

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

---

MS Capital Partners Adviser Inc.

as Adviser to Morgan Stanley Credit Partners

1585 Broadway, 39<sup>th</sup> Floor

New York, NY 10036

212-761-7593

[http://www.morganstanley.com/institutional/invest\\_management/credit\\_partners/](http://www.morganstanley.com/institutional/invest_management/credit_partners/)

March 30, 2012

This Brochure provides information about the qualifications and business practices of MS Capital Partners Adviser Inc., as adviser to Morgan Stanley Credit Partners. If you have any questions about the contents of this Brochure, please contact Morgan Stanley Merchant Banking Investor Services at (212) 761-7593 or email [pe\\_invrelations@morganstanley.com](mailto:pe_invrelations@morganstanley.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about the Adviser also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

## **Item 2 – Material Changes**

We provide this brochure to our clients as well as limited partners of the pooled investment vehicles that we advise (“Limited Partners”).

There are no material changes since the last annual update of this Brochure, which was dated March 31, 2011. We will provide clients and Limited Partners with a new Brochure as necessary based on material changes or new information, at any time, without charge upon request.

Our Brochure may be requested by contacting Morgan Stanley Merchant Banking Investor Services at (212) 761-7593 or email [pe\\_invrelations@morganstanley.com](mailto:pe_invrelations@morganstanley.com).

---

---

**Item 3 – Table of Contents**

Item 1 – Cover Page.....i

Item 2 – Material Changes ..... ii

Item 3 – Table of Contents ..... iii

Item 4 – Advisory Business .....1

Item 5 – Fees and Compensation .....2

Item 6 – Performance-Based Fees and Side-By-Side Management .....4

Item 7 – Types of Clients.....5

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....6

Item 9 – Disciplinary Information .....12

Item 10 – Other Financial Industry Activities and Affiliations .....13

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....15

Item 12 – Brokerage Practices .....17

Item 13 – Review of Accounts .....18

Item 14 – Client Referrals and Other Compensation.....19

Item 15 – Custody .....20

Item 16 – Investment Discretion.....21

Item 17 – Voting Client Securities .....22

Item 18 – Financial Information .....23

---

## **Item 4 – Advisory Business**

MS Capital Partners Adviser Inc. (the “Adviser”) was formed in 2008 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 2008.

The Adviser is a wholly-owned indirect subsidiary of Morgan Stanley.

As of December 31, 2011, the Adviser had approximately \$993,200,000 of assets under management, all of which are managed on a discretionary basis.

The Adviser’s primary business is the management of pooled investment vehicles, including Morgan Stanley Credit Partners, whose investment strategy is described below.

### **Morgan Stanley Credit Partners**

MS Credit Partners GP L.P. (the “General Partner”), an affiliate of the Adviser, is the general partner of Morgan Stanley Credit Partners L.P., a Delaware limited partnership (together with other related parallel, co-investment and feeder vehicles, “Morgan Stanley Credit Partners,” the “Fund” or the “Funds”).

The Fund’s investment objective is to seek to invest in debt instruments issued by corporate issuers in the context of debt refinancings, capital structure restructurings, traditional mezzanine issuances, debtor-in-possession (“DIP”) financings and similar and related investments (the “Primary Market Investments”). The Fund also has the flexibility to invest in a limited amount of senior secured leveraged loans, high yield bonds and similar instruments acquired in the secondary markets (the “Secondary Market Investments”). The Fund intends to invest in entities globally with a primary focus on North America and Western Europe.

---

## Item 5 – Fees and Compensation

Certain fees and other compensation described herein are subject to negotiation with investors.

### Management Fees

The Adviser generally receives an annual management fee (the “Management Fee”) from the Funds equal to 1.0% of invested capital. The Management Fee is subject to reduction as provided in the paragraph below. The Management Fee is funded by the limited partners of the Funds (the “Limited Partners”) and is payable quarterly in arrears. Upon termination of the management agreement between the Adviser and the Fund, the Adviser shall repay to the Fund or to a replacement manager, as directed by the General Partner of the Fund, the unearned portion (computed on the basis of the number of days elapsed), if any, of the Management Fees previously paid to the Adviser. Certain of the employee and other co-investment vehicles, however, pay no or a significantly reduced Management Fee.

