendon's ability to fulfil its investment objectives.

International conflicts, including Russia-Ukraine Conflict, may have a significant adverse impact on, and result in significant losses to, the Clients and their portfolio companies. In particular, the portfolio companies of the Clients may suffer significant increases in operating costs (including, among other reasons, as a result of the substantial increase in energy prices), reductions in customers or new subscriptions for services, losses from cyberattacks, significant reductions in revenue and growth, increased foreign exchange risk and/or unexpected operational losses and liabilities. It may also limit the ability of Glendon to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions in response to international conflicts (sanctions-related, military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy that Glendon intends to pursue, all of which could adversely affect Glendon's ability to fulfil its investment objectives.

Highly Competitive Market for Investment Opportunities; Unspecified Use of Proceeds. GCM's Clients will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments made by GCM. Therefore, Clients will be dependent upon the judgment and ability of GCM in sourcing transactions and investing and managing the capital of its Clients.

No assurance can be given that GCM will be able to identify and obtain a sufficient number of investment opportunities to invest the full amount of capital that may be committed by its Clients, including any leverage, or that the investment objectives of Clients will be achieved. Even if sufficient investment opportunities are identified, they may be allocated first to one or more Clients. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty and risk. GCM will be competing for investments with other investment vehicles, as well as individuals and companies, financial institutions (such as commercial and investment banks), hedge funds and investment funds affiliated with other financial sponsors or institutional investors, private equity and debt investors, commercial finance companies and credit vehicles. Other funds may have investment objectives that overlap with GCM's investment objectives, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to GCM's Clients, and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. The competitive pressures could impair the performance of GCM's Client funds and accounts. To the extent that GCM encounters competition for investments, returns to Clients may decrease, including as a result of higher pricing, foregoing opportunities or negotiating fewer transactional protections in order to remain competitive. Additionally, Clients may incur bid, due diligence, negotiating, consulting or other costs on investments that may not be successful. There can be no assurance that Glendon will be able to locate, complete and exit investments which satisfy Client's rate of return objectives, or realize upon their values, or that GCM will be able to fully invest its Client's committed capital.

Potential Lack of Diversification. Except as set forth in a Client's applicable Governing Documents or Account Agreement, Glendon is not under any other obligation to diversify Clients' investments, whether by reference to the amount invested, type of securities, the industries or geographical areas in which issuers and portfolio companies operate. Subject to restrictions, Glendon may allocate capital among investments as it determines in its sole discretion, subject to the goal of maximizing the returns, and Clients will have no assurances with respect to the diversification or geographic concentration of the investment program. This lack of diversification will expose Clients to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in the particular investments, and a Client's investment portfolio may be subject to more rapid changes in value than would be the case if the Client were required to maintain a wide diversification among companies, industries and types of securities. To the extent a Client holds investments concentrated in a particular issuer, portfolio company, security, asset class or geographic region, the Client will be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political or regulatory event. Unfavorable performance by any number of investments could substantially adversely affect the aggregate returns realized by Glendon's Clients.

Possibly High Portfolio Turnover. Glendon's investment strategy may require frequent trading and a high portfolio turnover. The more frequently Glendon trades, the higher the commission and transaction costs and certain other expenses involved in Glendon's operations. These costs will be borne by the investor regardless of the profitability of

Glendon's investment and trading activities. In addition, a high portfolio turnover may increase the recognition of short-term, rather than long-term, capital gains.

Illiquid Investments. Glendon may make investments that are thinly traded, investments for which no market exists or investments that are restricted as to their transferability under applicable securities laws or documents governing particular transactions. For example, Glendon may invest in post-reorganization securities which are often characterized by limited liquidity, wider bid/ask spreads and the absence of market makers. Some securities or instruments that were liquid at the time they were acquired may, for a variety of reasons which may not be in Glendon's control, later become illiquid. This may have the effect of limiting the availability of these securities or instruments for purchase by Glendon and may also limit the ability of Glendon to sell such investments prior to the termination of a Client account or at their fair market value in response to changes in the economy or the financial markets. Due to securities regulations governing certain publicly traded equity securities, Glendon's ability to sell securities could also be diminished with respect to equity holdings that represent a significant portion of the issuer's or portfolio company's securities (particularly if Glendon has designated one or more directors of the issuer or portfolio company). Thus, there can be no assurance as to the timing and amount of distributions to Clients after the expiration of the applicable Client's commitment period, and any distribution that would require either an in-kind distribution or a forced sale of illiquid assets at a price deemed unattractive by GCM may occur at the end of Client account's term. To the extent any investments of a Client cannot be sold prior to the termination of that Client's account, they may be distributed in kind to the limited partner investors of such Client at termination. The securities and instruments so distributed may not be readily marketable.

Market Dislocation. Successful implementation of a Client's investment strategy depends, in part, on continued disruption and volatility in the credit markets. However, a prolonged disruption may prevent a Client from advantageously realizing on or disposing of its investments. The continued economic instability could adversely affect the financial resources of corporate borrowers in which the Client invests and result in the inability of such borrowers to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Client may suffer a partial or total loss of capital invested in such companies, which would, in turn, have an adverse effect on the Client's returns. Such marketplace events also may restrict the ability of the Client to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose a Client's ability to hold such investments until maturity). In particular, the Client's investment strategy relies in part on the stabilization or improvement of the conditions in the financial and credit markets generally and, quite often, the specific industries related to our investments. Absent such a recovery or in the event of a further market deterioration, the value of the Client's investments may not appreciate as projected or may suffer a loss.

Expedited Transactions. Investment analyses and decisions by Glendon will often be undertaken on an expedited basis in order for the Client to take advantage of investment opportunities. In such cases, the information available to Glendon at the time of the

investment decision may be limited, and Glendon may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the financial information available to Glendon may not be accurate or provided based upon accepted accounting methods. In addition, Glendon will rely upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments. Furthermore, Glendon's due diligence in any expedited transactions may not reveal all of a potential investment's liabilities and may not reveal other weaknesses in the particular debt or equity securities or the issuer's business. There can be no assurance that Glendon's due diligence processes will uncover all relevant facts that would be material to an investment decision. As a result, there is a risk that unanticipated events or developments may occur in these expected transactions, which could adversely affect Clients' investment.

Follow-on Investments. The Client may have the opportunity to increase its investment in or provide additional funding to a particular issuer or portfolio company in which the Client is already invested. There can be no assurance that the Client will seek such follow-on investments or that it will have sufficient capital to do so. Any decision by the Client not to make follow-on investments or its inability to make such investments may have a substantial negative impact on the issuer or portfolio company in need of such an investment and may diminish the Client's ability to influence the issuer's or portfolio company's future development. The foregoing is amplified by restrictions on follow-on investments that the Client is permitted to make. Furthermore, no assurance can be made that any follow-on investment made by the Client will be profitable to the Client.

Non-U.S. Investments. Glendon is permitted to make investments in the securities of foreign issuers and portfolio companies. Certain foreign investments involve risks and special considerations not typically associated with U.S. investments. Such risks include: the risk of nationalization or expropriation of assets or confiscatory taxation; social, economic and political uncertainty, including war and revolution; dependence on exports and the corresponding importance of international trade; price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets; currency exchange rate fluctuations; rates of inflation; controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on Glendon's ability to exchange local currencies for U.S. dollars; U.S. and foreign withholding taxes; governmental involvement in and control over the economies; governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies; less extensive regulation of the securities markets; longer settlement periods for securities transactions; less developed corporate laws regarding fiduciary duties and the protection of investors; and certain considerations regarding the maintenance of Glendon's portfolio securities and cash with foreign sub-custodians and securities depositories.

Glendon may invest from time to time in investments located in member states of the European Union ("EU"). In light of the continued and ongoing uncertainty in European debt markets and unique risks associated with the withdrawal of the United Kingdom ("U.K.") from the EU (commonly known as "Brexit") and concerns surrounding other members exiting the EU or abandoning the region's common currency, such investments may be

subject to heightened risks or risks not associated with the foregoing. The long-term effects of Brexit, the recent trade agreement between the EU and the U.K. and the U.K.'s post-exit trade relations with other major economies on the U.K.'s economy generally and GCM's investment strategy are difficult to predict. The outcome may cause increased volatility and have a significant adverse impact on world financial markets, other international trade agreements, the EU economies as well as the broader global economy for some time, which in turn could be detrimental to GCM's performance. It is not possible to determine the impact that Brexit, the recent trade agreement and any related matters may have on GCM's strategy; however, any of these effects that cannot be anticipated, could adversely affect the investment opportunities of GCM, including its ability to source investments and to achieve favorable performance returns.

There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies, which may result in the unavailability of material information about issuers and portfolio companies. Certain countries require governmental approval prior to investments by non-U.S. persons, limit the amount of investment by non-U.S. persons in a particular company, or limit investment by non-U.S. persons to a specific class of securities of a company that may have less advantageous terms than the classes available for purchase by nationals. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by non-U.S. investors. Glendon's investments could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as by the application of restrictions on investments. In addition, because Glendon's investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may well result in a corresponding change in the U.S. dollar value of Glendon's assets denominated in those currencies. Glendon is under no obligation to employ hedging techniques to minimize the currency risks.

The judicial systems of jurisdictions outside of the United States vary in terms of speed, commercial sophistication, impartiality, consistency of results and adherence to judicial precedent. As a result, Glendon may have difficulty in foreclosing or successfully pursuing claims in the courts of certain non-U.S. jurisdictions, as compared to the United States. Further, to the extent that Glendon or a portfolio company may obtain a judgment but is required to seek its enforcement in a non-U.S. court, there can be no assurance that such court will enforce such judgment. The laws of certain countries outside of the United States lack the sophistication and consistency found in the United States with respect to foreclosure, bankruptcy, insolvency, liquidation, corporate reorganization and creditors' rights. For example, issuers and portfolio companies located in non-U.S. jurisdictions may be involved in restructurings, bankruptcy proceedings and/or reorganizations that are not subject to laws and regulations that are similar to the U.S. Bankruptcy Code and the rights of creditors afforded in U.S. jurisdictions. To the extent such non-U.S. laws and regulations do not provide Glendon with equivalent rights and privileges necessary to promote and protect its interest in any such proceeding, Glendon's investments may be adversely affected. While

Glendon intends, where deemed appropriate, to manage client accounts in a manner that will minimize exposure to the foregoing risks (although Glendon may not always hedge currency risks), there can be no assurance that adverse developments with respect to such risks will not adversely affect the assets of client accounts that are held in certain countries.

Leveraged Investments Glendon's investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and/or increases in costs or interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired by Glendon may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

Use of Leverage at the Fund Level. Subject to contractual restrictions, Glendon may cause its Client accounts to borrow money from any person, or to guarantee loans or other extensions of credit, including, but not limited to, for the purpose of providing interim financing to the extent necessary to consummate the purchase of investments prior to the completion of the permanent debt financing therefor or prior to the receipt of capital contributions from limited partner investors or distributions (as applicable), in accordance with the applicable Governing Documents. GCM may cause its Clients to enter into one or more credit facilities or guarantees, and in connection therewith, may pledge the assets of Client account and may make a collateral assignment to any lender, or other credit party of the Client account, of the Client account's or GCM's rights to issue drawdown notices and other related rights, titles, interests, remedies, powers and privileges of the Client account and/or GCM with respect to the capital commitments and rights to the capital contributions of limited partner investors in a Client account. Subject to any limitations in the applicable Governing Documents, GCM may also cause a Client account to leverage its investment return with options, short sales, swaps, forwards and other derivative instruments.

Although borrowings by Client accounts have the potential to enhance overall returns that exceed the Client account's cost of funds, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than a Client account's cost of funds. Accordingly, any event that adversely affects the value of an investment by Glendon would be magnified to the extent leverage is used. The cumulative effect of the use of leverage by Glendon in a market that moves adversely to investments could result in a loss to the investor that would be greater than if leverage had not been used. There are also financing costs associated with leverage, and each leveraged investment will involve interest rate risk to the extent that financing charges for such investments are based on a predetermined interest rate. Glendon's Client accounts may incur indebtedness on a portfolio-wide basis or against specific investments.

In addition, the use of a subscription-based credit facility may present conflicts of interest because the interest rate on such borrowings is typically less than the rate of the preferred return and such preferred return does not accrue on such borrowings but only accrues on capital contributions when made. As a result, use of such interim leverage arrangements

with respect to investments may reduce or eliminate the preferred return received by the limited partners with respect to the investments acquired by such borrowings and accelerate or increase distributions of carried interest to GCM, providing GCM with an economic incentive to fund investments through longer-term borrowings in lieu of drawing down capital commitments. As a general matter, use of borrowings in lieu of drawing down capital commitments amplifies IRRs (either negative or positive) to limited partner investors in the Funds. Subject to the limitations in the Governing Documents, the use of a subscription-based credit facility by the Fund is within GCM's discretion.

