

Part 2A of Form ADV: Firm Brochure

MS Capital Partners Adviser Inc.
as Adviser to
Morgan Stanley Capital Partners V

MSDW Capital Partners IV

Morgan Stanley Capital Partners III

Morgan Stanley Leveraged Equity Fund II
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April 1, 2013

This Brochure provides information about the qualifications and business practices of MS Capital Partners Adviser Inc. (the “Adviser”), as Adviser to each of the Funds (as defined in Item 4 below). If you have any questions about the contents of this Brochure, please contact Morgan Stanley Merchant Banking Investor Services at (212) 761-3772 or email pe_invrelations@morganstanley.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “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 that you may find useful in deciding to hire or retain an adviser (or invest in a fund or product advised by the adviser).

Additional information about the Adviser also is available on the SEC’s website at 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 in Morgan Stanley Capital Partners V, MSDW Capital Partners IV, LLC, Morgan Stanley Capital Partners III, L.P. and Morgan Stanley Leveraged Equity Fund II, L.P and their related funds (collectively, the “Limited Partners”).

There have been the following material changes since the last annual update of this Brochure, which was dated March 31, 2012.

- As of March 15, 2013 MSDW Capital Partners IV, Inc. (the general partner of the MSDW Capital Partners IV Funds), Morgan Stanley Capital Partners III, Inc. (the general partner of Morgan Stanley Capital Partners III) and Morgan Stanley Leveraged Equity Fund II, Inc.(the general partner of Morgan Stanley Leveraged Equity Fund (all as defined in Item 4 below)) each contractually transferred to MS Capital Partners Advisers Inc. their respective advisory-related rights and obligations in respect of the above funds and their related funds.

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) 761-3772 or email pe_invrelations@morganstanley.com

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Item 4 – Advisory Business

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, 2012, the Adviser had approximately \$3,000,805,000 of regulatory 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 the Funds (defined below), whose investment strategy is described below.

- MS Capital Partners V GP L.P. (the “MSCP V General Partner”), an affiliate of the Adviser, is the general partner of Morgan Stanley Capital Partners V LP, a Delaware limited partnership (together with other related parallel, co-investment and feeder vehicles, “Morgan Stanley Capital Partners V”).
- MSDW Capital Partners IV, Inc. (the “MSCP IV General Partner”), is the general partner of Morgan Stanley Dean Witter Capital Partners IV, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P. and MSDW IV 892 Investors, L.P., each a Delaware limited partnership (collectively, “MSDW Capital Partners IV”).
- Morgan Stanley Capital Partners III, Inc. (the “MSCP III General Partner”), is the general partner of Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P. and Morgan Stanley Capital Investors, L.P. (collectively, “Morgan Stanley Capital Partners III”).
- Morgan Stanley Leveraged Equity Fund II, Inc. is the general partner (in such capacity, the “MSLEF General Partner”) of Morgan Stanley Leveraged Equity Fund II, L.P. (“Morgan Stanley Leveraged Equity Fund”).

The MSCP V General Partner, MSCP IV General Partner, MSCP III General Partner and MSLEF General Partner are collectively referred to as the “General Partners”.

Morgan Stanley Capital Partners V, MSDW Capital Partners IV, Morgan Stanley Capital Partners III and Morgan Stanley Leveraged Equity Fund are referred to as the “Funds”.

As of March 15, 2013 MSDW Capital Partners IV, Inc., Morgan Stanley Capital Partners III, Inc. and Morgan Stanley Leveraged Equity Fund II, Inc. (together, the “Former Adviser(s)”) each contractually transferred their respective advisory-related rights and obligations in connection with their above-named funds and their related funds to, the Adviser, an SEC-registered investment adviser. The Adviser is under the same management as the Former Advisers and is controlled by Morgan Stanley. The transfers did not result in any changes to the management of the relevant funds. Moreover, the transfers will have no impact on the relevant funds’ investment objectives, the level of services that the relevant funds receive from their respective advisers or the fees paid by the relevant funds to their respective advisers.