The Adviser and its professionals may charge portfolio companies transaction fees, sponsor fees, monitoring fees, advisory fees, directors’ fees, commitment fees, closing fees, amendment fees, break up fees and other similar fees. An amount equal to 80% of the Fund’s allocable portion of all such fees (other than fees received in respect of certain investment banking, advisory and other customary activities and services engaged in by Morgan Stanley in its role as an investment banking and brokerage firm) paid by portfolio companies to the Adviser, the General Partner or any of the investment professionals dedicated to the Funds (as described in the private placement memorandum of the Fund), net of any unreimbursed related expenses incurred by the Adviser or its affiliates or representatives in connection with unconsummated transactions, will generally be applied to reduce the Management Fee otherwise payable to the Adviser by the Limited Partners.

In addition, certain Limited Partners will pay an administrative fee to the Adviser or an affiliate thereof in quarterly installments in arrears in an amount equal to 0.25% *per annum* of such Limited Partner’s invested capital with respect to the acquisition of portfolio investments that are held by Morgan Stanley Credit Partners L.P.

Fees may be deducted from the Funds’ assets as and to the extent set forth in the limited partnership agreements of the Funds (the “Partnership Agreements”).

### Carried Interest

The General Partner is generally entitled to carried interest with respect to each Limited Partner equal to 15% of such Limited Partner’s profits from each Fund investment, subject to satisfaction of an 8% internal rate of return, compounded annually, on the invested and unreturned capital of such investment (in the case of dividends, interest and other current income) or for such investment and previously realized investments (in the case of investment disposition proceeds).

---

Such carried interest is earned on an investment-by-investment basis and is not payable until current income is received or disposition proceeds are realized from an investment. Certain of the employee and other co-investment vehicles, however, are subject to no or a significantly reduced carried interest.

### **Expenses**

The Funds may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to such Funds. The payment of such expenses by the Funds does not represent a source of profit for the Adviser, but rather is a reimbursement of actual costs initially paid by the Adviser (or its affiliates) and subsequently passed through to the Funds. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential Fund investment and the acquisition, management, holding, sale, proposed sale or valuation of any Fund investments (including meals, entertainment and travel expenses incurred by Morgan Stanley and its employees in connection with identifying, negotiating, executing or managing consummated Fund investments or unconsummated Fund investments); and (ii) ordinary administrative expenses, including fees of auditors, attorneys, appraisers and other professionals auditing, accounting, banking and consulting expenses (including expenses paid to the Adviser or to any of its affiliates for services rendered on an arms-length basis in connection with the Funds' affairs). Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Placement Agent Fees**

With respect to the Funds, broker-dealers who are our affiliates will act as placement agents to assist in the placement of a Fund's interests. Any placement fee not payable by us will be in addition to an investor's capital commitment. The amount of any placement fee will be described in the placement agent's point of sale letter. However, the placement agents or distributors may in their sole discretion waive the placement fees payable by an investor, including an investor that is an employee or affiliate of the General Partner and/or the Adviser.

The private placement memoranda for the Funds include further details on fees and compensation and related matters.

---

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

In some cases, the Adviser has entered into performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser has designed and implemented procedures to ensure that all clients are treated fairly and equitably. In addition, certain investment vehicles pay different levels of performance fees, which may create differing incentives for the Adviser when allocating investment opportunities. Specific parameters for allocations are included in the governing documents of the Funds to address the conflicts inherent in these differing incentives.

Please see Item 5 for further information regarding performance-based fees charged by the Adviser.

---

## **Item 7 – Types of Clients**

The Adviser provides portfolio management services to pooled investment vehicles. These pooled investment vehicles are not subject to regulation under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Generally, the minimum investment amount varies among the investment vehicles that comprise the Funds. Morgan Stanley reserves the right to waive any minimum investment requirement in its discretion. In addition, Limited Partner interests in a Fund (“Interests”) may be purchased only by certain eligible investors who are “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended, and “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act.

In the case of the employee funds, interests have been offered and sold to investors who are “accredited investors” as defined in Regulation D of the Securities Act and in accordance with the requirements of an exemptive order under the Investment Company Act received by Morgan Stanley from the SEC in April 2000.