In general, the use of short-term margin borrowings results in certain additional risks to Clients. For example, should the securities pledged to brokers to secure the Client account's margin accounts decline in value, the Client account could be subject to a "margin call," pursuant to which the Client must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Client account's assets, Glendon might not be able to liquidate assets quickly enough to satisfy its margin requirements.

GCM may cause its Client accounts to enter into repurchase and reverse repurchase agreements. The use of repurchase and reverse repurchase agreements by Client accounts involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Client.

Client account assets, including any investments made by a Client, the capital commitments of the limited partner investors in the Client account, and any capital held by the Client account, are available to satisfy all liabilities and other obligations of the Client account. If a Client account defaults on secured indebtedness, the lender may foreclose and the Client could lose its entire investment in the security for such loan. Parties seeking to have the liability satisfied may have recourse to the Client account's assets generally and not be limited to any particular asset and may require the limited partner investors in the Client account to contribute their capital commitments in order to satisfy such liabilities.

Debt Securities. It is likely that a significant portion of Glendon's investments for its Clients will consist of debt securities. Debt securities are subject to the risk of an issuer's or portfolio company's ability to meet principal and interest payments on the obligation (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer or portfolio company and general market liquidity (market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. The risk of debt securities varies significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The debt securities of some companies may be riskier than the stocks of others.

Equity Securities. It is likely that Glendon will invest in equity and equity-linked securities for its Clients. The value of these securities generally will vary with the performance of the issuer or portfolio company and movements in the equity markets. As a result, an investor may suffer losses if it invests in equity securities of issuers and portfolio companies whose performance diverges from GCM's expectations. An investor also may be exposed to risks that issuers or portfolio companies will not fulfill contractual obligations such as, in the case of warrants, delivering common stock upon exercise.

Publicly Traded Securities. It is likely that GCM will invest in publicly traded securities for its Clients. Publicly traded securities may be sensitive to movements in the stock market and trends in the overall economy. Moreover, the ability of these companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise. In addition, by investing in publicly traded securities or assets, GCM will be subject to federal and state securities laws, which may, among other things, restrict or prohibit GCM's ability to sell an investment.

Bank Loans and Participations. It is likely that GCM will invest in bank loans and participations for its Clients. These obligations are subject to unique risks, including: (i) the possible invalidation of the loan as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on GCM's ability to directly enforce its rights with respect to participations. The loans invested in by Glendon may include term loans and revolving loans, may pay interest at a fixed or floating rate, and may be senior or subordinated.

Successful claims by third parties arising from these and other risks, absent bad faith, will be borne by investors. Bank loans are frequently traded on the basis of standardized documentation, which is used in order to facilitate trading and market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current level of liquidity will continue or that the same documentation will be used in the future. The settlement of trading in bank loans often requires the involvement of third parties, such as administrative or syndication agents, and there presently is no central clearinghouse or authority that monitors or facilitates the trading or settlement of all bank loan trades. Often, settlement may be delayed due to the actions of a third party or counterparty, and adverse price movements may occur in the time between trade and settlement, which could result in adverse consequences for investors.

It is likely that Glendon may acquire interests in bank 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. In addition, if Glendon acquires loans pursuant to an assignment, it is possible that Glendon's claims may be subject to attack (i.e., equitable subordination, recharacterization or disallowance) on account of the conduct of the transferee. 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, Glendon may have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and Glendon may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, Glendon may assume the credit risk of both the borrower and the institution selling the participation to Glendon client accounts. In certain circumstances, investing in the form of a participation may be the most advantageous or only route for Glendon to make or hold any investment, including in light of limitations relating to local laws or the willingness of administrative agents or borrowers to allow Glendon to become a direct lender. Glendon may invest in bank loans that are, or may become, below investment grade. In terms of liquidity with respect to such investments, there can be no assurance that levels of supply and demand in bank loan trading will provide an adequate degree of liquidity for Glendon's investments therein. In addition, Glendon may make investments in stressed or distressed bank loans, which are often less liquid than performing bank loans.

High Yield and Preferred Securities. It is likely that GCM will invest in "high yield" bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for high yield securities has experienced periods of volatility and reduced liquidity. High yield securities may or may not be subordinated to certain other outstanding securities and obligations of the issuer or portfolio company, which may be secured by all or substantially all of the issuer's or portfolio company's assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these debt securities may reflect individual corporate developments. General economic recession or a major decline in the demand for products and services in the industry in which the issuer or portfolio company operates would likely have a material adverse impact on the value of such securities or could adversely affect the ability of the issuers or portfolio companies of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high yield debt securities.

Distressed Securities. GCM may purchase for its Clients, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period

of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. A wide variety of considerations, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others may affect the value of these securities and investments. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that GCM will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to an issuer or portfolio company or investment, a Client may lose its entire investment, may be required to accept cash or securities with a value less than the Client's original investment and/or may be required to accept payment over an extended period of time (including, potentially, at an interest rate lower than the interest rate on the original instrument). In addition, under certain circumstances, payments to a Client and the related distributions by the Client to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. As more fully discussed below, in a bankruptcy or other proceeding, the Client as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged or disallowed, and its claims may be subordinated to the claims of other creditors.

The market for distressed securities is expected to be less liquid than the market for securities of companies that are not distressed. A substantial length of time may be required to liquidate investments in securities that become distressed. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or portfolio company, a Client may find it more difficult to sell such securities when Glendon believes it advisable to do so or may only be able to sell such securities at a loss. A Client may also find it more difficult to determine the fair market value of distressed securities for purposes of computing its net asset value. In some cases, the Client may be prohibited by contract from selling its investments for a period of time.

Defaulted Securities. GCM may invest for its Clients in the securities of, and trade claims against, companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer or portfolio company than is generally assumed by an investor. This may subject the Client accounts to litigation risks or prevent GCM from disposing of securities. In a bankruptcy or other proceeding, GCM may be unable to enforce its or the Client's rights in any collateral or may have the Client account's security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While GCM will attempt to avoid taking the types of actions that would lead to equitable subordination (as discussed below) or creditor

liability, there can be no assurance that such claims will not be asserted or that GCM will be able to successfully defend against them. Because other investors may purchase the securities of these companies for the purpose of exercising control or management, GCM may be at a disadvantage to the extent that GCM's interests differ from the interests of these other investors.

Municipal and Sovereign Securities. GCM may trade in government, municipal and sovereign debt obligations. In addition to the risks previously described in this section, there are particular risks relating to the investment and trading of these debt obligations. These markets may be volatile, and the value of GCM's investments can change significantly in response to tax, legislative and political changes and the financial condition of the issuers of securities, some of which may be or later become distressed. Political conditions, especially a municipality's or sovereign entity's willingness to meet the terms of its debt obligations, and the ability of a municipal or foreign sovereign issuer, especially a distressed municipality or emerging market country, to make timely payments on its debt obligations are of considerable significance. Municipal and sovereign issuers of debt, especially distressed municipalities or emerging market countries, or the municipal or sovereign authorities that control the repayment of such debt may be unable or unwilling to repay principal or pay interest when due. If issuers of such obligations are unable to raise taxes, increase other revenues, cut spending, reduce liabilities, and/or receive state, federal or other assistance, a Client may experience losses or impairments on those obligations.

Litigation Financing. GCM may make, purchase or participate in advances to plaintiffs or defendants seeking litigation funding (such party, a "Litigant Party"). These advances may vary from providing the full legal costs of litigation or arbitration to partial funding of litigation or arbitration. If the Litigant Party prevails, the anticipated return may take the form of accrued interest, a specific flat fee, a percentage of the advanced sum, a percentage of the amount recovered by the Litigant Party or a combination thereof. In some cases, GCM's investment may consist of the outright purchase of the Litigant Party's claims or the proceeds of any recovery on such claims.

Advances made or acquired by GCM in connection with litigation funding arrangements may be non-recourse against a Litigant Party and may not be secured by any assets of the Litigant Party. Accordingly, GCM may suffer a loss on its entire investment if a claim does not result in a favorable decision for the Litigation Party receiving an advance from GCM. There can be no assurances that GCM will accurately predict the outcome of any litigation. In addition, none of the principals of GCM are licensed attorneys, and do not have significant experience in determining the likelihood of success with respect to any litigation matter. GCM generally will have little or no ability to control a Litigant Party with respect to the litigation process. If a Litigant Party prematurely settles a claim, or rejects a settlement offer, such settlement or non-settlement could result in a harming the return to the GCM. In addition, GCM typically has no control over a Litigant Party's counsel. Accordingly, such counsel's lack of experience, malpractice, or inability to successfully manage a litigation matter may cause an unfavorable result for the Litigant Party, and thereby to GCM. Furthermore, the defendant or obligor in respect of any particular claim, judgment or award may not be able to satisfy its obligations. Thus, there is no guarantee that the Litigant Party (or GCM) will be able to realize or collect

on any claim, judgment or award. The third-party litigation funding industry as a whole is in the early stages of development. While the industry is largely unregulated in the U.S., there is a potential for federal, state, or local regulation in the future, which may result in restrictions on the scope and nature of the GCM's investments in this industry.

Bankruptcy and Other Proceedings. GCM may invest its Clients in the securities of companies that subsequently become involved in bankruptcy and other similar proceedings. When a company seeks relief under the U.S. Bankruptcy Code (or has a petition filed against it), an automatic stay prevents all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect liens or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the bankruptcy filing must petition the court to permit them to take any action to protect or enforce their claims or their rights in any collateral. Such creditors may be prohibited from doing so if the court concludes that the value of the property in which the creditor has an interest will be "adequately protected" during the proceedings. If the bankruptcy court's assessment of adequate protection is inaccurate, a creditor's collateral may be wasted without the creditor being afforded the opportunity to preserve it. Thus, even if a Client holds a secured claim, it may be prevented from collecting the liquidation value of the collateral securing its debt, unless relief from the automatic stay is granted by the court. If relief from stay is not granted, the Client may not realize a distribution on account of its secured claim until a plan of reorganization or liquidation for the debtor is confirmed. Bankruptcy proceedings can involve substantial legal, professional and administrative costs to the company and the Client, and during the process the investee company's competitive position may erode, key management personnel may depart and the company may not be able to invest adequately. 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 issuer's or portfolio company's fundamental value. Such investments can result in a total loss of principal. Bankruptcy proceedings are inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes. The equitable power of bankruptcy judges also can result in uncertainty as to the ultimate resolution of claims.

Security interests held by creditors are closely scrutinized and frequently challenged in bankruptcy proceedings and may be invalidated for a variety of reasons. For example, security interests may be set aside because, as a technical matter, they have not been granted or perfected properly under the Uniform Commercial Code or other applicable law. If a security interest is invalidated, the secured creditor loses the value of the collateral and, because loss of the secured status causes the claim to be treated as an unsecured claim, the holder of such claim will be more likely to experience a significant loss of its investment. There can be no assurance that the security interests securing the Client's claims will not be challenged vigorously and found defective in some respect, or that the Client will be able to prevail against any such challenge.

Moreover, debt may be disallowed or subordinated to the claims of other creditors if the creditor is found to have engaged in certain inequitable conduct resulting in harm to other parties with respect to the affairs of a company filing for protection from creditors under the

U.S. Bankruptcy Code. In addition, creditors' claims may be recharacterized and treated as equity if they are deemed to be contributions to capital, or if a creditor attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. If a creditor is found to have interfered with the company's affairs to the detriment of other creditors or shareholders, the creditor may be held liable for damages to injured parties. While a Client and GCM will attempt to avoid taking the types of action that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted. In addition, if a Client or GCM serves on an official unsecured creditors' committee of a company, the client or GCM will be deemed a fiduciary for all general unsecured creditors, and the securities of such company held by the Client may become restricted securities, which are not freely tradable.

While the challenges to liens and debt described above normally occur in a bankruptcy proceeding, the conditions or conduct that would lead to an attack in a bankruptcy proceeding could in certain circumstances result in actions brought by other creditors of the debtor, shareholders of the debtor or even the debtor itself in other state or U.S. federal proceedings, including pursuant to state fraudulent transfer laws. As is the case in a bankruptcy proceeding, there can be no assurance that such claims will not be asserted or that a Client will be able successfully to defend against them. To the extent that the Client assumes an active role in any legal proceeding involving the debtor, the Client may be prevented from disposing of securities issued by such debtor due to the Client's possession of material, non-public information concerning such debtor.

