



**STWD Investment Management, LLC**

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**Form ADV, Part 2A  
Disclosure Brochure**

This brochure provides information about the qualifications and business practices of STWD Investment Management, LLC (“STWD IM”). If you have any questions about the contents of this brochure, please contact us at 305-695-5500 or [jvaughan@starwood.com](mailto:jvaughan@starwood.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. That the Adviser is registered is not intended to, and does not, imply a certain level of skill.

Additional information about STWD Investment Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Important Note about this Brochure**

This Brochure is not:

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any investment vehicle
- a complete discussion of the features, risks or conflicts associated with any investment vehicle or advisory service

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), STWD IM provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in an investment vehicle, together with other relevant documents, such as the investment vehicle’s offering or private placement memorandum, organizational documents and related transaction documents, as applicable, prior to, or in connection with, such persons’ investment in the Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of STWD IM, persons who receive this Brochure (whether or not from STWD IM) should be aware that it is designed solely to provide information about STWD IM as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant documents. More complete information about each investment vehicle is included in relevant documents, certain of which may be provided to current and eligible prospective investors only by STWD IM or its affiliate. To the extent that there is any conflict between discussions herein and similar or related discussions in any applicable relevant documents, such relevant documents shall govern and control.

## **Item 2**

### **Material Changes**

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This “Other-Than-Annual” Amendment dated September 9, 2019 contains the following material changes to the Adviser’s initial brochure filed on July 19, 2019:

- Item 4 is amended to reflect that as of August 15, 2019 the Adviser has regulatory assets under management in excess of \$100 million.
- Schedule A has been amended to reflect the addition of Rina Paniry as a Control Person of the Adviser.

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## **Item 4**

### **Advisory Business**

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#### *General Description of Adviser*

STWD IM, a Delaware limited liability company formed on November 15, 2016, is wholly-owned by Starwood Property Trust, Inc. (“STWD” and, together with its subsidiaries, “Starwood”), a Maryland corporation that is publicly listed on the New York Stock Exchange. STWD is a leading diversified finance company with a primary focus on originating, acquiring, financing and managing mortgage loans and other real estate investments in both the United States and Europe.

#### *Advisory Services*

The Adviser’s business consists of providing investment advisory services on a discretionary basis to a collateralized loan obligation (“CLO” or “Client”) transaction, as collateral manager. As collateral manager to CLO, the adviser focuses on making investments to generate returns to meet the CLO’s payment obligations and optimize returns for investors. The Adviser manages the CLO subject to the powers, duties, and limitations outlined within the collateral management agreements entered into between STWD IM and the CLO and the indentures governing the CLO. Investors in the CLO should review the relevant offering document, indenture, and other constituent documents pertaining to the CLO for additional information.

As of August 31, 2019, STWD IM managed \$936,375,000 in assets for the CLO on a discretionary basis, and \$0 in assets on a non-discretionary basis.

## **Item 5**

### **Fees and Compensation**

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#### *Fees*

The Adviser is compensated for providing services to the CLO in the form of a market rate collateral management fee based on the total value of the CLO's assets. Total fees are based on the asset value of the CLO and are payable monthly in arrears. These fees are qualified by the CLO's respective transaction documents, and may be waived by the Adviser based on the terms and conditions therein.

The Adviser has agreed to waive its entitlement to its fees for the CLO for so long as the Adviser or an affiliate thereof provides collateral management and investment advice to the CLO and is an affiliate of STWD. If the Adviser's fees are not waived, such fees are allocated and paid in accordance with the designated "Priority of Payments" or waterfall payments. Refer to the relevant offering documents pertaining to the CLO for additional details.

Affiliates of STWD IM hold risk retention interests in the CLO when required by applicable law or contractual obligation, and hold other interests in any CLO acquired at issuance or in the secondary market, which gives Starwood an additional pecuniary interest in the CLO.

Pursuant to the Servicing Agreement described in the CLO Offering Documents, the CLO Issuer has appointed an affiliate of the Adviser, LNR Partners, LLC ("LNR"), to act as special servicer on behalf of the CLO Issuer with respect to the commercial real estate loans that are owned by the CLO Issuer. Services performed by LNR will be reasonable and customary for such transactions; and the fees, terms and conditions of the transactions between the CLO and LNR are as favorable as would be obtainable in an arm's length transaction. Please refer to the CLO's governing and offering documents for additional information on special servicing fees.