---

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

### **Investment Strategies**

The Fund’s investment objective is to seek to invest primarily in debt instruments issued by corporate issuers in privately negotiated transactions (“Primary Market Investments”), and these investments will often have a small equity component. The Fund will also have the flexibility to invest in a limited number of Secondary Market Investments. The Fund intends to invest in entities globally with a primary focus on North America and Western Europe. From time to time the Adviser may cause the Funds to invest cash held by the Funds in temporary investments or to employ hedging techniques to reduce the risk of adverse interest rate, currency, credit or security movements on investments.

### **Methods of Analysis**

#### *Investment Process*

The Adviser intends ultimately to construct a diversified portfolio of up to 20 to 25 Primary Market Investments.

The Fund generally seeks to invest in companies that have leading market positions, generate strong free cash flow, have high barriers to entry, possess a strong liquidity position and have a proven management team. The management team of the Fund (the “Investment Team”) employs a highly rigorous, credit centric and disciplined investment process based on the investment process developed and refined by Morgan Stanley Investment Management Merchant Banking (“MSIM Merchant Banking”), supported by proprietary qualitative and quantitative credit assessments and valuation metrics developed by the Investment Team. The investment process has three parts: (1) Preliminary Evaluation (as defined below), (2) Active Evaluation (as defined below) and (3) Investment Committee (as defined below) review, and employs the same highly rigorous, credit-centric and disciplined investment process to both Primary and Secondary Market Investments.

#### *Preliminary Evaluation*

The Adviser expects that the Morgan Stanley network of resources and the Investment Team will generate a substantial number of primary investment opportunities annually across a wide variety of industries and geographic regions. The Investment Team expects that the Fund will consummate approximately four to seven of these investments per year and therefore the initial screening process is critical to allocating resources efficiently.

---

An initial review of each primary investment opportunity will be carried out by one of the senior members of the Investment Team to determine whether such opportunity is consistent with the Fund's investment objectives in terms of quality, valuation, portfolio weighting and the Fund having a competitive advantage (the "Preliminary Evaluation"). If the opportunity fits the Fund's investment objectives, the attractiveness of the opportunity is evaluated by the Investment Team. The Investment Team intends to utilize the extensive industry expertise resident in Morgan Stanley's Investment Management, Merchant Banking, Investment Banking, Sales and Trading, Commodities, and Equity and Fixed Income Research (subject in all cases to applicable regulations, policies and procedures) areas to assist in this preliminary evaluation. Access to these unique resources is expected to permit the Investment Team to assess each opportunity quickly and effectively and enables it to focus only on compelling opportunities.

If the members of the Investment Team conducting the initial review conclude that a Primary Market Investment opportunity meets the Fund's objectives, such investment opportunity will be discussed at the Investment Team's weekly meeting. At this meeting the Investment Team will discuss the attendant credit risks and relative attractiveness of the investment opportunity and whether Morgan Stanley's resources and relationships can be utilized to give the Fund a meaningful competitive advantage. In general, the Investment Team will not pursue an opportunity unless the Fund has such an advantage. Opportunities that gain consensus are advanced to active evaluation ("Active Evaluation").

#### *Active Evaluation*

Investment opportunities that emerge from the Preliminary Evaluation phase will be analyzed in detail. The Investment Team's Active Evaluation process consists of two stages. The first stage, the investment quality screen, consists of fundamental credit analysis, covenant and structure analysis and company valuation (the "Investment Quality Screen"). The Investment Quality Screen is intended to identify what the General Partner believes to be the highest-quality investment opportunities. The second stage, the investment risk-reward screen, consists of absolute return, relative return and capital structure assessments (the "Investment Risk-Reward Screen"). The Investment Risk-Reward Screen is intended to identify what are believed to be the most attractive risk-adjusted investments.

#### *Investment Quality Screen*

The first phase of the Investment Quality Screen entails comprehensive due diligence on each company, which will likely leverage the extensive industry expertise resident in Morgan Stanley's Investment Management, Merchant Banking, Investment Banking, Sales and Trading, Commodities, and Equity and Fixed Income Research (subject in all cases to applicable regulations, policies and procedures) areas to assist in this due diligence process. Diligence typically involves meeting with company management and, if applicable, the financial sponsor, to achieve a comprehensive understanding of the company's competitive positioning, as well as the risks associated with the proposed investment. In addition, the Investment Team performs a detailed analysis of the company's liquidity position, including its ability to access its revolving credit facility.

