

# Garrison Opportunity Fund IV

Opportunistic Private Credit and Asset Based Investing

Presentation to State of Rhode Island

March 25, 2015

**GARRISON**  

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**INVESTMENT GROUP**

Please refer to the disclaimer on pages 1-3.

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## Disclaimer (continued)

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**No Assurance of Investment Return.** There can be no assurance that the Fund's objectives will be achieved or that an investor will receive any distributions from the Fund.

**No Market for Limited Partnership Interests and Restrictions on Transfer.** An investment in the Fund requires the financial ability and willingness to accept significant risk and illiquidity. Further, interests in the Fund have not been registered under the Securities Act or under the securities laws of any applicable jurisdiction nor have the interests been approved by the U.S. Securities and Exchange Commission or any U.S. state or non-U.S. securities agency or regulatory authority. In addition, interests in the Fund are not transferable except with the consent of the Fund's general partner, which may be withheld by the Fund's general partner in its sole discretion, and are subject to the terms and conditions of the Partnership Agreement. There is no public market for the interests and none is expected to develop.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Fund will be able to locate, consummate and exit investments that satisfy the Fund's rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital or receive a return of its invested capital.

**Reliance on the General Partner and Garrison.** The success of the Fund will depend in part upon the skill and expertise of the professionals of the Garrison and the Fund's general partner. There can be no assurance that such professionals will continue to be associated with Garrison or the general partner throughout the life of the Fund.

**Potential Defaults.** Distressed investments bear significant risk of default. Such defaults could cause substantial losses for the Fund. In addition, in the event of a capital default by a particular investor, the Fund's general partner may require the non-defaulting investors to fund the shortfall (but not in excess of their respective capital commitments).

## Disclaimer (continued)

Although the substance of, and the data underlying the information included in, this Presentation have been obtained from sources believed at the time that this Presentation was prepared to be reliable, the accuracy, timeliness and completeness of such information, and the underlying data or the computations based thereon cannot be guaranteed. Garrison and the funds and accounts managed or advised by Garrison (including the Fund) make no representation that the information contained in this Presentation is accurate or complete, nor does Garrison or any of its managed funds or accounts assume any responsibility or liability for any such information. Views expressed herein are subject to change without notice. All data concerning statistics and performance information are historical and based on Garrison's knowledge; as such, they do not represent current performance levels, some or all of which may have changed since the dates referenced herein. Garrison is under no obligation to update the information contained herein.

Projections are based on certain assumptions regarding, among other things, the period for which the investment is held, the performance of the underlying investment, exit multiples (if applicable) and interest rates. Unless otherwise specified, the projections represent a gross equity multiple and gross internal rate of return ("IRR") before deducting or accounting for carried interest, management fees and expenses payable by any Garrison fund or account, which will in each case materially reduce investors' returns. There is no assurance that the investments depicted herein or any investment consummated by the Fund will achieve the projected equity multiples or IRRs or avoid significant losses. The Fund does not and will not own an interest in any of the investments described herein. While Garrison currently believes that the assumptions on which the projected equity multiples and IRR's are based are reasonable under the circumstances, there is no guarantee that the conditions on which such assumptions are based will materialize or otherwise be applicable to the investments described herein. Accordingly, actual realized equity multiples and IRR's on such unrealized investments may differ materially from the projected equity multiples and IRR's set forth herein due to, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the projections contained herein are based. General economic conditions and other factors that are not predictable can have a material adverse effect on the reliability of projections. Past or projected performance is not necessarily indicative of future results and there can be no assurance that the Fund will achieve its targeted returns or returns comparable to those achieved by any other fund or account managed or advised by Garrison because of, among other things, economic conditions and the availability of investment opportunities.

## Overview

- ▶ **Garrison Investment Group is a distressed, credit and asset-based investor focused on the middle market**
  - Established in May 2007, Garrison has \$4.2bn in assets under management<sup>1</sup>
- ▶ Seasoned team of 78 employees (45 on investment team) with experience over many cycles
- ▶ Investment focus targets attractive transactions across three investment areas:

Financial Assets

Corporate

Commercial  
Real Estate

- ▶ Middle market opportunities tend to attract much less competition from larger players while maintaining advantageous risk and return characteristics
- ▶ Emphasis on capital preservation creates the foundation of Garrison's underwriting