For the MSCP IV General Partner and MSCP III General Partner, the advisory services to their respective funds have consisted of identifying investment opportunities and making investments, as well as managing and disposing of investments already made by their respective funds. The MSCP IV General Partner and MSCP III General Partner have delegated to Metalmark Subadvisor LLC, an SEC-registered investment adviser (the “Subadvisor”) the day-to-day investment advisory services of their funds (other than for the employee fund, for which the Subadvisor provides non-discretionary advisory services), including the administration, valuation, due diligence, negotiations, monitoring and disposition of investments, investments pursuant to existing commitments, follow-on investments and investor relations. The MSCP III General Partner did not delegate management of its fund’s investment in Asia-based investments, except that any disposition of an Asia-based investment will be subject to the approval of the Subadvisor, which shall not be unreasonably withheld.

The Funds’ investment objective is to achieve attractive risk-adjusted returns primarily through investing in equity, equity-related and similar securities (including debt or other securities with equity like returns or an equity component) that are acquired in privately negotiated transactions, where the Funds and its affiliates will have a controlling or significant equity position. The Funds may also invest in debt or publicly-traded securities, and assets or instruments related to the foregoing. Morgan Stanley Capital Partners V expects to invest globally, with efforts focused primarily on investments in North America, Europe and Asia. The investment periods of MSDW Capital Partners IV, Morgan Stanley Capital Partners III, and Morgan Stanley Leveraged Equity Fund have terminated and those funds are no longer making new investments.

Item 5 – Fees and Compensation

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

- **Morgan Stanley Capital Partners V**

Management Fees

The Adviser generally receives an annual management fee (the “Management Fee”) from Morgan Stanley Capital Partners V ranging from 0.75% to 1.5% of capital commitments during the investment period and invested capital thereafter. The Management Fee is funded by the limited partners of Morgan Stanley Capital Partners V (the “Morgan Stanley Capital Partners V Limited Partners”) and is payable quarterly in advance. Upon termination of the management agreement between the Adviser and Morgan Stanley Capital Partners V, the Adviser is generally required to repay to Morgan Stanley Capital Partners V or to a replacement manager, as directed by the MSCP V General Partner, 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 Morgan Stanley Capital Partners V; 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 MSCP V General Partner or any of the investment professionals dedicated to Morgan Stanley Capital Partners V (as described in the private placement memorandum of Morgan Stanley Capital Partners V), 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 Morgan Stanley Capital Partners V Limited Partners.

In addition, the Morgan Stanley Capital Partners V Limited Partners of certain of the parallel funds are required to pay an administrative fee to the Adviser in annual installments in arrears of between 0.25%-0.75% *per annum* of such limited partner’s capital commitments during the investment period and invested capital thereafter.

Fees may be deducted from Morgan Stanley Capital Partners V’s assets as and to the extent set forth in the limited partnership agreements of Morgan Stanley Capital Partners V (the “Morgan Stanley Capital Partners V Partnership Agreements”).

Carried Interest

The MSCP V General Partner is generally entitled to carried interest with respect to each Morgan Stanley Capital Partners V Limited Partner equal to 20% of such Limited Partner’s profits from each Morgan Stanley Capital Partners V investment, subject to satisfaction of an 8% internal rate of return,

compounded annually, for such investment and previously realized investments and related management fees and other expenses. Such carried interest is earned on an investment-by-investment basis and is not payable until 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

Morgan Stanley Capital Partners V may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to Morgan Stanley Capital Partners V. 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 Morgan Stanley Capital Partners V. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential Morgan Stanley Capital Partners V investment and the acquisition, management, holding, sale, proposed sale or valuation of any Morgan Stanley Capital Partners V investments (including meals, entertainment and travel expenses incurred by Morgan Stanley and its employees in connection with identifying, negotiating, executing or managing consummated Morgan Stanley Capital Partners V investments or unconsummated Morgan Stanley Capital Partners V 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 Morgan Stanley Capital Partners V, broker-dealers who are our affiliates will act as placement agents to assist in the placement of a Morgan Stanley Capital Partners V 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 MSCP V General Partner and/or the Adviser.

- **MSDW Capital Partners IV**

Management Fees

MSDW Capital Partners IV paid an annual management fee ranging from 1.0% to 2.0% of capital commitments during the investment period and invested capital thereafter. The Management Fee was funded by the limited partners of the Fund (the "MSDW Capital Partners IV Limited Partners") and was payable quarterly in advance. MSDW Capital Partners IV ceased paying Management Fees as of January 2012.