In certain protective situations, companies in which a Client has invested or to which a Client has extended or invested in loans may file for chapter 11 bankruptcy protection and seek related financing. These debtor-in-possession or "DIP" loans are most often revolving working-capital or term loan facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally less risky than many other types of loans as a result of their seniority in the debtor's capital structure and because their terms have been approved by a U.S. federal bankruptcy court order, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan.

Furthermore, GCM from time to time appoints personnel to serve on creditors' committees (official or unofficial), equity holders' committees or other groups to ensure preservation or enhancement of a Client's position as a creditor or equity holder in bankruptcy or insolvency proceedings or otherwise be engaged in financial restructuring activities in a variety of capacities. Such activities may result in GCM receiving confidential information that may, as a result of applicable securities laws or the internal policies of GCM, limit or otherwise constrain GCM's flexibility in purchasing or selling securities or other obligations with respect to other Client's portfolios. In an effort to avoid such restrictions or limitations, GCM may elect not to receive confidential information, which may be relevant to a Client's portfolio, that other market participants are eligible to receive or have received.

In addition, companies located in non-U.S. jurisdictions may be involved in restructurings, bankruptcy proceedings and/or reorganizations that are not subject to laws and regulations that are similar to the U.S. Bankruptcy Code and the rights of creditors afforded in U.S. jurisdictions. To the extent such non-U.S. laws and regulations do not provide a Client with equivalent rights and privileges necessary to promote and protect its interest in any such proceeding, the Client's investments in any such companies may be adversely affected. For example, bankruptcy law and process in a non-U.S. jurisdiction 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.

Lender Liability Considerations and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of GCM's investments, GCM or its Client accounts could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of GCM's and its affiliates' investments, Client accounts could be subject to claims from creditors of an obligor that the Client account's investments issued by such obligor should be equitably subordinated. A significant number of GCM's investments will involve investments in which neither GCM nor its Clients will be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting GCM's investments could arise without the direct involvement of GCM or the Client.

If GCM causes its Clients to purchase loans of an affiliate in the secondary market at a discount, (a) a court might require the Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) GCM and the Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt.

Mezzanine Debt Securities. Mezzanine debt securities generally will have ratings or implied or imputed ratings below investment grade. They will be obligations of corporations,

partnerships or other entities that are generally unsecured and typically are subordinated to other obligations of the obligor. In some instances, the mezzanine debt is secured by equity interests held by an intermediate or parent holding company, and the mezzanine debt therefore is structurally subordinated to claims of creditors against the obligor's operating subsidiaries. Mezzanine debt structures generally have greater credit and liquidity risk than is typically associated with investment grade corporate obligations. Accordingly, the risks associated with mezzanine debt securities include a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including a sustained period of rising interest rates or an economic downturn) may adversely affect the obligor's ability to pay principal and interest on its debt. Many obligors on mezzanine debt securities are highly leveraged, and specific developments affecting such obligors, including reduced cash flow from operations or the inability to refinance debt at maturity, may also adversely affect such obligors' ability to meet debt service obligations. Mezzanine debt securities are often issued in connection with leveraged acquisitions or recapitalizations, in which the issuers or portfolio companies incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt securities have historically been higher than has been the case for investment grade securities.

Investment in Senior Loans. GCM's investments for its Clients may include first lien senior secured debt and second lien senior secured debt, which involves a higher degree of risk of a loss of capital.

The factors affecting an issuer's or a portfolio company's first and second lien leveraged loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other secured or unsecured debt of an issuer or a portfolio company. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer or a portfolio company (e.g., excluding real estate). Issuers or portfolio companies of first lien loans may have two tranches of first lien debt outstanding, each with first liens on separate collateral. Furthermore, the liens referred to herein generally only cover U.S. assets, and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of Chapter 11 filing by an issuer or portfolio company, the U.S. Bankruptcy Code authorizes the issuer or portfolio company to use a creditor's collateral and to obtain additional credit by grant of a prior lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer or portfolio company provides what the presiding bankruptcy judge considers to be "adequate protection," which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of prior liens on a Client's collateral would adversely affect the priority of the liens and claims held by the Client and could adversely affect the Client's recovery on its leveraged loans.

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. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of

the underlying assets selected as collateral may allow the Client to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be sufficient to satisfy the amount of principal and interest owing to the Client in respect of its investment.

Further, loans may become non-performing for a variety of reasons. Upon a bankruptcy filing by an issuer or a portfolio company of debt, the U.S. Bankruptcy Code imposes an automatic stay on payments of its pre-petition debt. Non-performing debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that may entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer or a portfolio company were to file for Chapter 11 reorganization, the U.S. Bankruptcy Code authorizes the issuer or portfolio company to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are "fair and equitable" to the class and certain other conditions are met. Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing such facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. As a result of these voting regimes, the Client 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. Senior secured loans are also subject to other risks, including (i) the possible invalidation of a debt or lien as a "fraudulent conveyance", (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) "lender liability" claims by the issuer or portfolio company of the obligations and (v) environmental or other liabilities that may arise with respect to collateral securing the obligations. Decisions in bankruptcy cases have held that a secondary loan market assignee can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either (a) received and did not return a preference or fraudulent conveyance or (b) engaged in conduct that would qualify for equitable subordination.

A Client's investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions that, in each case, could result in the issuer or portfolio company repaying the principal on an obligation held by the Client earlier than expected. As a consequence, the Client's ability to achieve its investment objective may be adversely affected.

Junior, Unsecured Securities. GCM's strategy may entail acquiring securities that are junior or unsecured instruments. While this approach can facilitate obtaining control and then adding value through active management, it also means that certain of the Client's investments may be unsecured. If the issuer or portfolio company in question becomes financially distressed or insolvent and does not successfully reorganize, the Client will have no assurance (compared to those distressed securities investors that acquire only fully collateralized positions) that it will recover any of the principal that it has invested. While

such junior or unsecured investments may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking more senior to such investments and may benefit from cross-default provisions and security over the issuer's or portfolio company's assets, some or all of such terms may not be part of particular investments. Moreover, the ability of the Client to influence an issuer's or a portfolio company's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. For example, under typical subordination terms, senior creditors are able to block the acceleration of the junior debt or the exercise by junior debt holders of other rights they may have as creditors. Accordingly, the Client may not be able to take steps to protect its investments in a timely manner or at all, and there can be no assurance that the rate of return objectives of the Client or any particular investment will be achieved. In addition, the debt securities in which the Client will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are not expected to be rated by a credit rating agency.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer or portfolio company within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock, in each case, until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer or portfolio company and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer or portfolio company at a price established in the convertible security's governing instrument. If a convertible security held by the Client is called for redemption, the Client will be required to permit the issuer or portfolio company to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Client's ability to achieve its investment objective.

Asset-Backed Securities. GCM may invest directly or indirectly in asset-backed securities, which are structured securities collateralized or backed by another asset or assets, such as residential or commercial mortgages, home equity loans, auto loans, installment sale contracts, credit card and other consumer receivables, commercial loans, small business loans, corporate loans, aviation and other leases, lease financings, investment-grade or high yield debt, or, in some cases, other collateralized or asset-backed securities (collectively, "Asset-Backed Securities"). Asset-Backed Securities may include instruments such as collateralized mortgage obligations (residential mortgage-backed, commercial mortgage-backed), collateralized bond obligations, collateralized debt obligations, and collateralized loan obligations, and may include synthetic structures that are backed by derivative instruments instead of by the relevant loans, bonds, or other assets themselves. Other types of Asset-Backed Securities, including interest-only and principal-only securities, may participate in only certain types of income streams generated by the underlying assets.

Asset-Backed Securities are often extremely complex, and their values and returns may be subject to significant fluctuations as a result of relatively small changes in interest rates; the rates of prepayments, defaults, or late payments with respect to the relevant underlying assets; or other factors. The value of an Asset-Backed Security is highly dependent upon the performance of its underlying assets and upon the expected quality of the underlying assets.

Substantial leverage may be inherent in the structure of some Asset-Backed Securities. Consequently, Asset-Backed Securities may present a greater degree of risk than other types of fixed income securities and may be more volatile, less liquid, and more difficult to price accurately than less complex securities. GCM may enter into hedging transactions in certain circumstances to protect against interest rate movements, prepayment risk, defaults, or other factors, but there can be no assurance that such hedging transactions, if any are undertaken, would fully protect the Client account against such risks.

Asset-Backed Securities are typically separated into tranches representing different degrees of credit quality, with lower-rated tranches being subordinate to senior tranches. Even though an asset supports the underlying loan (in a secured investment), full recovery of the loan in the event of default may not be possible due to litigation costs or delays, legal uncertainties, limited marketability or reduced valuations of the asset, and other similar or dissimilar factors.

Accordingly, any defaults may materially adversely affect any long positions GCM holds in Asset-Backed Securities. In addition, the quality of GCM's investments in certain Asset-Backed Securities is subject to the accuracy and completeness of representations made by

the underlying obligors. Accordingly, GCM is subject to the risk that originators of certain Asset-Backed Securities fail to adequately verify such representations, whether because of defects in the verification systems used by such originators or otherwise.

Prepayment. GCM may purchase for its Client accounts loans for which the underlying obligors are not subject to any repayment penalties, even if an obligor determines to prepay the obligation early during the term of the debt investment. If the debt investments that the Client is invested in are prepaid without any prepayment penalties, the Client's ability to achieve its investment objective may be affected.

Capital Structure Arbitrage. In certain circumstances, the execution of a distressed investing strategy involves the ability of Glendon to identify and exploit the relationships between movements in different securities and instruments within an issuer's, a portfolio company's or a borrower's capital structure (e.g., senior bank debt, second liens, debt securities and other obligations, convertible and non-convertible senior and subordinated debt, preferred equity and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer's or a portfolio company's securities or instruments were to fail to materialize as expected by Glendon, the Client could incur a loss.

Spread Widening Risks. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which the Client invests may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which the Client invests.

Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that Glendon will monitor (on an ongoing basis) the creditworthiness of firms with which it will enter into repurchase agreements, credit default swaps, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, GCM will (under most normal circumstances) have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs that could result in the net asset value of the Client being less than if the Client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of GCM's counterparties were to become insolvent or the subject of liquidation proceedings, there exists the risk that the recovery of GCM's investments from such counterparty will be delayed or be of a value less than the value of the investments originally entrusted to such counterparty.

In addition, Glendon may use counterparties located in various jurisdictions outside the United States. Such non-U.S. counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to GCM's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Client and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Client, which could be material.

Unlike futures and options on futures contracts and commodities, and although the Dodd-Frank Act requires a large proportion of transactions in the derivatives markets to be exchange traded and cleared, most swap contracts are currently not generally traded on an exchange or cleared by an exchange or clearinghouse. As with any forward foreign currency or spot contract, until such time as these transactions are cleared or guaranteed by an exchange, Glendon will be subject to the risk of counterparty default on its swaps. Because swaps do not generally involve the delivery of underlying assets or principal, any loss would be limited to the net amount of payments required by contract. In some swap transactions the counterparty may require GCM to deposit collateral to support GCM's obligation under the swap agreement. If the counterparty to such a swap defaults, GCM would lose the net amount of payments that GCM is contractually entitled to receive and could lose, in addition, any collateral deposits made with the counterparty.

If the swap counterparty is an unaffiliated entity, it may hold such collateral in U.S. or non-U.S. depositories. Non-U.S. depositories are not subject to U.S. regulation. GCM's assets held in these depositories are subject to the risk that events could occur which would hinder or prevent the availability of these funds for distribution to customers including the Client. Such events may include actions by the government of the jurisdiction in which the depository is located including expropriation, taxation, moratoria and political or diplomatic events.

Regulated Industry Investments. GCM may make investments in the securities of companies that operate in a number of different industries, including, without limitation, financial service companies, insurance companies, automotive or automotive-related companies, energy or energy-generation companies and communications or media companies. Certain companies in those and other industries are or may be subject to extensive U.S. federal, state and local legal and regulatory requirements, as well as non-U.S. legal and regulatory requirements. Certain regulations may prevent GCM from making certain investments that it would otherwise make. Other regulations may cause GCM to incur substantial additional costs or lengthy delays in connection with the completion or disposition of an investment.

The Governing Documents may contain provisions that are designed to conform to the requirements of the Federal Communications Commission for insulating limited partner investors in the Client from having attributable interests in media company investments of the Client. These provisions prohibit limited partner investors from active involvement in

such media companies and may restrict the limited partner investors' ability to remove the GCM in certain circumstances.