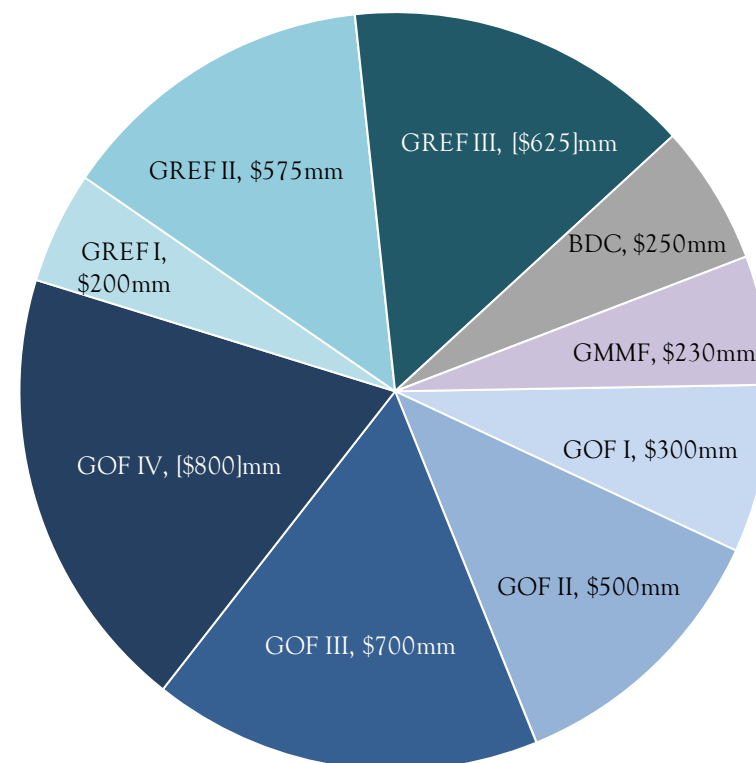
<sup>1</sup>Includes unfunded capital commitments. AUM figures are approximate. As of 12/31/2014.

## Investment Vehicles

- ▶ \$4.0bn of assets under management in closed-end private equity format vehicles and BDC<sup>1</sup>

### Opportunistic

<b>Private Credit &amp; Special Situations</b>	GOF I 2009 \$300mm*	GOF II 2010 \$500mm
	GOF III 2012 \$700mm	GOF IV \$450mm** [Target \$800mm]
<b>Private Real Estate</b>	REF I 2009 \$200mm	REF II 2011 \$575mm
	REF III \$225mm [Target \$575mm]	
<b>Corporate Lending</b>	BDC 2010 \$250mm	GMMF 2012 \$230mm



- ▶ \$468.8mm of assets under management in managed accounts / co-invest vehicles<sup>2</sup>

<sup>1</sup> Includes unfunded capital commitments. AUM figures are approximate. As of 12/31/2014.

<sup>2</sup> Managed accounts and co-invest AUM included in \$4.0bn figure noted above.

REF = Garrison Real Estate Fund; GOF = Garrison Opportunity Fund; BDC = Business Development Company; GMMF = Garrison Middle Market Funding

\* Includes commitments to GOF I and certain managed accounts that invested alongside GOF I in certain assets

\*\* Includes investor commitments expected to close in the first quarter for GOF IV and a managed account with similar strategy that will invest alongside GOF IV in certain assets

# GOF IV Investment Team

**GOF IV Investment Committee**  
Joe Tansey, CIO  
Brian Chase, CFO / COO  
Mitch Drucker, Corporate Group Head  
Gregg Chiota, Financial Assets Group Head