Transaction Based Compensation

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.

Other Fees and Expenses

In addition to the management fee and the carried interest, pursuant to the MSDW Capital Partners IV Partnership Agreement, MSDW Capital Partners IV generally bears its own expenses, including organization and syndication expenses; legal, accounting, audit, custodial and other professional fees; banking, brokerage, broken-deal, registration, finders, depositary and similar fees or commissions; transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or disposing of assets; insurance premiums, indemnifications, and costs of litigation; cost of reports to partners and annual or special meetings; and interest expenses.

- **Morgan Stanley Capital Partners III**

Management Fees

Morgan Stanley Capital Partners III paid an annual management fee ranging from 1.0% to 2.0% of capital commitments during the investment period and invested capital thereafter. The Management Fee was funded by the limited partners of Morgan Stanley Capital Partners III (the "Morgan Stanley Capital Partners III Limited Partners") and is payable quarterly in advance. Morgan Stanley Capital Partners III ceased paying Management Fees as of January 2007.

Performance Fees

The MSCP III General Partner is entitled to receive a performance fee ("Performance Fee") with respect to each limited partner equal to 20% (10% in the case of Morgan Stanley Capital Partners III Limited Partners who are employees of Morgan Stanley or its affiliates) of such limited partner's profits from each Morgan Stanley Capital Partners III investment, subject to satisfaction of an 10% internal rate of return, compounded annually, for such investment and subject to all prior losses of such Morgan Stanley Capital Partners III Limited Partner having been made up. The Performance Fee is earned on an investment-by-investment basis and is not payable until proceeds are realized from an investment. The Performance Fee received by such related person conforms with the requirements of Section 205 of the Investment Advisers Act of 1940 (the "Advisers Act") and Rule 205-3 thereunder. The MSCP III General Partner will not be entitled to receive any distribution in respect of such 20% (or 10%, as the case may be) Performance Fee with respect to any Morgan Stanley Capital Partners III Limited Partner to the extent that, as a result of such distribution, the MSCP General Partner would not be in compliance with the Advisers Act and the regulations thereunder.

Other Fees and Expenses

In addition to the management fee and the carried interest, pursuant to the Morgan Stanley Capital

Partners III Partnership Agreement, Morgan Stanley Capital Partners III generally bears its own expenses, including organization and syndication expenses; legal, accounting, audit, custodial and other professional fees; banking, brokerage, broken-deal, registration, finders, depositary and similar fees or commissions; transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or disposing of assets; insurance premiums, indemnifications, and costs of litigation; cost of reports to partners and annual or special meetings; and interest expenses

- **Morgan Stanley Leveraged Equity Fund II, L.P.**

The MSLEF General Partner was paid a management fee by the Morgan Stanley Leveraged Equity Fund, which was funded by the Morgan Stanley Leveraged Equity Fund Limited Partners. As more specifically set forth in the Morgan Stanley Leveraged Equity Fund Partnership Agreement, each Morgan Stanley Leveraged Equity Fund Limited Partner's annual management fee was 2% of its capital commitment, payable quarterly in advance throughout the commitment period, and thereafter, 1/2% of such Morgan Stanley Leveraged Equity Fund Limited Partner's amount of equity invested until the Fund terminates. As of 2000, the Morgan Stanley Leveraged Equity Fund ceased paying Management Fees to the MSLEF General Partner.

In addition, the MSLEF General Partner is generally entitled to carried interest of 20% of the gains from the Morgan Stanley Leveraged Equity Fund investments, subject to first an allocation to the Morgan Stanley Leveraged Equity Fund Limited Partners to the extent of net cumulative losses and satisfaction of a 10% annual compounded return on such investments.

Advisory fees may be deducted from clients' assets as set forth in the Morgan Stanley Leveraged Equity Fund Partnership Agreement. Carried interest distributions are calculated and made to the MSLEF General Partner out of the proceeds of the relevant investment at the time of realization.