Hedging Transactions. As further described below, GCM may, but is under no obligation to, utilize various financial instruments both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates; (ii) protect unrealized gains in the value of the investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio; (v) hedge the interest rate or currency exchange rate on any liabilities or assets; (vi) protect against any increase in the price of any securities GCM anticipates purchasing at a later date; or (vii) for any other reason that GCM deems appropriate.

The success of GCM's hedging strategy will be subject to GCM's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of GCM's hedging strategy will also be subject to the GCM's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

While GCM may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in any such hedging transactions. For a variety of reasons, GCM may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent GCM from achieving the intended hedge or expose GCM to risk loss. The successful utilization of hedging and risk management transactions requires skill complementary to those needed in the selection of portfolio holdings.

GCM's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political and economic developments. Glendon may, but shall be under no obligation to, try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

In many transactions, GCM may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. GCM may not hedge a position in the portfolio because a hedge may not be available; it may be too costly in light of the likelihood of the possible risk actually occurring or the risk simply could not be reasonably anticipated.

Options and Warrants. GCM may buy or sell (“write”) both call options and put options, and when it writes options, it may do so on a “covered” or an “uncovered” basis. A call option is “covered” when the writer owns investments of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in investments of the same class and amount. GCM’s option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another investment position) or a form of leverage, in which GCM has the right to benefit from price movements in a large number of investments with a small commitment of capital. GCM may also use warrants in substantially the same manner as call options. Warrants are long-term options to purchase particular securities to be used by, or owned by, the issuer of the warrants. The foregoing activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions GCM may enter into, the principal risks involved in options trading can be described as follows: when GCM buys an option, a decrease (or inadequate increase) in the price of the underlying investment in the case of a call, or an increase (or inadequate decrease) in the price of the underlying investment in the case of a put, could result in a total loss of the investment in the option (including transaction costs). GCM could mitigate those losses by selling short, or buying puts on, the investments for which it holds call options, or by taking a long position (e.g., by buying the investments or buying calls on them) in investments for which it holds put options.

When GCM sells (“writes”) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying investment above the exercise price. The risk is theoretically unlimited unless the option is “covered.” The instruments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, or only available at much higher prices, thereby reducing or eliminating the value of the premium received. Purchasing instruments to cover the exercise of an uncovered call option can cause the price of the instruments to increase, thereby exacerbating the loss. If the option is covered, GCM would forego the opportunity for profit on the underlying investment should the market price of the investment rise above the exercise price. If the price of the underlying investment were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss GCM might suffer as a result of owning the investment.

Credit Default Swaps. GCM may invest in credit default swaps. A credit default swap is a contract between two parties that transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution that owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps can be used to implement Glendon's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, GCM might sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of GCM to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. GCM may also "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of Glendon, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities remains comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables, including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. GCM might also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components that determine the value of a swap.

Derivative Instruments. GCM might, directly or indirectly, use various derivative instruments for hedging purposes. GCM might also use derivative instruments to approximate or achieve the economic equivalent of an otherwise permitted investment (as if GCM directly invested in the securities, loans or claims of the subject issuer or portfolio company) or if such instruments are related to an otherwise permitted investment. Use of derivative instruments presents various risks. For example, when used for hedging or synthetic investment purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged or tracked may prevent GCM from achieving the intended hedging effect or expose GCM to the risk of loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets GCM may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits imposed by regulators, exchanges or other trade execution facilities on which GCM may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting GCM to the potential of greater losses. Derivative instruments that may be purchased or sold by GCM may include instruments not traded on an exchange or centrally cleared. Derivative instruments not traded on exchanges or centrally cleared are also not subject to the same type of government regulation as exchange-traded or cleared instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which GCM can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded or cleared instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not traded on an exchange or similar trade execution facility.

Additionally, when a company defaults or files for insolvency court protection, the use of derivative instruments presents special risks associated with the potential imbalance between the derivatives market and the underlying securities market. In such a situation, physical certificates representing such securities may be required to be delivered to settle trades and the potential shortage of such actual certificates relative to the number of derivative instruments may cause the price of the actual certificated debt securities to rise, which may adversely affect the holder of such derivative instruments. Also, it should be noted that in entering into derivative transactions, GCM typically will not have the right to vote on matters requiring a vote of holders of the underlying investment. Moreover, derivative instruments, and the terms relating to the purchase, sale or financing thereof, are also typically governed by complex legal agreements. As a result, there is a higher risk of dispute over interpretation or enforceability of the agreements.

Glendon may take advantage of investment opportunities with respect to derivative instruments that are neither presently contemplated nor currently available, but that may be developed in the future, to the extent such opportunities are both consistent with GCM's investment objectives and limitations and legally permissible. Any such investments may expose GCM to unique and presently indeterminate risks, the impact of which may not be capable of determination until such instruments are developed and/or Glendon determines to make such an investment.

Short Selling. GCM may engage in short sales. The extent to which GCM engages in short sales will depend upon Glendon's investment strategy and opportunities. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to GCM of buying those securities to cover the short position. To the extent that GCM engages in short sales, there can be no assurance that GCM will be able to maintain the ability to borrow securities sold short. In such cases, GCM can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and GCM may be entirely dependent on the willingness of over the counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though GCM secures a "good borrow" of the financial instrument sold short at the time of execution, the lending institution may recall the lent financial instrument at any time, thereby forcing GCM to purchase the financial instrument at the then prevailing market

price, which may be higher than the price at which such financial instrument was originally sold short by GCM.

Forward Contracts. Forward contracts, unlike futures contracts, are generally not traded on exchanges and are generally not standardized (with the exception of certain interest rate forwards, which are subject to mandatory central clearing in certain jurisdictions). Banks and dealers generally act as principals in these markets, negotiating each transaction on an individual basis. Cash-settled forward contracts are regulated by the CFTC and banking agencies as “swaps”, but many physically-settlement forward contracts are less regulated; there is no limitation on daily price movements, and speculative position limits are generally not applicable. The principals who deal in the forward markets are not required to continue to enter into forward transactions. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities or currencies transactions or they have quoted prices with an unusually wide spread between the price at which they were prepared to take opposite positions in forward transactions. Disruptions can occur in forward markets due to unusually high trading volume, political intervention, or other factors. Market illiquidity or disruption could result in significant losses to GCM’s Clients.

When-Issued; When, As and If Issued; and Delayed Delivery of Securities and Forward Commitments. Securities purchased or sold by GCM on a when-issued, “when, as and if issued,” delayed delivery or forward commitment basis are subject to market fluctuation, and no interest or dividends accrue to the purchaser prior to the settlement date. At the time of delivery of the securities, the value may be more or less than the purchase or sale price. In the case of “when, as and if issued” securities, a Client could lose an investment opportunity if the securities are not issued. An increase in the percentage of a Client’s assets committed to the purchase of securities on a when-issued, “when, as and if issued,” delayed delivery or forward commitment basis may increase the volatility of the net asset value of the Client’s account. Certain of such transactions are likely to be subject to new mandatory margin rules issued by the Financial Industry Regulatory Authority (“FINRA”). FINRA’s changes to Rule 4210, which are not yet effective, may increase the cost to the Client of engaging in such transactions.

Financial Institutional Risk. The institutions, including brokerage firms and banks, with which GCM or any portfolio companies directly or indirectly will do business (including lenders, hedging counterparties, or swap counterparties), or to which securities will be entrusted for custodial and prime brokerage purposes, may encounter financial distress or difficulties, fail or otherwise become unable to meet their obligations (each, a “Distress Event”). GCM, its Client accounts, their service providers and portfolio companies, and other financial institutions may be adversely affected and may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations for a Client.

If a financial institution experiences a Distress Event, Glendon, its Clients or one or more portfolio companies may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by

regulated financial institutions in the United States frequently are insured to a limited extent by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, and the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. financial institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

A Client's prime brokers may experience financial difficulties, and therefore, the Client might be exposed to similar or other financial problems resulting from the insolvency or financial difficulties of one or more of its prime brokers. Moreover, any cash and securities maintained by a Client in accounts of U.S. broker-dealers registered with the SEC and the U.S. Financial Industry Regulatory Authority are protected only to a limited degree by SIPC. In the event of the bankruptcy of a broker-dealer, if sufficient funds are not available in the broker-dealer's customer accounts to satisfy claims, the reserve funds of the SIPC would be expected to supplement the distribution. Therefore, a Client could be at risk of loss for any amounts in excess of the SIPC limit to the extent that the broker-dealer does not maintain insurance sufficient to cover any amounts owed. Assets held outside the United States may be subject to different or diminished protection in the event of a counterparty failure located in such jurisdiction.

Any Distress Event has a potentially adverse effect on the ability of Glendon to manage the Client accounts and their investments, and on the ability of Glendon, the Client and any portfolio company to maintain operations, which in each case could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event the Client is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a financial institution experiencing a Distress Event, the inability of the Client account to access capital or otherwise); the inability of Glendon to acquire or dispose of investments on behalf of the Clients, or acquire or dispose of such investments at prices that Glendon believes reflect the fair value of such investments; and the inability of portfolio companies to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a financial institution's services, it is also possible that a Client or a portfolio company will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital, or otherwise). There can be no assurance that any contractual remedies taken by Glendon in the event of a Distress Event will be successful or avoid losses or delays. Clients and portfolio companies are subject to similar risks if a financial institution utilized by such Clients or portfolio companies or by their suppliers, vendors, service providers or other counterparties becomes subject to a Distress Event.

Financial institutions require, as a condition to using their lending or other services, that Glendon and/or the Clients maintain all or a set amount or percentage of their respective accounts or assets with the financial institutions, which heightens the risks associated with a Distress Event with respect to such financial institutions. Although Glendon seeks to do business with financial institution that it believes are creditworthy and capable of fulfilling their respective obligations to the Clients, Glendon is under no obligation to use a minimum number of financial institution with respect to the Clients or to maintain account balances at or below the relevant insured amounts.

Counterparty, Settlement and Local Intermediary Risk. From time to time, certain securities markets have experienced operational clearance and settlement problems that have resulted in failed trades. These problems could result in lost opportunities or in a Client account's liability to third parties by virtue of an inability to perform on contractual obligations to deliver securities. In addition, delays and inefficiencies of the local postal, transport and banking systems could result in the loss of investment opportunities, the loss of funds (including dividends) and exposure to currency fluctuations.

Because certain purchases, sales, securities lending, derivatives, repurchase/reverse repurchase transactions and other transactions in which Clients will engage involve instruments that are not traded on an exchange, but are instead traded between counterparties based on contractual relationships, Clients are subject to the risk that a counterparty will not perform its obligations under the related contracts, as well as risks of transfer, clearance or settlement default. Such risks may be exacerbated with respect to non-U.S. securities or transactions with non-U.S. counterparties. There can be no assurance that a counterparty will not default and that Clients will not sustain a loss on a transaction as a result. Such risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement of positions and segregation and minimum capital requirements applicable to intermediaries. There can be no assurance that Glendon's monitoring activities will be sufficient to adequately control counterparty risk.

In situations where GCM places Client assets in the care of a custodian or the Client account is required to post margin or other collateral with a counterparty, the custodian or counterparty may fail to segregate such assets or collateral, as applicable, or may commingle the assets or collateral with the relevant custodian's or counterparty's own assets or collateral, as applicable. As a result, in the event of the bankruptcy or insolvency of any custodian or counterparty, the Client account's excess assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, and the Client may be exposed to the risk of a court treating the Client as a general unsecured creditor of such custodian or counterparty, rather than as the owner of such assets or collateral, as the case may be.

Certain transactions on behalf of Clients may be undertaken through local brokers, banks or other organizations in the countries in which GCM makes investments, and the Client will be subject to the risk of default, insolvency or fraud of such organizations. The collection, transfer and deposit of bearer securities and cash expose Clients to a variety of risks,

including theft, loss and destruction. Finally, Clients will be dependent upon the general soundness of the banking systems of countries in which investments will be made.