## **CORPORATE**

5 Managing Directors  
3 Directors  
3 Associates  
3 Analysts

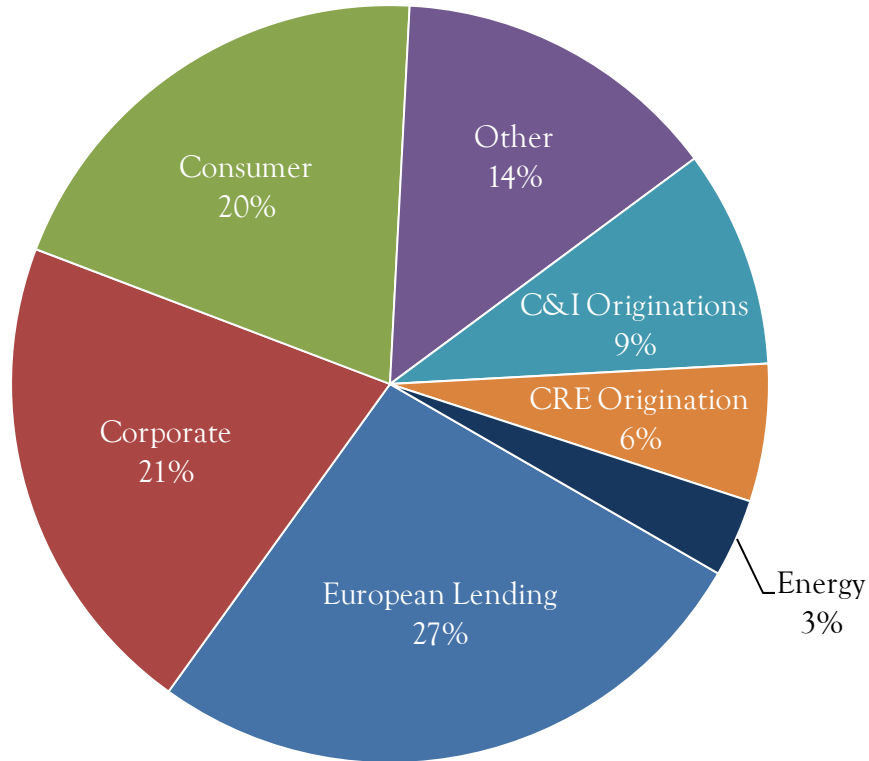
## **FINANCIAL ASSETS**

3 Managing Directors  
1 Director  
4 VPs  
3 Associates

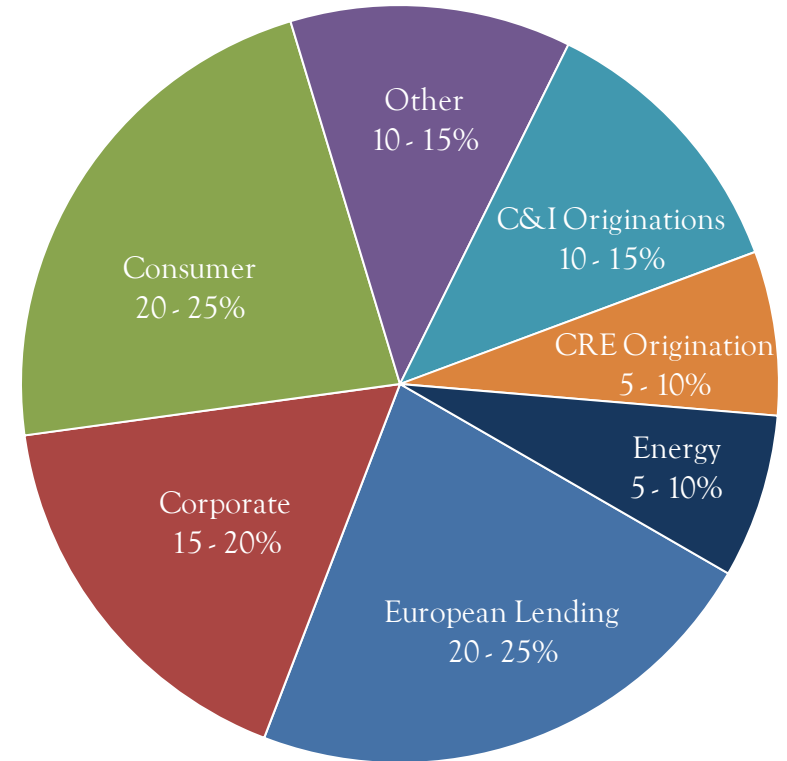
Real Estate Investment Team:	18 professionals
Finance, Legal and Compliance:	21 professionals
Investor Relations:	5 professionals
Administrative / Technology:	7 staff

# GOF IV A Exposure by Sector

GOF IV A Exposure  
by Capital Invested\*



GOF IV A Anticipated  
Exposure\*\*



\*Capital invested as of 12/31/2014

\*\*Anticipated exposure through investment period



## Garrison Credit and Special Situations

- ▶ Areas where banks have withdrawn creating a scarcity of capital
- ▶ Sales of orphaned, non-strategic and non-core assets that are too small for large players
- ▶ Supply/demand imbalances in hard asset segments
- ▶ Rescue financing and opportunistic lending across asset classes