Because the MSLEF General Partner invests in long-term private equity securities, granting a Limited Partner the right to short-term redemptions could adversely affect the objectives of the Partnership and the interests of all investors. Accordingly, under the Morgan Stanley Leveraged Equity Fund Partnership Agreement, no Morgan Stanley Leveraged Equity Fund Limited Partner has the right to (i) receive any refund of any advisory fee or (ii) terminate its obligations under the Morgan Stanley Leveraged Equity Fund Partnership Agreement, or otherwise withdraw from the Morgan Stanley Leveraged Equity Fund, prior to its termination. The above-described fees are non-negotiable.

Other Fees and Expenses

In addition to the management fee and the carried interest, pursuant to the Morgan Stanley Leveraged Equity Fund Partnership Agreement, the Morgan Stanley Leveraged Equity Fund generally bears its own expenses, including all expenses incurred in connection with the holding, sale or proposed sale of any LBO investments; all litigation and indemnification expenses; stand-by or commitment fees on any short term funding arrangements; and 50% of commitment fees payable in connection with arranging financing for unconsummated transactions (subject to any reimbursement out of any break-up fees collected).

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.

For Morgan Stanley Capital Partners V, in addition to the above, 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 Morgan Stanley Capital Partners V 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 any of the Funds (the “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 employee funds, interests have been offered and sold to investors who are “accredited investors” as defined in Regulation D of the Securities Act and, to the extent applicable, 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

- **Morgan Stanley Capital Partners V**

Investment Strategies

The Morgan Stanley Capital Partners V Fund’s investment objective is to achieve attractive risk-adjusted returns primarily through investing in equity, equity-related and similar securities (including debt or other securities with equity like returns or an equity component) that are acquired in privately negotiated transactions, where the Fund and its affiliates will have a controlling or significant equity position. The Morgan Stanley Capital Partners V Fund may also invest in debt or publicly-traded securities, and assets or instruments related to the foregoing. The Morgan Stanley Capital Partners V Fund expects to invest globally, with efforts focused primarily on investments in North America, Europe and Asia. From time to time the Adviser may cause the Morgan Stanley Capital Partners V Fund 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

Preliminary Evaluation

The Morgan Stanley Capital Partners V Fund expects the Morgan Stanley network of resources and the management team of the Fund (the “Investment Team”) to generate more than 500 investment opportunities annually across a wide variety of industries and the fund expects to consummate only a small number of these investments a year. As such, the Team’s initial screening process is critical to efficiently allocating resources.

An initial review of each investment opportunity is carried out by one of the senior members of the Investment Team to determine whether such opportunity is consistent with the Morgan Stanley Capital Partners V Fund’s investment objectives in terms of size, geography, governance/control and return potential. If the opportunity fits the fund’s investment objectives, the opportunity is staffed with a Managing Director and often an Operating Partner leading the evaluation of the attractiveness of the opportunity. The deal team will oftentimes utilize the extensive industry expertise resident in Morgan Stanley’s Investment Banking and/or Equity Research (subject to applicable regulations, policies and procedures) areas to assist in this preliminary evaluation. Access to these unique resources enables the Investment Team to quickly and effectively assess each such opportunity and is a competitive advantage for the Morgan Stanley Capital Partners V Fund as it maximizes the time that the Investment Team spends on compelling opportunities.

If the deal team determines that the target investment merits further evaluation, it is discussed at the Investment Team’s weekly meeting. At this meeting the senior members of the Investment Team (the “Managing Directors”) will discuss the attractiveness of the opportunity and whether Morgan Stanley’s resources and relationships can be utilized to give the Morgan Stanley Capital Partners V Fund a meaningful competitive advantage relative to other potential investors. In general, the

Investment Team will not pursue an opportunity unless the Fund has such an advantage.

Active Evaluation

If the Managing Directors determine that an opportunity meets the Morgan Stanley Capital Partners V Fund's investment objectives, is attractive and the fund has a meaningful competitive advantage, the deal team will commence formal due diligence on the opportunity. The due diligence process is conducted with company management to achieve a comprehensive understanding of the company's competitive positioning, as well as the opportunities and risks associated with the proposed investment. Throughout the due diligence process, the deal team keeps the Managing Directors apprised of all developments and key findings and the questions/issues raised by the Managing Directors are addressed by the deal team through their continuing due diligence. The deal team is assisted in its due diligence by a broad network of experts from both within and outside Morgan Stanley, as appropriate. The deal team is responsible for all aspects of the acquisition process including due diligence, structuring and negotiating, and financing. At each critical stage of the process, the approval of the Managing Directors is required prior to the deal team proceeding to the next phase of the investment process.