Execution Risks. The execution of GCM's trading and investment strategies can involve complex trades, difficult to execute trades and use of negotiated terms with counterparties such as in the use of derivatives. In each case, GCM will seek best execution and has trained execution and operations professionals devoted to executing, settling and clearing such trades. However, in light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses. GCM will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault, and to the extent practicable will seek to recover losses from those parties. GCM may choose to forego pursuing claims against brokers and counterparties for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties. Although GCM will endeavor to take care in implementing investment decisions on behalf of Clients, trade errors can occur and could have a material adverse impact on the performance of Client accounts. GCM's trade error policy only requires GCM to reimburse the Fund for any losses that are the result of GCM's gross negligence, fraud or willful misconduct. The determination of whether or not a trade error has occurred shall be in the sole discretion of GCM, and GCM will have a conflict of interest in determining whether a trade error has occurred and, if so, whether GCM has committed a breach of the applicable standard of care.

Changes in Interest Rates. General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on GCM's investments and investment opportunities and, accordingly, may have a material adverse effect on a Client's rate of return on invested capital, a Client's net investment income and the Client account's net asset value. An increase in interest rates may make it more difficult for portfolio companies to service their obligations under the debt investments that a Client will hold and increase defaults even where a Client's investment income increases. Rising interest rates could also cause borrowers to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. Additionally, as interest rates increase and the corresponding risk of a default by borrowers increases, the liquidity of higher interest rate loans may decrease as fewer investors may be willing to purchase such loans in the secondary market in light of the increased risk of a default by the borrower and the heightened risk of a loss of an investment in such loans. Decreases in credit spreads on debt that pays a floating rate of return would have an impact on the income generation of a Client's floating rate assets. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed rate securities that have longer maturities.

Conversely, if interest rates decline, borrowers may refinance their loans at lower interest rates, which could shorten the average life of the loans and reduce the associated returns on the investment, as well as require Glendon and its investment professionals to incur management time and expense to re-deploy such proceeds, including on terms that may not

be as favorable as a Client's existing debt investments. Additionally, as interest rates increase and the corresponding risk of a default by borrowers increases, the liquidity of higher interest rate loans may decrease as fewer investors may be willing to purchase such loans in the secondary market in light of the increased risk of a default by the borrower and the heightened risk of a loss of an investment in such loans.

In addition, because the Funds may borrow money to make investments, the applicable Fund's net investment income will depend, in part, upon the difference between the rate at which the Fund borrows funds and the rate at which the Fund invests those funds. As a result, the Fund can offer no assurance that a significant change in market interest rates will not have a material adverse effect on the Fund's net investment income to the extent the Fund uses debt to finance investments. In periods of rising interest rates, the Fund's cost of funds would increase, which could reduce the Fund's net investment income.

Currency and Market Risks. Client accounts, including the respective capital accounts for investors in the Funds, will be denominated in U.S. dollars and distributions generally will be made in U.S. dollars. However, Glendon anticipates that some of the Client's investments could be made in countries other than the United States and, consequently, the Client is expected to make certain investments denominated in currencies other than the U.S. dollar. Changes in the rates of exchange between the U.S. dollar and other currencies will have an effect, which could be adverse, on the performance of the Client account, amounts available for distribution from the Client account and the value of investments distributed from the Client account. Additionally, a particular non-U.S. country may impose exchange controls, devalue its currency or take other measures relating to its currency which could adversely affect the Client account. Finally, the Client account will incur costs in connection with conversions between various currencies. Although GCM may have the ability to cause Client to hedge currency risk associated with a portion of the investments in the portfolio denominated in currencies other than the U.S. dollar, it does not expect to do so on a regular basis, and if it chooses to do so (for example, if the Client account develops an undesirable concentration in an individual currency), it may not be able to put a hedge in place on commercially reasonable terms given the credit terms offered by the Client's counterparties or the volatility of the currency. There can be no guarantee that instruments suitable for hedging market shifts will be available at the time when GCM wishes to use them or that any hedge would reduce applicable risks. More specifically, if GCM hedges currency risk, it does not expect that the full risk of currency fluctuations can be eliminated due to the complexity of the investment characteristics of the portfolio and limitations in the non-U.S. currency market. GCM will conduct its non-U.S. currency exchange transactions in anticipation of funding investment commitments or receiving proceeds upon dispositions. In addition, to hedge against adverse stock market shifts, GCM may purchase on behalf of Client accounts put and call options on stocks and write covered call options on stocks.

Inflation. Certain countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which GCM may invest. There can be no

assurance that high rates of inflation will not have a material adverse effect on the investments of GCM.

Higher inflation and rising input costs may put pressure on the Fund's portfolio companies' profit margins, particularly where pricing power is lacking. Similarly, in the case of real estate, inflation can negatively impact the profitability of certain real estate assets, such as those with long-term leases that do not provide for short-term rent increases. This would have an adverse impact on the valuations of such investments in the Fund and adversely affect our performance and results of operations.

Investments in Less Established Companies. GCM may invest a portion of its assets in the securities of less established companies. Investments in such early-stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by GCM, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure, the risk of which is currently heightened given present market conditions. Such companies tend to have shorter operating histories by which to judge performance and, in many cases, have negative cash flow. In addition, less mature companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which GCM invests, GCM may suffer a partial or total loss of capital invested in that company. There can be no assurance that any such losses will be offset by gains (if any) realized on GCM's other investments.

Investments in Privately Held Companies. Privately held companies generally maintain less comprehensive financial records than listed companies. Therefore, GCM may make investment decisions, and monitor investments, after analyzing information which is less comprehensive than that available to an investor in a listed public company.

Investments in Emerging Markets. GCM may make investments in countries that are considered to be "emerging markets." Investments in emerging markets involve a broad range of economic, non-U.S. currency and exchange rate, political, legal and financial risks. Many of these risks are not quantifiable or predictable and are not typically associated with investing in the obligors in more developed and regulated economies. Due to the developing nature of the emerging market countries, their markets may similarly be of a developing nature. Also, the governments of many emerging markets have exercised and continue to exercise substantial influence over many aspects of the private sector. Prior government approval for non-U.S. investments may be required under certain circumstances in some emerging markets, and the process of obtaining these approvals may require a significant expenditure of time and resources. Other potential risks that could have an adverse effect on investments may include (depending on the country involved) nationalization, expropriation, confiscatory taxation, negative diplomatic developments and political or social instability. In addition, the laws of some emerging markets governing business organizations, bankruptcy and insolvency may make legal action difficult and provide little, if any, legal protection for investors. GCM will analyze risks in applicable countries before

making investments, but no assurance can be given that a political or economic climate, or particular tax, legal or regulatory risk will not adversely affect an investment by GCM.

Control Person Liability; Indemnification. In certain circumstances, including if GCM invests Clients in different parts of the capital structure, the aggregate holdings of such Client may be aggregated, which collectively may be deemed to give GCM or the Clients controlling interests in or the ability to significantly influence a portfolio company. The exercise of control of, or significant influence over, a portfolio company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, GCM and/or its clients might suffer a significant loss. In addition, a greater level of involvement by GCM in a portfolio company may subject Clients to a greater risk of litigation by third parties. If these liabilities were to arise, Clients might suffer a significant loss. Certain Clients will be required to indemnify the GCM and others in connection with such litigation, as well as other matters arising as a result the management of the Client accounts, subject to any limitations in the applicable Governing Documents. Investors should review the applicable Client's Governing Documents for a complete description of a Client's indemnification obligations.

Board Participation. In certain circumstances, the size of GCM's clients' equity holdings in a particular issuer, or contractual rights obtained by GCM in connection with an investment, may enable GCM to designate one or more directors to serve on the boards (or comparable governing bodies) of companies in which GCM's clients invest. While such representation may enhance GCM's ability to manage clients' investments, it may also have the effect of impairing GCM's ability to sell the related securities when, and upon the terms, it might otherwise desire, as it may subject GCM to legal claims it would not otherwise be subject to as an investor, including claims of breach of fiduciary duties (including, but not limited to, the duty of loyalty), securities claims and other board-related claims. Subject to the terms of the applicable Governing Documents, certain Clients will be required to indemnify GCM or certain other persons designated by GCM for claims arising from such board representation. GCM will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise its voting or contractual rights, but changes in circumstances could produce adverse consequences in particular situations.

Environmental Risks. Clients may face significant environmental liability in connection with its investments. When compared to the United States, the historical lack or inadequacy of environmental regulation in certain non-U.S. countries has led to widespread pollution of air, ground and water resources. The legislative framework for environmental liability in these countries has not been fully established or implemented. The extent of the responsibility, if any, for the costs of abating environmental hazards may be unclear when GCM is considering an investment for its Clients. GCM may engage the services of qualified environmental consultants as necessary to assess the environmental condition of property which may be or is an investment. Nevertheless, Clients or a company in which a Client invests may be considered an owner or operator of properties on or in which asbestos or other hazardous or toxic substances exist and, therefore, potentially liable for removal or

remediation costs, as well as certain other related costs, including governmental fines and costs of injuries to persons and property. These costs can be substantially in excess of the value of the property. The presence of hazardous or toxic substances, or the failure to properly remediate such substances, may also adversely affect the value of such property.

No or Limited Availability of Insurance against Certain Catastrophic Losses. Certain losses of a catastrophic nature, such as wars, earthquakes, typhoons, other natural disasters or extreme conditions, epidemics, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Some insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance for a property. As a result, all investments may not be insured against terrorism. If a major uninsured loss occurs, Clients could lose both invested capital in and anticipated profits from the affected investments.

Non-Controlling Investments; Third Party Co-Investors. As a general matter, GCM's investments are likely to be made in non-controlling interests in issuers and portfolio companies and GCM is likely to have no right to appoint a director and a limited ability to protect its interests in such companies and to influence such companies' management. GCM may also co-invest with third parties through joint ventures, other entities or similar arrangements, thereby acquiring non-controlling interests in certain investments. In such cases, GCM will be significantly reliant on the existing management, board of directors and other shareholders of such companies, which may include representation of other financial investors with whom GCM is not affiliated and whose interests may conflict with the interests of GCM.

Moreover, such investments may involve risks such as the possibility that a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of GCM, may be in a position to take (or block) action in a manner contrary to GCM's investment objectives, or the increased possibility of default, diminished liquidity or insolvency by the third party partner or co-venturer due to a sustained or general economic downturn. In addition, GCM may in certain circumstances be liable for the actions of its third-party partners or co-venturers. Investments made with third parties in joint ventures or other entities also may involve compensation arrangements including carried interests and/or other fees payable to such third-party partners or co-venturers, particularly in those circumstances where such third-party partners or co-investors include a management group. Depending on the applicable Governing Documents, certain Client accounts will not be prohibited from making investments in such structures or paying such compensation and/or other fees.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of an investment in an issuer or a portfolio company, GCM may be required to make representations about the business and financial affairs of such issuer or portfolio company

typical of those made in connection with the sale of a business and may be responsible for the content of disclosure documents under applicable securities laws. GCM also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities, which shall be borne by GCM and for which GCM may establish reserves or escrow accounts. In that regard, Limited Partners may be required to return amounts distributed to them to fund obligations of GCM, including indemnity obligations, subject to certain limitations set forth in the Partnership Agreement.

Uncertain Exit Strategies. Due to the illiquid nature of many of the positions that GCM may acquire, Glendon is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Litigation. GCM's investment activities may include activities that will subject it to the risks of becoming involved in litigation by third parties. This risk may be greater where GCM exercises control or significant influence over an investment's direction (e.g., as a result of governance rights GCM may negotiate for in advance of making an investment or that GCM may obtain in the event an investment violates a financial covenant). The expense of defending claims against GCM by third parties and paying any amounts pursuant to settlements or judgments would be borne by GCM and would reduce net assets and could require Limited Partners to return distributed capital and earnings to GCM. The Firm and its directors, officers, partners, members, employees, agents, consultants, advisors and legal representatives of any of them will be indemnified by GCM in connection with such litigation, subject to certain conditions.

Investment Due Diligence and Investment Research. When conducting due diligence and investment research, GCM may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. When conducting due diligence and investment research and making an assessment regarding an investment, GCM may rely on information provided by such persons, or by the management or shareholders of the target of the investment or their advisors. The due diligence investigation and investment research that GCM carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, may lead to inaccurate or incomplete conclusions, or may be manipulated by fraud. Moreover, such an investigation will not necessarily result in the investment being successful.

In addition, the scope and nature of GCM's due diligence activities in connection with portfolio investments in certain non-U.S. countries will be more limited than due diligence reviews conducted in more developed economies because reliable information is often unavailable or prohibitively costly to obtain. The lower standards of due diligence and

financial controls in investments in certain non-U.S. countries increase the likelihood of material losses on such investments.