The second phase of the Investment Quality Screen consists of an assessment of the company's corporate structure and debt covenants. The objective of this phase is to understand a target company's ability to incur additional debt, undertake credit dilutive actions, flexibility under financial covenants and complexity of

---

corporate structure. For the Primary Market Investments, this analysis would ensure that the Fund's investment has adequate protections and assurances as to the target company's access to liquidity. For the Secondary Market Investments, this analysis would help crystallize the optimal entry point within a target company's capital structure. The Adviser believes that the Investment Team is well positioned to conduct this analysis given its extensive capital markets experience. As part of its covenant and capital structure analysis, the Investment Team will retain outside counsel to assist with such analysis.

The third phase of the Investment Quality Screen entails a comprehensive valuation analysis of each target company performed by the Investment Team. The Investment Team employs appropriate valuation methodologies and leverages the methodologies developed and refined by MSIM Merchant Banking. This analysis is intended to provide further insight into implied asset protection and risk and reward tradeoffs.

#### *Investment Risk-Reward Screen*

Once an opportunity has passed the Investment Quality Screen, the Investment Team will conduct a risk-reward assessment of the opportunity. In this assessment, the Investment Team will analyze projected absolute returns of the investment over a given horizon, its relative value versus comparable investment opportunities and make a capital structure assessment. The capital structure assessment includes evaluating the risk-return profiles of various parts of a company's capital structure and determining the optimal entry point. The culmination of this two-stage approach leads to a recommendation by the Investment Team to the General Partner's investment committee (the "Investment Committee").

#### *Investment Committee Review*

The Investment Committee consists of senior Investment Team professionals and senior executives of Morgan Stanley. Investment recommendations made by the Investment Team will be reviewed by the Investment Committee. The Investment Team may make multiple presentations to the Investment Committee through various stages in the investment process, leading up to its final recommendation. For every proposed investment, the Investment Team will submit to the Investment Committee a comprehensive, detailed and proprietary credit memo (the "Credit Memo") expressing its investment view and documenting its due diligence. All investment opportunities will be presented to the Investment Committee as transaction opportunities arise.

---

### *Portfolio Monitoring*

The Investment Team seeks to monitor actively all portfolio investments and provide the Investment Committee periodic updates on operating and financial performance, new investment recommendations and portfolio composition. The Investment Team will also provide the Investment Committee with periodic updates on portfolio company financial performance compared to the investment base case set forth in the initial Credit Memo. Further, the Investment Team will provide the Investment Committee periodic recommendations with respect to overall portfolio construction, including industry weightings, capital structure allocations, pace of investing and geographic concentrations. The Investment Committee will review such recommendations and will make recommendations to the Investment Team.

As part of its portfolio monitoring, the Investment Team will engage in formal and informal dialogue with portfolio company management teams, financial sponsors, suppliers and customers, as appropriate, through conversations facilitated, in part, by the Firm's global network in an attempt to give the Fund an ongoing advantage relative to other investors.

As part of a global investment bank, the Adviser expects to have the ability to take on a cooperative role in providing ongoing support to portfolio companies, including full access to the relationships and resources of Morgan Stanley. This should help facilitate potential refinancing or exit opportunities for the Fund's portfolio companies.

### **Risk of Loss -- Certain Risks Related to Investment Strategy**

Investing in securities involves risk of loss that clients should be prepared to bear.

*Our investment strategy entails a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in the Fund. The risks summarized below are described in greater detail in the private placement memoranda provided to Limited Partners. In addition, there are other risks (in addition to risks related to our investment strategy) associated with investing in the Funds which are described in the private placement memoranda.*

- reliance on expertise of Morgan Stanley investment professionals;
- highly competitive markets and prevailing regulatory or political climates;
- illiquidity of investments;
- lack of diversification;
- unsuccessful refinancing or syndication;
- adverse political developments and regulation in foreign countries;
- fluctuation in exchange rates;
- lack of legal or management control and limited legal recourse;
- high rates of inflation and deflation;