For each investment opportunity, the deal team will generally make multiple presentations to the Morgan Stanley Capital Partners V General Partner's investment committee (the "Investment Committee"). Issues and questions raised by the Investment Committee will be addressed by the deal team in subsequent due diligence. Formal Investment Committee approval is required prior to the execution of definitive agreements with respect to any transaction.

- **MSDW Capital Partners IV, Morgan Stanley Capital Partners III and Morgan Stanley Leveraged Equity Fund**

The investment period of the above-named funds ("Legacy Funds") has expired and they are not making any new investments.

The Adviser's advisory services to the Legacy Funds are limited to managing and disposing of the existing fund investments. The Legacy Funds' investment objective has been to achieve attractive risk-adjusted returns primarily through investing in equity, equity-related and similar securities (including debt or other securities with equity like returns or an equity component) that are acquired in privately negotiated transactions, where these Legacy Funds and their affiliates will have a controlling or significant equity position. The Legacy Funds have been permitted to make investments in debt or publicly-traded securities, and assets or instruments related to the foregoing. The Legacy Funds have invested globally, with efforts focused primarily on investments in North America, Europe and Asia. The Adviser may cause the Legacy Funds to employ hedging techniques to reduce the risk of adverse interest rate, currency, credit or security movements on investments. The Adviser's main sources of information and investment opportunities have been contacts with employees of Morgan Stanley and Morgan Stanley's network of clients, executives, partners and other industry participants.

From time to time the Adviser may cause the Legacy Funds to invest cash held by those funds in

temporary investments or to employ hedging techniques to reduce the risk of adverse interest rate, currency, credit or security movements on investments.

Risk of Loss - Certain Risks Related to Investment Strategy

Investing in securities involves risk of loss that clients should be prepared to bear. The Adviser and General Partners cannot provide assurance that they will be able to generate any level of returns for investors. 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 Funds.

An illustrative list of risk factors is set forth below:

- potential loss of invested capital;
- reliance on expertise of Morgan Stanley investment professionals;
- highly competitive markets and prevailing regulatory or political climates;
- illiquidity of investments;
- little or no current return on investments prior to their disposition;
- significant degree of financial and/or business risk;
- lack of diversification;
- volatility of the global fixed income and equity markets;
- lack of protection by financial covenants in debt investments;
- leverage at the level of the Fund and/or portfolio companies;
- adverse political developments and regulation in foreign countries;
- potential inability to protect the value of minority equity investments;
- reliance on portfolio company management;
- exposure to portfolio company and related party claims;
- potential liabilities related to portfolio company restructurings;
- use of hedging techniques;
- changes in general economic conditions and global economic and political events;

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- catastrophic and other force majeure events; and
 - burdensome regulation by one or more governmental entities in specific industries.

The foregoing list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment in the Funds. The risks summarized above 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 Funds' private placement memoranda. You may also request an updated explanation of risk factors by contacting Morgan Stanley Merchant Banking Investor Services at the contact details set forth above.

Item 9 – Disciplinary Information

The Adviser has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Introduction

As a diversified global financial services firm, Morgan Stanley engages in a broad spectrum of activities including financial advisory services, investment management activities, lending, commercial banking, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication and other activities. Investors should be aware that potential and actual conflicts of interest between Morgan Stanley or any Affiliated Investment Account (as defined below), on the one hand, and the Funds, on the other hand, may exist and others may arise in connection with the operation of the Funds. Morgan Stanley's employees may also have interests separate from those of Morgan Stanley and the Funds. The discussion below enumerates certain actual, apparent and potential conflicts of interest. The Adviser can give no assurance that conflicts of interest will be resolved in favor of the Funds' investors, and, in fact, they may not be.

The following discussion enumerates certain potential conflicts of interest, which should be carefully evaluated before making an investment in the Funds.

Broker-Dealer Registration

Morgan Stanley & Co. LLC is a registered broker-dealer. Certain of the Adviser's management persons are registered representatives of Morgan Stanley & Co. LLC, where it is necessary or appropriate to perform their responsibilities.

Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration

The Adviser, the Funds or their respective portfolio companies may use the commodity pool operator, commodity trading adviser and futures commission merchant registrations of one or more of the following related persons: Morgan Stanley AIP GP LP, Morgan Stanley Alternative Investment Partners LP, Morgan Stanley Infrastructure Inc., Morgan Stanley Infrastructure GP LP, MS Capital Partners V GP L.P., Morgan Stanley Investment Management Inc., Morgan Stanley Private Equity Asia III, L.L.C., MSREF III, Inc., MSREF IV, LLC, MSREF IV International-GP, L.L.C., MSREF V, L.L.C., MSREF V International-GP, L.L.C., MSREF V U.S.-GP, L.L.C., MSREF VI International-GP, L.L.C., MSREF VII Global-GP, L.P. and MSREF Real Estate Advisor, Inc.

Other Material Relationships with Affiliated Entities

- Broker-Dealer, Municipal Securities Dealer, Government Securities Dealer or Broker

To the extent permitted by applicable law, the Adviser, the Funds or their respective portfolio companies may use the securities, futures execution, underwriting or other services offered by Morgan Stanley & Co. LLC or other affiliates. Please see Item 12 for more information about the Adviser's practices concerning using a Morgan Stanley affiliate as a broker.

- Participating Affiliates

Investment advice is provided to the Funds and the General Partners not only through the Adviser but also through certain of the employees of one or more of the following related persons:

- Morgan Stanley & Co International plc
- Morgan Stanley Asia Limited

These related persons may or may not be registered with the SEC as investment advisers but are foreign affiliated advisers that may provide advice or research for the Adviser for use with the Funds (in such capacity, the “Participating Affiliates”). The Participating Affiliates also may provide non-advisory services to the Adviser and the Funds. The Adviser may delegate all or a portion of its advisory or other functions to any of its Participating Affiliates.

The Participating Affiliates will remain subject to the supervision of the Adviser in respect of their provision of services to the Adviser and the Funds.

- Other Advisory Affiliates

The Adviser is part of a group of SEC-registered investment advisers within the Morgan Stanley Investment Management business, including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited, Morgan Stanley AIP GP LP, Morgan Stanley Asset Management Private Limited, Morgan Stanley Real Estate Advisor, Inc., MSDW Real Estate Special Situations II Manager LLC, Morgan Stanley Infrastructure Partners Inc., Morgan Stanley Private Equity Asia, Inc., MSREF III, Inc., MSREF IV, L.L.C., MSREF V, L.L.C., MSREF Real Estate Advisor, Inc., and MSRESS III Manager, L.L.C.

The Adviser, in its discretion, may delegate all or a portion of its advisory or other functions to any affiliate that is registered with the SEC as an investment adviser and may receive a variety of services from such affiliates, including gathering information about 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.

To the extent that the Adviser delegates its advisory or other functions to such investment advisers, a copy of the brochure of each such affiliate is available on the SEC’s website and will be provided to the Limited Partners upon request.

- Affiliates Acting as Fundraising Broker-Dealers

Broker-dealers that are affiliates of Morgan Stanley may act as placement agents (the “Placement Agents”) to assist in the placement of Interests to certain Limited Partners (such Limited Partners, the “Solicited Partners”). The potential for the Placement Agents to receive compensation in

connection with a Solicited Partner's investment in the Funds presents a potential conflict of interest in recommending that such Solicited Partner purchase Interests.

The prospect of receiving, or the receipt of, additional compensation by the Placement Agents may provide such Placement Agents and their salespersons with an incentive to favor sales of Interests in funds whose affiliates make similar compensation available over sales of Interests in funds (or other fund investments) with respect to which the Placement Agent does not receive additional compensation, or receives lower levels of additional compensation. Prospective investors should take such payment arrangements into account when considering and evaluating any recommendations related to the Interests. Morgan Stanley employees involved in the marketing and placement of the Interests are not acting as tax, financial, legal or accounting advisors to potential investors in connection with the offering of the Interests. Potential investors must independently evaluate the offering and make their own investment decisions.