Non-U.S. Accounting Standards and Financial Information. Accounting standards in certain countries generally do not correspond to international accounting standards, and in some countries national accounting, auditing and financial reporting standards may not yet be in place. The information appearing on the financial statements of the companies in those countries may not reflect financial positions or results of operations in the way they would be reflected if the financial statements had been prepared in accordance with generally accepted international accounting principles. Investors in such companies generally have access to less reliable information than investors in more economically sophisticated countries. The timeliness of financial statement preparation in certain countries may also differ from that of the United States.

Uncertainty of Financial Projections. GCM may rely upon projections developed in-house or by a third party concerning an investment's future performance and cash flow, including when deciding that the possibility of action adversity in connection with an investment in a different part of the capital structure of the issuer or portfolio company is remote. Any projections, forecasts and estimates prepared by GCM are forward-looking statements and are based upon certain assumptions that GCM considers reasonable. Projections are inherently speculative in nature and subject to uncertainty and factors beyond the control of Glendon and any issuer or portfolio company. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. Different assumptions may produce different results. Actual results may vary from the projections, and the variations may be material. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of an issuer or a portfolio company to realize projected values and cash flow and could trigger the need for GCM to remain passive in the event of a restructuring. In addition, Clients should note that projected performance is not indicative of future results and there can be no assurance that the projected results or expected returns will be achieved or that GCM will be able to effectively implement its investment objective. The inclusion of projections in GCM-prepared materials should not be regarded as a representation by GCM, or any of its affiliates of the results that will actually be achieved by GCM's Clients.

In addition, Glendon may determine the suitability of investments based in part on the basis of financial projections for issuers or portfolio companies. Events or conditions, including changes in general market conditions, which may not have been anticipated or which are otherwise not foreseeable, may occur and have a significant impact on the actual rate of return received with respect to GCM's investments.

Valuation. Securities that Glendon believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame Glendon anticipates. In particular, purchasing securities at prices that Glendon believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further. There is no guarantee that fair value will represent the value that will

be realized by GCM on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

Fraud. A concern in investments in loans, debt securities and equity securities is the possibility of material misrepresentation or omission on the part of the borrower or issuers of securities. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of GCM to perfect or effectuate a lien on any collateral securing the loan. GCM will rely upon the accuracy and completeness of representations made by borrowers, issuers or portfolio companies to the extent it believes reasonable when it makes its investments but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to GCM may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Cybersecurity Risks. Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and are expected to continue to increase in frequency and severity in the future. The information and technology systems of Glendon, its affiliates, portfolio companies, issuers and service providers may be vulnerable to damage or interruption from cybersecurity breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors or malfeasance by their respective professionals or service providers, power, communications or other service outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, earthquakes or terrorist incidents. If unauthorized parties gain access to such information and technology systems, or if personnel abuse or misuse their access privileges, they may be able to steal, publish, delete or modify private and sensitive information, including non-public personal information related to investors (and their beneficial owners) in Glendon's Client accounts and material non-public information. To the extent that Glendon, its affiliates, the Client accounts, portfolio companies, issuers or one or more of their respective service providers, is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses could occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. Although Glendon has implemented, and portfolio companies, issuers and service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Glendon does not control the cyber security plans and systems put in place by third party service providers, and such third-party service providers may have limited indemnification obligations to Glendon, its affiliates, the Clients, the underlying investors in Client accounts, and/or a portfolio company or issuer, each of whom could be negatively impacted as a result. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified in a timely manner or at all, even with sophisticated prevention and detection systems. This could potentially result in further harm and prevent such breaches from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Glendon's, its

affiliates', its Client accounts' and/or a portfolio company's or issuer's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and their beneficial owners) in Glendon's Client accounts, material non-public information and the intellectual property and trade secrets and other sensitive information of Glendon and/or portfolio companies or issuers. In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject the Clients or a portfolio company to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. Glendon, the Client accounts and/or a portfolio company or issuer could be required to make a significant investment to remedy the effects of any such failures, harm to their reputations, legal claims that they and their respective affiliates may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws adverse publicity, and other events that may affect their business and financial performance.

Limited Regulatory Oversight of the Funds. Although GCM is registered as an investment adviser under the Advisers Act and while Glendon's Funds may be considered similar in some ways to investment companies, unless and until legislation requiring the Funds to register with the SEC is enacted, Glendon is not required and does not intend to register the Funds as such under the U.S. Investment Company Act of 1940, as amended, and, accordingly, investors in Glendon's Funds are not afforded the protections of such Act or its regulations.

Impact of Government Regulation, Regulatory Approvals and Reform. Certain industry segments in which Glendon may invest are, or may become, (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. While Glendon intends to invest in issuers or portfolio companies it believes have obtained all material U.S. federal, state, local or non-U.S. approvals required to operate, the laws and regulations relating to such industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. In addition, the consent or approval of certain regulatory authorities may be required in order for Glendon to acquire or hold investments in certain issuers or portfolio companies. Glendon's investments could be adversely affected to the extent any applicable laws or regulatory requirements change or become increasingly stringent as a result of judicial or administrative interpretations or regulatory interpretive guidance with respect to such issuers or portfolio companies. Moreover, additional regulatory approvals may become applicable in the future as a result of the foregoing or for other reasons. There can be no assurance that the issuers or portfolio companies in which the Fund holds investments will be able to obtain all required regulatory approvals or, once obtained, to maintain such approvals in accordance with the

requirements applicable thereto. Failure or delay in obtaining and maintaining any applicable regulatory approvals could adversely affect the business of Glendon and impede Glendon's ability to effectively achieve its investment objective.

Changes in laws, regulations or judicial or administrative interpretations could render obsolete investment strategies which have been used routinely for many years. Changes affecting consolidation and valuations and other matters could adversely affect the viability of certain aspects of GCM's or its Client accounts' strategies. In addition, there have recently been certain well publicized incidents of regulators unexpectedly taking positions which prohibit strategies which had been implemented in a variety of formats for many years. In the current unsettled regulatory environment, it is impossible to predict if future regulatory developments might adversely affect Client accounts.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Glendon. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Glendon and its affiliates, the Clients and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to Clients.

Regulatory Compliance. Certain investments made by Glendon of debt or equity securities may result in reporting and compliance obligations under the applicable regulations of the various jurisdictions in which GCM makes investments. Subject to the applicable Governing Documents, the costs of compliance will be borne by the Client. In addition, investments by GCM are or may become subject to regulation by various agencies within or outside the United States, including CFIUS (as defined below) and non-U.S. national security investment clearance regimes, as described in further detail below. New and existing regulations, changing regulatory schemes and the burdens of regulatory compliance all may have a material negative impact on the performance of Client accounts. GCM cannot predict whether new legislation or regulation will be enacted by legislative bodies or governmental agencies, nor can it predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on a Client account's investment performance.

Economic and Trade Sanctions and Anti-Bribery Considerations. Economic and trade sanctions laws in the United States, the Cayman Islands and other jurisdictions may prohibit the Firm, the Firm's professionals and GCM from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. In the Cayman Islands, the Governor of the Cayman Islands and the Financial Reporting Authority (subject to delegation from the Governor) administers and enforces anti-money laundering

laws and sanctions extended to the Cayman Islands by statutory instrument or otherwise applicable in the Cayman Islands ("Cayman Sanction Orders"). Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs, and the Cayman Sanctions Orders. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries or subject to certain sanctions programs regardless of whether such individuals or entities appear on the lists maintained by OFAC or in the Cayman Sanctions Orders, which may make it more difficult for GCM to identify sanctioned parties and prevent dealings with them. These types of sanctions may significantly restrict GCM's investment activities in certain countries (in particular, certain emerging market countries). GCM, its professionals and its Client accounts may from time to time be subject to trade sanctions laws and regulations of other jurisdictions, which may be inconsistent with or even preclude the effect of the sanctions administered by OFAC and the FRA. The legal uncertainties arising from those conflicts may make it more difficult or costly for GCM or its Client accounts to navigate investment activities that are subject to sanctions administered by OFAC and the FRA or the laws and regulations of other jurisdictions.

At the same time, the Firm may be obligated to comply with certain anti-boycott laws and regulations, which prevent the Firm and GCM from engaging in certain discriminatory practices that may be allowed or required in certain jurisdictions. The Firm's failure to discriminate in this manner could make it more difficult for GCM to pursue certain investments and engage in certain business activities and any compliance with such practices could subject Glendon or its Client accounts to fines, penalties, and adverse legal and reputational consequences.

In some countries, there is a greater acceptance than in the United States and the United Kingdom of government involvement in commercial activities and of activities constituting corruption in the United States and the United Kingdom. Certain countries, including the United States and the United Kingdom, have law prohibiting commercial bribery. GCM and its professionals are committed to complying with the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, GCM may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for GCM to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA and have devoted greater scrutiny to investments by private equity sponsors. In addition, the United Kingdom, with enactment of the U.K. Bribery Act, has expanded the reach of its anti-bribery laws significantly. While GCM has developed and implemented policies and procedures designed to ensure strict compliance, by its personnel, and agents acting on its behalf with the FCPA and the U.K. Bribery Act and the sanctions regimes that apply to GCM, such policies and procedures may not be effective in all instances

to prevent violations or offenses. In addition, in spite of GCM's policies and procedures, affiliates portfolio companies, particularly in cases in which GCM or another fund or vehicle sponsored by GCM does not control such portfolio company, may engage in activities that could result in FCPA, U.K. Bribery Act or other violations of law. Any determination that GCM has violated or committed an offense under the FCPA, U.K. Bribery Act or other applicable anticorruption laws or anti-bribery laws or sanctions requirements could subject us to, among other things, civil and criminal penalties, reputational damage, material fines, profit disgorgement, injunctions on future conduct, securities litigation, disclosure obligations and a general loss of investor confidence, any one of which could adversely affect GCM's business prospects and/or financial position, as well as GCM's ability to achieve its investment objective and/or conduct its operations.

LIBOR and Other Reference Rates. Clients and portfolio companies are subject to certain material risks to the extent that their or their affiliates' credit arrangements or facilities, hedging activities, derivative or other structures are subject to, utilize or otherwise reference, directly or indirectly, a variable interest rate that is based on a specified reference rate, benchmark or index (each, a "Benchmark Rate"), such as the London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate, the Canadian Dollar Offered Rate, the Secured Overnight Financing Rate, the Sterling Overnight Index Average.

While LIBOR has been widely used as a reference for interest rates on credit and other financial instruments and agreements globally, it is expected that no United States Dollar-LIBOR tenors will be published after June 2023 and such tenors may cease being published, or cease to be representative of the market, before then. Regulators, central banks, governments and other market participants are working on replacement Benchmark Rates and the transition of existing instruments and contracts to such new rate. Although it is not possible to identify a comprehensive set of potential risks at this time, the termination of LIBOR and transition of credit and other financial instruments and agreements to new Benchmark Rates presents certain risks to Clients including: (i) increased volatility or illiquidity in markets, (ii) material delays in or reductions to financing options for portfolio companies, (iii) increased cost of borrowing to Clients and portfolio companies, (iv) reduction in the value of certain instruments or the effectiveness of related transactions such as hedges, (v) uncertainty under applicable documentation, or difficult and costly consent processes for any required amendments to applicable documentation for Clients or portfolio companies in their capacity as a borrower or counterparty, (vi) costs of modifications to the Clients' processes and systems (including IT and/or administrative services and operations), including monitoring of recommended conventions and Benchmark Rates, or any component of or adjustment to the foregoing, and (vii) costs of causing Clients and portfolio companies to incur expenses to manage the transition away from LIBOR. Any effects of the transition away from LIBOR and the Benchmark Rate, as well as other unforeseen effects, may result in expenses, difficulties, complications or delays for impacted markets and instruments, and could have a material adverse impact on the Clients and their investments. Additionally, to the extent a Client has entered into any swaps, hedges, and/or similar derivatives or instruments that use or reference, directly or indirectly, LIBOR or any other Benchmark Rates, including swaps or contracts used to manage long-term interest rate risk related to assets and/or liabilities, in addition to the potential need for renegotiation, there

also may be different conventions that arise in different but related market segments, which could result in mismatches between different assets and liabilities and, in turn, in possible unexpected losses. Some of the replacement rates may also be subject to compounding or adjustments that cause administrative challenges for Clients and the portfolio companies, and their respective affiliates and service providers and could also impact the timing, calculation of, and size of certain performance fees, payments and/or distributions made by the Clients. Glendon does not have prior experience in investing during a period of Benchmark Rate transition and there can be no assurance that it will be able to manage the Fund's business or performance in a profitable manner before, during or after such transition.