- 
- operational clearance and settlement problems in securities markets;
  - counterparty default;
  - intermediary default, insolvency and fraud;
  - control person liability and inability to protect investment if a controlling interest is not obtained;
  - reliance on portfolio company management;
  - use of hedging techniques;
  - significant degree of financial and/or business risk;
  - catastrophic and other force majeure events;
  - burdensome regulation by one or more governmental entities in specific industries;
  - lack of protection by financial covenants in debt investments;
  - recovery cost of defaulted or non-performing debt investments;
  - potential liabilities related to portfolio company restructurings and workout negotiations;
  - inability to generate sufficient cash to service debt obligations at the portfolio company level;
  - credit and market risks related to debt instruments;
  - inability to protect mezzanine and subordinated debt investments;
  - no assurance of sufficient collateral in connection with secured loans;
  - inability to control governing documents of debt instruments;
  - no assurance of recovery on defaulted second-lien loans;
  - lack of certain financial covenants in covenant-lite first-lien loans;
  - investments in lower rated or comparable non-rated securities;
  - use of options and warrants;
  - participation in credit default swaps;
  - no assurance of realization upon a participation or derivative interest;

- 
- issuer inability to make principal and interest payments on outstanding debt obligations when due;
  - potential claims of lender liability and equitable subordination;
  - interest rate fluctuations;
  - investments in publicly-traded securities; and
  - adverse foreign laws related to restructurings.

The General Partner and the Adviser also may face conflicts of interest in connection with managing the Fund. See Item 10 – Other Financial and Industry Activities.

---

**Item 9 – Disciplinary Information**

The Adviser has no information applicable to this Item.

---

## Item 10 – Other Financial Industry Activities and Affiliations

The Adviser expects to receive a variety of services from one or more of its broker-dealer affiliates, including Morgan Stanley & Co. LLC, a registered broker-dealer and a registered investment adviser, including, but not limited to, information regarding potential investment opportunities, financial advice and assistance in connection with the making, monitoring and disposing of investments and securities underwriting and brokerage services in connection with the sale of investments. The Adviser shares certain officers and directors with related investment advisers that also manage affiliated private equity funds.

Furthermore, the Adviser or the General Partner creates limited partnerships through which their clients may invest. For example, the General Partner may create a limited partnership that is the vehicle through which the Funds and/or Limited Partners of the Funds may make a portfolio investment.

The Adviser is the manager of the Fund. The Adviser and/or certain related persons have and may continue to organize other partnerships and serve as the manager, general partner, or the managing member or general partner of the general partner, to these partnerships. In organizing these partnerships, the Adviser or a related person may be deemed to have been or to be soliciting clients. Moreover, the Adviser shares certain officers and directors with related investment advisers that also manage affiliated private equity funds.

The Adviser may from time to time compensate certain of its employees, its affiliates' employees or any other placement agents in return for referrals of Limited Partners that have not previously invested in a fund managed by the Adviser. Any additional compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act.

Finally, the Adviser and its affiliates face conflicts of interest resulting from the broad spectrum of activities in which Morgan Stanley engages, including those relating to:

- conflicts of interest between Morgan Stanley and investors in the Fund;
- conflicts of interest among Morgan Stanley's clients and investors in the Fund
- the possession by Morgan Stanley of material, non-public information regarding existing and prospective portfolio companies;
- investments by Morgan Stanley in competitors or other counterparties of portfolio companies;
- Morgan Stanley's advisory relationships with clients that may compete with, or otherwise have interests that are adverse to, the interests of the Fund;
- nature or structuring of co-investment opportunities;
- financial incentives relating to carried interest and fee arrangements;
- fees paid by the Fund and its portfolio companies to Morgan Stanley for investment banking or other services, which will not be shared with the Fund;
- Morgan Stanley's investment management, sales and trading, retail brokerage and other businesses;



- 
- restrictions applicable to the Fund as a result of Morgan Stanley being subject to the Bank Holding Company Act of 1956, as amended, and the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
  - Morgan Stanley acting as a broker for the Fund and another person on the other side of a transaction;
  - Morgan Stanley making, underwriting and syndicating loans;
  - Morgan Stanley acting as financial advisor to financially troubled portfolio companies;
  - purchases or sales of assets by the Fund from or to Morgan Stanley or companies in which Morgan Stanley has an interest and other counterparty transactions;
  - the exercise by Morgan Stanley of its discretion to allocate investment opportunities, time and resources among its various businesses, clients and Morgan Stanley related persons; and
  - broker-dealers affiliated with Morgan Stanley acting as placement agents or distributors with respect to the Funds.

A more detailed description of these conflicts appears in the private placement memoranda that are provided to Limited Partners.