	Secondary Market Purchases	Origination
Consumer Loans	<ul style="list-style-type: none"> <li>• Orphaned portfolios</li> <li>• Distressed sellers</li> <li>• Esoteric assets</li> <li>• Utilize knowledge gained from our platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Identify new loan origination platforms to start, JV or acquire</li> <li>• Quality management teams looking for growth</li> <li>• Proven track record of supporting management teams and buying assets</li> </ul>
Commercial Loans	<ul style="list-style-type: none"> <li>• Continued balance sheet cleansing</li> <li>• Continued merger and acquisitions within banking sector</li> <li>• Asset sales arising from expiration of initial FDIC loss share</li> </ul>	<ul style="list-style-type: none"> <li>• Create new direct origination platforms</li> <li>• C&amp;I</li> <li>• Small balance CRE</li> </ul>
Corporate Loans	<ul style="list-style-type: none"> <li>• Acquire debt and restructure companies via bankruptcy / foreclosure (Article 363 / Article 9) or an out of court restructuring</li> <li>• Acquire debt of already-restructured companies from fatigued lenders and get the equity for free or below market value</li> </ul>	<ul style="list-style-type: none"> <li>• Originate first lien senior secured loans to companies operating in the lower middle market (sub \$25mm of EBITDA).</li> <li>• Provide flexible capital solutions to asset rich businesses with low leverage</li> </ul>
Opportunistic	<ul style="list-style-type: none"> <li>• Hard asset supply / demand imbalances</li> <li>• Co-investments with our commercial real estate funds where appropriate</li> <li>• European opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Identify new operating platforms within industries with supply/demand imbalances to start, JV or acquire</li> </ul>

## GOF IV Investment [C&I Originations]: Foundation

### Investment Summary

Invested Capital	\$15.4mm
Potential Return Scenarios	Portfolio run-off, sale of platform



### Asset Overview

- Garrison launched a small business commercial loan origination and servicing platform, Garrison Foundation LLC ("Foundation"), through the acquisition of the assets of Foundation, Inc. Garrison also entered into a JV agreement with management to grow the existing business.
- Assets prior to acquisition consisted of an approximately \$4.4mm loan receivable portfolio, \$260k of cash, and \$320k of other miscellaneous assets including computers, software, etc.

### Sourcing

- Sourced through an existing relationship with a financial advisor.

### Current Status

- Since acquiring the \$4.4mm portfolio of Foundation Inc. on November 26, 2013, Garrison has originated \$36.4mm in new loans.
- As of quarter end, the portfolio had a weighted average coupon of 17.9%, a weighted average FICO score of 727 and 96% of loan balance was current.

## Summary of Terms

<b>Investment Vehicle</b>	Garrison Opportunity Fund IV LLC
<b>Onshore Fund Size Target</b>	\$600 million (Offshore targeting \$200mm)
<b>Term</b>	6 years (optional extensions not exceeding 2 years (in the aggregate) subject to Advisory Board approval), with a 3 year investment period with capital and profit recycling
<b>Minimum Investment</b>	\$5 million
<b>Economics</b>	<p><u>Management Fee</u>: During Investment Period: 1.75% of <u>drawn</u> capital</p> <p><u>Distribution Waterfall</u>: All-capital back (“European Style”)</p> <p>Carried Interest: 20%</p> <p>Preferred Return: 8%</p> <p>80% to the GP and 20% to the LP until GP has received 20% of the cumulative profits and 80% to the LP and 20% to the GP thereafter.</p>
<b>Garrison Investment</b>	1%
<b>Legal Counsel to the Manager</b>	Sidley Austin LLP
<b>Auditors</b>	PWC

## **Joseph Tansey – Chief Investment Officer**

Prior to founding Garrison Investment Group in March 2007, Joe was a Managing Director at Fortress Investment Group and a partner of the Drawbridge Special Opportunities Fund from 2002 to 2007. At Drawbridge, he was primarily responsible for investment underwriting and structuring.

From 1998 to 2002, Joe worked at Goldman Sachs & Co. in Tokyo, Hong Kong and New York. He was a member of the Asian Special Situations Group, Real Estate Principal Investment Group and Mortgage Group. Prior to joining Goldman Sachs, Joe worked at Starwood Capital Group from 1995 to 1998. At Starwood, he was involved in acquisition and management of Real Estate operating businesses and distressed debt. Joe received a B.A. and B.S. from The University of Pennsylvania.

## Contact Information

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