Business and Regulatory Risks of Alternative Asset Funds and Managers. Legal, tax and regulatory changes could occur that may adversely affect GCM and its Client accounts at any time. The legal, tax and regulatory environment for funds and accounts that invest in alternative investments is evolving, and changes in the regulation and market perception of such funds, including changes to existing laws and regulations and increased criticism of the private equity and alternative asset industry by some politicians, regulators and market commentators, may adversely affect the ability of GCM to pursue its investment strategy for its Clients, its ability to obtain leverage and financing for its Clients and the value of investments held by Clients. In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the governing bodies of both U.S. and non-U.S. jurisdictions (including the EU). It is impossible to predict what, if any, changes may be instituted with respect to the regulations applicable to GCM or its Client accounts, their respective affiliates, the markets in which they trade and invest, the investors in Client accounts or the counterparties with which they do business, or what effect such legislation or regulations might have. There can be no assurance that GCM or its Client accounts will be able, for financial reasons or otherwise, to comply with future laws and regulations, and any regulations that restrict the ability of GCM to implement its investment strategy could have a material adverse impact on Clients' portfolios. To the extent that GCM, its Client accounts, or the investments in such accounts are or may become subject to regulation by various agencies in the United States, Europe (including the United Kingdom) or other countries, the costs of compliance will be borne, subject to the applicable Governing Documents, by the Client.

As a registered investment adviser under the Advisers Act, GCM is required to comply with a variety of periodic reporting and compliance related obligations under applicable federal and state securities laws (including the obligation of GCM and its affiliates to make regulatory filings with respect to the Funds and its activities under the Advisers Act). In light of the heightened regulatory environment in which GCM operates and the ever-increasing regulatory burdens applicable to private investment funds and their investment advisors, it has become increasingly expensive and time consuming for GCM and its affiliates to comply with such regulatory reporting and compliance related obligations. Any further increases in the regulatory burdens applicable to private investment funds generally or the GCM's private fund Clients or GCM in particular may result in increased expenses associated with Client

accounts' activities and additional resources of GCM being devoted to such regulatory reporting and compliance related obligations, which may reduce overall Client returns or have an adverse effect on the ability of GCM to effectively achieve its investment objectives.

Changes in U.S. legislation and other global impacts and market volatility may affect GCM, Client accounts and their respective business in ways that cannot be anticipated at this time. It is possible that these and other changes may significantly impact the U.S. financial markets, global financial markets and the execution of the GCM's investment strategy. The SEC, the CFTC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies and retain the right to suspend or limit trading in securities, which could expose Client accounts to losses.

Following the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 (the "Dodd-Frank Act"), the SEC has particularly scrutinized the private equity industry, including conducting a number of examinations and bringing a number of enforcement actions. The SEC and other various U.S. federal, state and local agencies may conduct examinations and inquiries into, and bring enforcement and other proceedings against, GCM, the Client accounts or their respective affiliates. GCM, the Client accounts, or their respective affiliates may receive requests for information or subpoenas from the SEC and other state, federal and non-U.S. regulators (as well as from self-regulatory organizations and exchanges) from time to time in connection with such inquiries and proceedings and otherwise in the ordinary course of business. These requests may relate to a broad range of matters, including specific practices of GCM, the securities in which GCM invests on behalf of its clients or industry wide practices. Subject to the applicable Account Agreement or Governing Documents, the costs of any such increased reporting, registration and compliance requirements may be borne by the Clients and may furthermore place the Clients at a competitive disadvantage to the extent that GCM or portfolio companies are required to disclose sensitive business information.

Eurozone Risks. There are significant and persistent concerns regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro to function as a single currency given the diverse economic and political circumstances in individual Eurozone countries. The risks and prevalent concerns about a credit crisis in Europe could have a detrimental impact on global economic recovery as well as on sovereign and non-sovereign debt in the Eurozone countries. There can be no assurance that the market disruptions in Europe will not spread to other countries, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize affected countries and markets in Europe or elsewhere. These and other concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences with respect to Client accounts, the investors in those accounts and/or any Client investments in Europe could be determined by laws in effect at such time. These potential developments could negatively impact the ability of GCM to make investments in Europe, the value of the Client accounts' investments in Europe and the general availability and cost of financing permitted investments.

Privacy, Data Protection and Information Security Compliance Risk. Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of our current and planned business activities and as such could increase costs for Client accounts and/or portfolio companies. A failure to comply with such laws and regulation could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have an impact on reputation.

Portfolio companies are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they operate. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Derivatives Regulations. The regulatory and tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments or securities held by Client accounts and the ability of GCM to pursue its trading strategies.

The general framework for systemic regulation of the derivatives market established under the Dodd Frank Act has imposed mandatory clearing, exchange trading and margin requirements on many over-the-counter derivatives transactions, and significant regulatory requirements on certain market participants, such as “swap dealers” and “security-based swap dealers,” including capital, registration, recordkeeping, reporting, disclosure, and business conduct requirements. This regulatory framework significantly increased the costs of entering into derivatives transactions for end-users of derivatives, such as GCM’s Client accounts. In particular, recent margin requirements and capital charges, even when not directly applicable to Clients, have increased the pricing of derivatives transacted by GCM on behalf of its Clients. Recent exchange trading, trade reporting requirements and position limits may lead to changes in the liquidity of derivative transactions or higher pricing.

In addition to U.S. laws and regulations relating to derivatives, certain non-U.S. regulatory authorities have passed or proposed, or may propose in the future, legislation similar to that imposed by the Dodd-Frank Act. For example, European Union legislation imposes position limits on certain commodity transactions, and the European Market Infrastructure Regulation (“EMIR”) requires reporting of derivatives and various risk mitigation techniques to be applied to derivatives entered into by parties that are subject to EMIR. Certain entities, including private funds, may be required to clear certain derivatives and may be subject to initial and variation margin requirements with respect to their non-cleared derivatives, under EMIR and its subordinate legislation. These EU regulatory changes have impacted or will impact, directly or indirectly, a broad range of counterparties, both outside and within the EU, and are understood to have increased, and are expected to potentially increase, the cost of transacting derivatives for Clients (particularly with banks and other dealers directly subject to such regulations).

In addition, the tax environment for derivative instruments and funds is evolving, and changes in the taxation of derivative instruments or funds may adversely affect the value of certain derivatives contracts entered into by GCM and the ability of GCM to pursue its investment strategies. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on Client accounts' investment performance.

Other similar regulations are developing throughout the globe and may increase a Client account's cost of doing business even if not directly binding on the GCM or the Client account.

Item 9 – Disciplinary Information

As a registered investment adviser, GCM is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. GCM has no information applicable to this report in this regard.

Item 10 – Other Financial Industry Activities and Affiliations

GCM is affiliated with and under common control with (i) Glendon Capital Associates, LLC (“GCA”), which is the general partner in G1 and (ii) Glendon Capital Associates II, LLC (“GCA II”), which is the general partner in G2. GCM serves as the investment adviser to each of G1 and G2 (each, a “GCM Fund”). Each of GCA and GCA II (each, a “GCM GP”) also serves as general partner of the feeder funds of the applicable GCM Fund. It is anticipated that GCM will form additional affiliates to act as general partner for its Funds that are formed as limited partnerships. Each GCM GP has claimed an exemption from registration with the CFTC with respect to its status as a commodity pool operator pursuant to CFTC rule 4.13(a)(3).⁴

GCM is also affiliated with and under common control with Glendon Services L.P. (“GSLP”), a research consultant located in New York, N.Y. that is exempt from registration. GSLP provides research services and support to GCM and does not have its own Clients.

Item 11 – Code of Ethics

A. Code of Ethics and Personal Trading.

The personal transactions and investment activities of employees of investment advisory firms are the subject of various federal securities laws, rules and regulations. GCM requires pre-clearance with respect to personal trading by access persons in certain investments and all of GCM's access persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an access person. In addition, GCM's access persons must provide annual holdings reports and quarterly transaction reports in accordance with SEC Rule 204A-1. Access persons must

⁴ GCM is also affiliated with and under common control with Glendon Capital Associates III, LLC (“GCA III”), which is the general partner in G3 and its feeder funds. GCA III has claimed an exemption from registration with the CFTC with respect to its status as a commodity pool operator pursuant to CFTC rule 4.13(a)(3).

conduct all personal securities transactions in a manner that avoids a conflict between their personal interests and those of GCM and its Clients. GCM's Code of Ethics prohibits access persons from personal account dealings in any investment in which a Client holds a position or is actively under consideration as an investment for a Client of GCM's.

GCM has adopted a Code of Ethics for all supervised persons in the firm describing its high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at GCM must acknowledge the terms of the Code of Ethics at the commencement of their employment with GCM, annually and whenever the Code of Ethics is amended. GCM's Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Haig Maghakian, Chief Compliance Officer at (310) 907-0459 or by e-mail at hmaghakian@glendoncap.com.

GCM and its personnel do not purchase any securities for their own accounts from, or sell any securities for their own accounts to, Funds. However, from time to time, subject to applicable Client investment guidelines and restrictions, GCM may direct one Client to sell securities to another Client through an internal cross transaction. These "cross transactions" also may occur with managed accounts. Cross trades may be executed as an "internal cross" where one Client may book the transaction at a price determined in accordance with GCM's policies and procedures. No fees will be charged to Clients in connection with the completion of a cross trade.

Cross transactions and principal transactions may give rise to conflicts of interest between Clients. 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 GCM and its personnel, GCM will comply with the requirements of Section 206(3) of the Advisers Act and the governing documents of the relevant fund Client.

B. Potential Conflicts of Interest. *Please note the following section primarily relates to but is not exclusive to conflicts investors should be aware of prior to investing with GCM.*

Investors should be aware that, potential and actual conflicts of interest may occur between Clients, on the one hand, and GCM and its affiliates, on the other. The following discussion describes certain potential conflicts of interest that should be carefully evaluated before making an investment with GCM.

Dedication of Glendon Personnel Time to the Glendon Clients. The investment professionals and other employees of GCM and its affiliates will be permitted to spend a portion of their business time on activities other than a specific Client or its portfolio investments. As a result, such persons may spend less time on the activities of a Client than may be required under certain circumstances. These activities could be viewed as creating a

conflict of interest in that the time and effort of GCM and its officers and employees will not be devoted exclusively to the business of a Client, but will be allocated between the businesses of all GCM Clients.

Investments Involving Other Glendon Funds. Glendon, in its sole discretion, may decide not to proceed with an investment or not to pursue an investment opportunity for a Client, or may otherwise be restricted in doing so, because of a conflict of interest.

Allocation of Investments and Investment-Related Expenses. If GCM determines, in its sole discretion, that a particular investment opportunity would be suitable for investment by more than one of its Clients, then such Clients may co-invest in such investment alongside each other, *provided* that each Client's investment therein is on substantially the same terms and conditions applicable to the investment made by such other Client(s). In the case of any such co-investment, such investment opportunity will be allocated between (or among) the Clients based on (a) net asset value of each such Client as of the date of determination (as determined by GCM in its sole discretion), (b) as described in the Governing Documents of each such Client or (c) on such other equitable basis as determined by GCM in its sole discretion, in good faith to be fair and reasonable, taking into consideration such factors as may be deemed relevant including, but not limited to, (i) the sourcing of the investment opportunity, (ii) the investment strategy, guidelines or restrictions, (iii) the risk profile or the need to re-size risk in the Clients' portfolios (including the potential for the proposed investment to create an industry, sector, issuer, portfolio company, geographic or currency imbalance in the relevant portfolio), (iv) the operating currency and hedging strategies (if applicable), (v) the target return and investment hold period, (vi) the existing portfolio composition and diversification, (vii) any applicable transfer, assignment or minimum hold restrictions relating to the investment opportunity, (viii) the amount of capital available for investment, (ix) the liquidity then available or anticipated future available liquidity, (x) the proximity of the Clients to the end of their investment period or term, (xi) any tax, regulatory, structural or contractual restrictions or consequences, (xii) the management of any actual or potential conflicts of interest, and (xiii) the magnitude of the investment and any outsized or de minimis allocation. In the case of any such co-investment, GCM will generally seek to dispose of each Client's interests in such co-investment at a similar time and on similar terms, subject to the considerations referenced above.

Expenses related to consummated investments, including fees and expenses of outside counsel, accountants and consultants, research firms, financial analysts and travel, will generally be allocated by invested capital among the Clients participating in such investment. Expenses and fees generated in the course of evaluating and making investments that are not consummated, such as out-of-pocket fees associated with due diligence, attorneys' fees and the fees of other professionals, will be allocated among the Clients based generally on the expected participation in such investment (although, as discussed further below, co-investors may in certain circumstances not bear any broken deal expenses). If any transaction or other fees are paid by a portfolio company in which the Clients are invested, then only such portion of the fee that is allocable to the Client based on capital committed to such portfolio company will be included in the management fee offset. Insurance premiums

are generally allocated among the Clients based on the net asset value of the respective accounts.