### **Conflict Identification and Mitigation**

Morgan Stanley and the Adviser have established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. A conflict management officer for each business unit and/or region acts as a focal point to identify and address potential conflicts of interest in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to firm management or the firm's franchise committees, for potentially significant conflicts that cannot be resolved by the conflict management officers or that otherwise require senior management review. In addition, the Adviser addresses conflicts through disclosure to its investors and should any transactions presenting a potential conflict of interest actually arise, the Adviser may in certain situations choose to seek the approval of the Investor Advisory Committee with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3) thereunder. The Adviser may also choose to seek the approval of Limited Partners of the applicable Funds with respect to certain conflict situations or matters under the Advisers Act.

---

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

### **Code of Ethics**

The Adviser has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act, applicable to employees of the Adviser who are based in North America and Investment Committee members (“Access Persons”). Each Access Person is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by Access Persons are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by Access Persons with respect to their personal trading and other business activities.

The Code addresses the personal trading and investment activities of Access Persons, as more fully described below. In addition, the Code addresses standards of business conduct and fiduciary duties expected of Access Persons, including confidentiality obligations and restrictions on outside business activities and other conflicts of interest.

Violations of the Code are subject to sanction, including reprimand, demotion, suspension or termination of employment.

Copies of the Code are available upon request from the Adviser.

### **Personal Trading and Investments**

The Code refers to a number of policies governing the securities trading and investing activities of employees for their own accounts. Such policies require all Access Persons to pre-clear trades for covered securities, as defined under the policies, in a personal account. A pre-clearance request will be denied if such securities are under consideration for investment, or have been acquired by, a client of the Adviser, or if the Adviser is in receipt of material non-public information of the relevant company or if another conflict exists. Such policies also impose holding periods and reporting requirements for covered securities. In addition, investments in private placements or an employee’s participation in an outside business activity must be pre-approved by the employee’s designated manager and the Chief Compliance Officer.

### **Participation or Interest in Client Transactions**

We recommend that clients invest in Funds for which we act as investment adviser. Prior to subscribing for interests in a Fund advised by the Adviser, investors receive information relating to potential conflicts of interest between the activities of the Fund and the business activities of the Adviser, and its affiliates, or clients that may have a financial interest in the securities in which the Fund invests.

On rare occasions, a Fund may sell a security or asset which another Fund, or an affiliate of the Adviser, wants to own. On these occasions, after extensive Firm and legal and compliance review and documentation, a sale of the security or asset from one Fund to another will be permitted.

---

The Adviser may purchase and sell public and private investments and co-invest the assets of the clients alongside other Funds and accounts managed by the Adviser or its affiliates in compliance with the requirements and conditions of rules, regulations, orders, or interpretations of the SEC, or no-action letters of the SEC Staff, and in accordance with Fund and client account governing documents. The Adviser has adopted an Allocation Policy and Procedures in order to ensure that each client is treated in a fair and equitable manner. The following factors will be considered, as appropriate, in connection with allocation decisions:

- Rights of first offer in favor of a client
- Investment guidelines, goals or restrictions of the client
- Capacity of the client
- Existing allocation to similar strategies and the diversification objectives of the client
- Tax, legal or regulatory considerations
- With respect to co-investment allocations, whether the co-investor can provide value add to the operations of the business or provide future opportunities to the business of the client
- Other relevant business considerations

Please refer to Item 10 for a description of other financial industry activities and affiliations of Morgan Stanley, and a discussion of the material conflicts relating thereto.

---

## Item 12 – Brokerage Practices

Due to the nature of the investments the Funds make, broker-dealers are not generally used for transactions. However, when executing transactions on behalf of the Fund through a broker, dealer or underwriter, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser's effort to obtain best execution on any individual transaction depends substantially on its judgment, knowledge and experience in evaluating the counterparties', advisers' and service providers' ("Counterparties") reliability and capability based on previous and pending transactions effected by the broker-dealer for client accounts. Some of the factors considered by the Adviser in selecting a Counterparty include, among other things, execution quality and capabilities, including with regard to market making, commissions charged by and gross compensation paid to such Counterparty, and special knowledge of the Adviser's client's markets.

The Adviser will only consider engaging in a principal or cross transaction with Morgan Stanley or its affiliates on behalf of a fund or client to the extent permitted by applicable law. The Adviser has adopted policies and procedures to ensure compliance with Section 206(3) of the Advisers Act, where applicable.