The Adviser and the Funds may use registered representatives and/or employees of its affiliates to conduct solicitation activities in relation to new or oncoming limited partners to the Funds or act as placement agents

- Affiliates Acting as Investment Bankers

In the ordinary course of its business, Morgan Stanley performs full-service investment banking and financial services and therefore engages in activities where Morgan Stanley's interests or the interests of its clients may conflict with the interests of the investors, notwithstanding Morgan Stanley's direct or indirect participation in the investments of the Funds.

From time to time, Morgan Stanley's investment banking professionals may introduce to one or more of the Funds a client that requires equity to complete an acquisition transaction. If one or more of the Funds pursues the resulting investment, Morgan Stanley could have a conflict in its representation of the client over the price and terms of the Funds' investment.

Morgan Stanley has long-term relationships with a significant number of institutions and corporations and their advisors. In determining whether to pursue a particular transaction on behalf of the Funds, these relationships will be considered by Morgan Stanley and there may be certain potential transactions that will or will not be pursued on behalf of the Funds in view of such relationships

In addition, Morgan Stanley could provide investment banking services to competitors of companies in which the Funds invest, in which case it will take appropriate steps to safeguard the confidential information of each client. Morgan Stanley is under no obligation to share and may not share any such information with the Funds or the Adviser. Such activities may present Morgan Stanley with a conflict of interest vis-à-vis the Funds' portfolio entities and may also result in a conflict with respect to the allocation of investment banking resources to portfolio entities.

- Other Limited Partnership Investment Vehicles or Funds

- General; Carried Interests

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 investors.

To the extent carried interest is permitted by a Fund's partnership agreement, a Fund general partner's carried interest may create an incentive for such general partners to make more speculative investments for such Fund than it would otherwise make in the absence of such performance-based distributions. Furthermore, investments made with third parties in joint ventures or other entities may involve carried interests and/or other fees payable to such third party partners of co-investors, which could also create an incentive for such parties to take risks with respect to such investments. In addition, the method of calculating the carried interest may result in conflicts of interest between a Fund general partner, on the one hand, and the investors, on the other hand, with respect to the management and disposition of investments. For example, a Fund general partner will value any securities being distributed in-kind to investors in order to calculate the carried interest. If the valuations conducted by a Fund's general partner are incorrect, the amount of payment of carried interest could be incorrect.

- Morgan Stanley Investments and Affiliated Investment Accounts

Morgan Stanley may advise clients and has sponsored, managed or advised other alternative investment funds and investment programs, accounts and businesses (collectively, together with any new or successor funds, programs, accounts or businesses, the "Affiliated Investment Accounts") that have or will have active investment programs that are substantially similar to those of the Funds. Morgan Stanley may also from time to time create new or successor Affiliated Investment Accounts that may compete with the Funds and may present similar conflicts of interest. Certain members of the Funds' investment team and their investment committees may make investment decisions on behalf of both Morgan Stanley and such Affiliated Investment Accounts, including Affiliated Investment Accounts with investment objectives that overlap with those of the Funds. In addition, certain Affiliated Investment Accounts may make investments similar to those that may be made by the Funds even if they are not solely focused on such investments.

Morgan Stanley related persons (including Morgan Stanley's trading and principal investing businesses) will have no obligation to offer to the Funds investment opportunities that are excluded from any otherwise existing contractual obligation. In such situations, a Morgan Stanley related person may pursue and make the investment for its own account. When deciding how to allocate such opportunities, Morgan Stanley will exercise its discretion and may consider its own financial interests or the interests of other clients or affiliates of Morgan Stanley ahead of those of the Funds.

In some cases, Morgan Stanley or an Affiliated Investment Account may invite one or more of the Funds to co-invest with it or a Fund's general partner may invite Morgan Stanley or an Affiliated Investment Account to co-invest with one or more of the Funds, in either the same or different tiers of a portfolio entity's capital structure or in an affiliate of such portfolio entity. To the extent the relevant Fund holds investments in the same portfolio entity or in an affiliate thereof that are different (including with respect to their relative seniority) than those held by Morgan Stanley or an Affiliated Investment Account, the Adviser and Morgan Stanley may be presented with decisions when the interests of the two co-investors are in conflict.