Co-Investments. A Client may invest alongside strategic, financial or other third-party co-investors, and GCM may offer one or more co-investment opportunities to one or more of its investors in the sole discretion of GCM; however, GCM shall have no obligation to offer any such co-investment opportunities to such investors. In certain circumstances, co-investors may acquire an interest in an investment after the Client has made such investment. Co-investment opportunities may be offered on a no-management-fee, no-carry basis. In certain circumstances, and subject to the applicable Governing Documents, GCM or its affiliates may invest capital in co-investment vehicles in connection with such co-investment opportunities. Such investments will involve additional risks that may not be present in investments that do not involve a co-investor, including the possibility that a co-investor may at any time have economic or business interests or goals that are not consistent with those of the Client, may be in a position to take action contrary to the Client's investment objectives or may default on its obligations. The Client may not be able to mitigate these risks contractually and, in addition, under certain circumstances may be liable for actions of its co-investors.

Fees and expenses incurred in respect of any investment (and any transaction or other fee income earned in respect of any investment) will be allocated among the Client and any co-investors generally on the basis of capital committed by each to the relevant investment; however, GCM may structure any co-investment opportunity such that the co-investors do not bear any expenses in connection with unconsummated investments. In such cases, the Client shall bear all such broken deal expenses (and in such case shall be entitled to any such break-up fees or other similar fees). Any transaction or other fee income earned in respect of the co-investors may be retained by GCM.

Material, Non-Public Information. GCM or certain of its affiliates may come into possession of material non-public information with respect to an issuer or a portfolio company. Should this occur, GCM would be restricted from buying, originating or selling securities, derivatives or loans of the issuer or portfolio company on behalf of a Client until such time as the information became public or was no longer deemed material to preclude the Client from participating in an investment. Disclosure of such information to GCM's personnel responsible for the affairs of the Client will be on a need-to-know basis only, and the Client may not be free to act upon any such information. Therefore, the Client may not have access to material non-public information in the possession of GCM that might be relevant to an investment decision to be made by the Client, and the Client may initiate a transaction or sell an investment that, if such information had been known to it, may not have been undertaken. Due to these restrictions, the Client may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. In addition, GCM, in an effort to avoid imposing restrictions on behalf of any of its Clients, may choose to forego an opportunity to receive (or elect not to receive) information that other market participants or counterparties, including those with the same positions in the issuer or portfolio company as a Client, are eligible to receive or have received, even if possession of such information would be advantageous to such Client.

Service on Board of Directors of Investee Companies. From time to time, GCM employees may serve on the board of directors of various investee companies. These situations typically arise where the investee company has undergone a financial restructuring and GCM's Clients have obtained a significant position in the post-reorganization equity securities of the company, thus entitling the Clients and/or GCM to appoint one or more persons to the company's board of directors. A GCM employee's service in such capacity may give rise to conflicts to the extent that the employee's fiduciary duties to the company may conflict with the interests of the applicable Clients.

Item 12 – Brokerage Practices

GCM is responsible for the placement of its accounts' transactions and the negotiation of prices and commissions, if any, with respect to such transactions. Fixed income and unlisted equity securities are generally purchased from a primary market maker acting as principal on a net basis without a stated commission but at prices generally reflecting a dealer spread. Listed equity securities are normally purchased through brokers in transactions executed on securities exchanges involving negotiated commissions. Both fixed income and equity securities are also purchased in underwritten offerings at fixed prices that include discounts to underwriters and/or concessions to dealers.

In selecting brokers-dealers and executing transactions for its accounts, GCM seeks to obtain the best combination of price and execution on transactions effected for its accounts. For GCM, getting the best net price is an important but not the deciding factor in selecting a broker or dealer to execute an account's transaction. Other considerations include the nature of the security being traded, the size and type of the transaction, the desired timing of the trade, and the reputation of the broker-dealer for confidentiality, the perceived financial and operational soundness of the broker-dealer and the research services and products furnished by the broker-dealer. GCM does not consider whether it may receive client referrals in selecting or recommending broker-dealers.

GCM does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among accounts, believing that the research received is, in the aggregate, of assistance to GCM in fulfilling its overall duty to its Clients. However, each and every research service may not be used to service each and every account managed by GCM and GCM may use research services to service accounts that did not pay commissions to the broker-dealers providing such research services. Moreover, GCM may benefit from those services as it may not have to pay for such research services out of its own resources.

Certain Client accounts generally trade in the same securities as other Client accounts on an aggregated basis when consistent with GCM's obligation of best execution. In such circumstances, all participating Client accounts will share commission costs equally and receive securities at a total average price. GCM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the

initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

We generally aggregate the purchase and sale of securities for various accounts that have a similar investment strategy. In doing so, we seek to allocate on a fair and equitable basis investment opportunities in situations when the opportunity to buy or sell a security or financial instrument or pursue a trading strategy is limited. GCM has adopted procedures that are designed to provide a fair allocation of aggregated purchases or sales of such investments among our Clients. The procedures are designed to produce fairness over time but may not produce mathematical precision in the allocation of individual transactions.

The factors GCM considers in allocating a trade include, but are not limited to, (i) whether the investment will fit within the investment guidelines of the account; (ii) the size of the account; (iii) the liquidity of the investment and other liquidity considerations, including redemption/withdrawal requests received by such accounts; (iii) the diversification of the account; (iv) geographical, sector, industry and asset class concentrations in the account; (v) risk characteristics of the relevant investment and the Client's risk appetite; (vi) whether the investment can be hedged (in connection with Client accounts with guidelines that call for hedging); and (vii) the maturity of the investment and the proximity of an account to the end of its specified term, if any (i.e., whether the account is in "wind down" or "ramp up" mode).

In allocating the sale of an investment that is held in one or more accounts, GCM has the discretion to sell for only one account or multiple accounts based on the factors discussed above and also where sales are required to realize liquidity (i) for a redemption in an account; (ii) to reallocate funds to a different investment strategy; or (iii) to purchase investments that GCM determines are appropriate for one account but not others. The General Partner, however, ultimately retains sole discretion as to how investment purchases and sales will be allocated among the Clients. Clients should consult their respective Governing Documents for a more complete discussion of GCM's investment allocation strategy.

GCM may receive research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a "soft dollar" relationship. GCM will generally limit the use of "soft dollars" to obtain research, including third party research, within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports and consultants' advice on portfolio strategy.

When GCM uses Client commissions to obtain Section 28(e) eligible research, GCM's Chief Compliance Officer and trader will confer periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination may be viewed in terms of either a specific transaction or GCM's overall responsibilities to its Clients.

The use of client commissions to obtain research and brokerage products and services raises potential conflicts of interest, since GCM will not have to pay for the products and services itself. Although, in general, research purchased with “soft dollars” would be re-charged to clients if permitted under the applicable written agreement. This may create an incentive for GCM to select a broker-dealer based on its interest in receiving those products and services. GCM does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Given the nature of the investment strategies, trade errors are not likely to, but may occasionally, occur with respect to trades executed on behalf of a Client. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold. Trade errors frequently result in losses but may occasionally result in gains. It is GCM’s policy that its clients will not incur any losses resulting from trade errors caused by GCM’s gross negligence, fraud or willful misconduct. 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.

Item 13 – Review of Accounts

GCM engages in ongoing monitoring of each Client’s account and investment portfolio. Members of GCM’s investment team and other relevant personnel will meet at least quarterly to review each Client account and as needed from time to time. Substantively, account reviews will include performance of the account, adherence of the account to its investment mandates, potential transactions for the account and any other consideration that may be pertinent.

There is informal monitoring of accounts with the positions and trades of all accounts reviewed periodically by the Partners, relevant analysts, and the Chief Compliance Officer. Investors in our investment funds will typically receive annual and quarterly reports from the investment fund pursuant to the terms of such fund’s Governing Documents or as otherwise agreed with such investors.

Separate Account clients will receive reports as agreed upon in the relevant advisory contract with such client.

Item 14 – Client Referrals and Other Compensation

GCM has entered into and may in the future enter into compensated arrangements with solicitors and placement agents (“marketers”) for the referral of qualified potential Separate Account clients and Fund investors. These arrangements will comply with the requirements of Rule 206(4)-1 under the Advisers Act, including the disclosure of the material compensation terms and material conflicts of interest under these arrangements to any potential Clients and Fund investors that are solicited by a marketer. As of the date of this

brochure, GCM has retained PJT Partners LP (dba Park Hill) to provide placement agent services in connection with the ongoing marketing and fundraising activities of G3.

Referral arrangements are subject to negotiation. Fees payable to marketers generally are based on a percentage of Glendon's advisory fees or a percentage of the capital raised from any Fund investors or Separate Account clients referred by such marketer. If a Fund's Governing Documents limit the period for marketing and fundraising activities, any placement agent's services to the Fund will cease at the end of such period, but GCM's obligation to pay fees to such placement agent with respect to any referred investors may continue during the term of the Fund under its referral arrangement.

Item 15 – Custody

GCM has an obligation to safeguard Client assets and protect them from loss or destruction. Rule 206(4)-2 under the Advisers Act (the "Custody Rule") imposes specific conditions upon registered investment advisers who have actual or deemed custody of Client assets. The Custody Rule contains a definition of the term "custody" which includes "holding, directly or indirectly, Client funds or securities or having any authority to obtain possession of them." The definition also includes three non-exclusive examples of custody, including when an investment adviser acts as general partner of a limited partnership. Accordingly, GCM is deemed to have custody of the assets of any Fund for which GCM or an affiliate serves as general partner. GCM adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner. All Fund securities are held with at least one qualified custodian. In addition, GCM arranges for the delivery to investors in each of the Funds of a copy of the audited financial statements for their Fund, prepared in accordance with U.S. generally accepted accounting principles, on an annual basis, and within the required time frames set forth in the Custody Rule. These audits are conducted by an accounting firm of national recognition that is a member of the Public Company Accounting Oversight Board. In addition, Fund investors receive unaudited quarterly account statements from their Fund's administrator and a statement of their capital account / share holdings as of the fiscal year-end. Fund investors should carefully review their quarterly account statements, their annual statements and their Fund's audited financial statements.

Separate Account clients select their own custodian to maintain custody of their funds and securities. As discretionary investment adviser, GCM has trading discretion over the funds and securities maintained in a Separate Account client's custodial account, but GCM does not hold such funds or securities or have authority to obtain possession of them. However, to the extent GCM is deemed to have custody of a Separate Account client's funds or securities, GCM will take steps to meet its obligations under the Custody Rule. Separate Account clients should carefully review their quarterly account statements from the custodian and compare any statements received from GCM with the account statements from the custodian.

Item 16 – Investment Discretion

GCM expects that it will usually receive discretionary authority from its Client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, GCM observes the investment policies, limitations and restrictions of the Clients for which it advises.

Investment guidelines and restrictions must be provided to GCM in writing.

Item 17 – Voting Client Securities

Rule 206(4)-6 under the Advisers Act requires all investment advisers who exercise voting authority over Client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the Client; (2) describe the procedures to Clients; and (3) inform Clients how they may obtain information about how the adviser has actually voted their proxies.

The procedures by which GCM will vote securities held by Separate Accounts will be addressed in the Account Agreements between the Clients and GCM. If a Client in a Separate Account retains authority to vote securities, the Client should arrange with their custodian to receive proxy statements and similar materials directly. GCM or the general partner of each Fund will generally vote proxies for the Fund's investments in accordance with GCM's policies and procedures for voting proxies described below.

GCM recognizes that how it votes proxies for its Clients' investments forms a part of its overall fiduciary duty to its Clients and for this reason GCM has policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interests of the Clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. GCM engages an independent third party service provider to make recommendations regarding the voting of proxies, including, to ensure that proxies are voted in the best interests of GCM's Clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting; however, GCM retains discretion with respect to proxy voting and in circumstances may vote proxies differently than the recommendations of the independent third party service provider if GCM believes doing so is in the best interests of the Client.

If you would like additional information regarding how GCM has voted on specific proxies, or a copy of its proxy voting policies and procedures, please contact Haig Maghakian, Chief Compliance Officer, at (310) 907-0459 or by e-mail at hmaghakian@glendoncap.com.

Item 18 – Financial Information

GCM has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to Clients and has never been the subject of a bankruptcy proceeding.