A broker-dealer (including a Morgan Stanley affiliate) may act as agent for one or more clients in selling publicly traded securities simultaneously. In such a situation, transactions may, but are not required to, be bundled and clients will receive proceeds from sales based on average prices received, which may be lower than the price which could have been received had each client sold its securities separately from such broker-dealer's other clients.

---

### **Item 13 – Review of Accounts**

The General Partner’s Investment Committee reviews and approves all significant investment decisions. The members of the General Partner’s investment committee are identified in the Supplements to the Adviser’s Brochure in Form ADV Part 2B.

The investments made by the Fund are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser’s portfolio management staff closely monitors companies and assets in which the Funds invest and generally maintains an ongoing oversight position in such companies and assets (including, where relevant, representation on the board of directors of such companies). Reviews occur on a quarterly, and in some cases, monthly basis.

The Adviser provides quarterly unaudited reports and annual audited reports to the Limited Partners of the Funds managed by the Adviser, which include, among other things, financial statements and descriptions of the investments of the Funds.

---

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

The Adviser may from time to time compensate certain of its employees, its affiliates’ employees or any other placement agents in return for referrals of Limited Partners that have not previously invested in a fund managed by the Adviser. Any additional compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act if applicable.

---

## **Item 15 – Custody**

The Adviser is deemed to have custody of the Funds’ cash and securities by virtue of its relationship with the General Partners of the Funds. Each Limited Partner of a Fund receives the Fund’s audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the Fund’s fiscal year.

---

## **Item 16 – Investment Discretion**

As the manager of the Funds, the Adviser will have discretion to recommend to the General Partner, without consent of the Fund investors, the particular securities to be bought and sold, the broker or dealer (including a Morgan Stanley affiliate) to be used (if any) and the commission rates to be paid by the Funds in cases where a broker or dealer is used. The Adviser will provide investment advice to the Funds, subject to certain investment limitations regarding diversification and type of permitted investments as set forth in the applicable Partnership Agreement. When executing transactions on behalf of the Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain the most favorable commission and the best price available on each transaction in light of the quality of execution provided. Consequently, brokers, dealers and underwriters are selected primarily on the basis of their execution, capability and trading expertise.

The Adviser generally receives discretionary authority from a fund at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such authority is provided in the Adviser's advisory contract with each fund and/or under the terms of the operating agreement of each fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular fund. When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the relevant fund for which it advises.



---

## Item 17 – Voting Client Securities

Where the Adviser has accepted authority to vote proxies on behalf of a client, the Adviser will vote proxies in accordance with its policies and procedures in place for voting of proxies (the “Proxy Voting Policy”), which are designed to ensure compliance with Rule 206(4)-6 under the Advisers Act. Copies of the Proxy Voting Policy are available from the Adviser upon request. Under the Proxy Voting Policy, the Adviser will vote proxies on behalf of the clients based on a determination of the best interest of the clients, consistent with the objective of maximizing long-term investment returns for the clients.

In many situations, a client is a party to a stockholder or similar agreement. These agreements are entered into in the best interests of the clients, and may require the advisers to vote the other investors’ nominees to a board of directors or similar body, or require a vote in favor of a particular transaction. If this is the case, the Adviser will comply with the applicable clients’ contractual obligations.

Where no contract requires a client to vote for a specific outcome, the Proxy Voting Policy is designed to be responsive to the wide range of issues that may be subject to proxy vote, but is not exhaustive due to the variety of proxy voting issues that the Adviser may be required to consider.

The clients generally make a limited number of direct investments in portfolio companies that are or will become public. As a result, the Adviser will generally cast proxy votes on behalf of the clients with respect to a limited number of public portfolio companies.

The Adviser reserves the right to depart from the Proxy Voting Policy in order to avoid voting decisions that it believes may be contrary to the clients’ best interests. In addition, the Adviser may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that the client’s interests are better served by an abstention.

The Adviser may be subject to conflicts of interest in the voting of proxies. A potential conflict of interest may occur where an adviser or any of its affiliates or their respective employees has a direct or indirect economic stake in the outcome of a proxy vote that is different from a client’s stake. When such a potential conflict arises between the Adviser and any of its affiliates or their respective employees on the one hand and one or more of the clients on the other, the matter is evaluated to determine whether an actual conflict exists. Where an actual conflict exists, the Adviser will take necessary and appropriate steps to address the conflict.

---

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosure about the Adviser’s financial condition. The Adviser is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.