Management Persons

Officers and employees supporting the Adviser may also serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interest of the portfolio company, which in certain circumstances may not be in the best interests of the Funds. Companies with which one or more members of the investment team or other employees of Morgan Stanley are involved may also engage in transactions that would be suitable for the Funds, but in which the Funds might be unable to invest. Accordingly, in these situations, there may be conflicts of interests between such person's duties as an officer or employee of the Adviser and such person's duties as a director of the portfolio company.

Certain of the Adviser's management persons may also hold positions with one or more the affiliates listed above. In these positions, those management persons of the Adviser may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other affiliates. Consequently, in carrying out their roles with the Adviser or the Funds and these other entities, the management persons of the Adviser may be subject to the same or similar conflicts of interest that exist between the Adviser and these affiliates.

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 that present a potential conflict of interest actually arise, the Adviser may in certain situations choose to seek the approval of the investors, limited partners and/or advisory committee for the respective fund with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3) and/or the relevant partnership agreement. 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 persons who are supervised by the Adviser or support the Adviser (including employees of Participating Affiliates) in providing investment advice to the Funds or their general partners and who have access to nonpublic information regarding the purchase or sale of securities, or who make securities recommendations to the Funds or their general partners, or who have access to such recommendations that are nonpublic (“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 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 current or prospective investors invest in our Funds. Prior to subscribing for Interests, 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.

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

- **Morgan Stanley Capital Partners III and MSDW Capital Partners IV**

The Subadvisor reviews and approves all significant investment decisions other than for the Morgan Stanley Capital Partners III and MSDW Capital Partners IV employee fund. The MSCP III and MSCP IV General Partners reviews and approves all significant investment decisions for those employee fund.

The investments made by Morgan Stanley Capital Partners III and MSDW Capital Partners IV 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 Morgan Stanley Capital Partners III and MSDW Capital Partners IV 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 Morgan Stanley Capital Partners III and MSDW Capital Partners IV Funds managed by the Adviser, which include, among other things, financial statements and descriptions of the investments of those fund.

- **Morgan Stanley Capital Partners V**

The MSCP V General Partner's Investment Committee reviews and approves all significant investment decisions. The members of the Investment Committee are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B. The investments made by Morgan Stanley Capital Partners V 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 Morgan Stanley Capital Partners V 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 Morgan Stanley Capital Partners V Funds managed by the Adviser, which include, among other things, financial statements and descriptions of the investments of those funds.

- **Morgan Stanley Leveraged Equity Fund**

The MSLEF General Partner reviews and approves all significant investment decisions.

The investments made by the Morgan Stanley Leveraged Equity 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 Morgan Stanley Leveraged Equity Fund partnerships 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 Morgan Stanley Leveraged Equity Funds managed by the Adviser, which include, among other things, financial statements and descriptions of the investments of those 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

- **Morgan Stanley Capital Partners V and MSDW Capital Partners IV**

The Adviser is deemed to have custody of the Morgan Stanley Capital Partners V and MSDW Capital Partners IV Funds' cash and securities by virtue of its relationship with the general partners of those funds. Generally, limited partners of Morgan Stanley Capital Partners V and MSDW Capital Partners IV Funds receive the relevant fund's audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the relevant fund's fiscal year.

For Morgan Stanley Capital Partners V Funds or Clients that do not receive audited financial statements on an annual basis as described above, those fund investors or clients receive account statements from banks and other qualified custodians, in addition to reports they receive from the Adviser (as described in Item 13). Such fund investors or clients are urged to compare reports they receive from the Adviser to those they receive from banks and other qualified custodians.

- **Morgan Stanley Capital Partners III and Morgan Stanley Leveraged Equity Fund**

The Adviser is deemed to have custody of the Morgan Stanley Capital Partners III and Morgan Stanley Leveraged Equity Funds' cash and securities by virtue of its relationship with the general partners of those funds. Each limited partner of a Morgan Stanley Capital Partners III and Morgan Stanley Leveraged Equity Fund receives account statements from banks and other qualified custodians, in addition to reports they receive from the Adviser (as described in Item 13). Such fund investors or clients are urged to compare reports they receive from the Adviser to those they receive from banks and other qualified custodians.

Item 16 – Investment Discretion

As the manager of the Funds, the Adviser will have discretion to recommend to the General Partners, 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 Agreements. 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.

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 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.

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 of the Advisers Act. Copies of the Proxy Voting Policy are available upon request from the Adviser. 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.