#### *Expenses*

In addition to the fees described above, the CLO will often bear the costs and expenses described below, to the extent permitted under Client documentation. Please note, the information provided in this section is intended to be a broad, general overview of the additional expenses incurred by STWD IM Clients. Please refer to the CLO's governing and offering documents for additional disclosures on expenses.

The Adviser's fees are exclusive of brokerage commissions, transaction fees and costs (including broken deal costs), and other management related costs and expenses which shall be incurred by Clients. Client expenses include:

- (i) administration, legal, auditing, banking, custody, regulatory, reporting (including securities filings related to the Client) and accounting expenses;
- (ii) tax expenses and expenses related to a Client's financial statements, tax returns, tax estimates and filings (including, without limitation, expenses related to the foregoing

- incurred to allow a Client or its affiliate(s) to comply with non-U.S. and U.S. federal, local and state laws and regulations);
- (iii) expenses associated with the identification, investigation, acquisition, holding, structuring, organizing, financing, refinancing, restructuring, winding up, liquidation, dissolution and disposition of the Client's assets;
  - (iv) all costs incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any blocker subsidiaries;
  - (v) expenses incurred in connection with valuing a Client's assets, including, without limitation, third-party valuation and appraisal services;
  - (vi) expenses attributable to any proposed investment that is ultimately not made by a Client (including expenses that may have been allocable to third-party co-investors had such transactions been consummated);
  - (vii) expenses incurred in connection with the obtaining and maintaining of insurance policies by or on behalf of a Client, its general partner and the Adviser (including directors and officers, errors and omissions liability and other insurance);
  - (viii) extraordinary expenses of a Client (such as fees or expenses incurred in litigation or in respect of indemnification obligations);
  - (ix) expenses of the Advisory Committee Board (set forth in relevant governing documents) of a Client;
  - (x) any taxes, fees and other governmental charges levied against a Client;
  - (xi) any loan servicing fees whether such fees are paid to a third party or to STWD IM, or an entity affiliated with STWD IM;
  - (xii) organizational expenses of a Client;
  - (xiii) reasonable travel expenses (airfare, meals, lodging and other transportation) undertaken in connection with the Adviser's duties pursuant to the relevant Client governing documents;
  - (xiv) expenses related to the provision of information in order to render notes eligible for resale pursuant to Rule 144A;
  - (xv) expenses related to participating in committees or other groups formed by creditors of the borrower under a Commercial Real Estate Loan;
  - (xvi) expenses related to consulting with and providing the Rating Agencies with any information in connection with its maintenance of the ratings of notes; and
  - (xvii) an allocable share of the cost of certain credit databases utilized by the Adviser in providing services to the CLO Issuer under the Collateral Management Agreement.

Such costs and expenses are exclusive of and in addition to the Adviser's fees, and the Adviser does not receive any portion of these costs and expenses.

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

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Pursuant to the governing documents for the CLO, the Adviser is not currently eligible to receive performance-based fees, or carried interest, entitling it to a portion of the Client's profits.

Should the Adviser become eligible to receive performance-based fees in the future, the Adviser will ensure that the fee is charged in compliance with Section 205 of and Rule 205-3 under the Advisers Act. Additionally, as performance-based fees can create an incentive for the Adviser to take increased investment risk, it will establish and implement policies and procedures to mitigate this potential conflict of interest.

STWD IM does not currently provide investment advisory services to Clients with overlapping or competing investment objectives. As such, the Adviser does not presently face the potential conflicts of interest that may arise from differing fee arrangements among Clients. The Adviser aims to treat all Clients in a fair and equitable manner and seeks to discharge its fiduciary responsibilities in a manner that it believes is in the best interest of each of its Clients. In the event that the Adviser provides investment advisory services to Clients with overlapping or competing interests in the future, the Adviser will adopt policies and procedures designed to ensure allocation of investment opportunities is conducted in accordance with the Adviser's fiduciary obligations.



## **Item 7**

### **Types of Clients**

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As noted in Item 4 above, STWD IM provides collateral management services to the CLO.

Investors in the CLO consist of Qualified Institutional Buyers, and may include, directly or indirectly, principals or other employees of the Adviser and its affiliates and members of their families, operating or joint venture partners, or other service providers retained by Starwood affiliates.

Generally, investors participating in the CLO are required to meet certain suitability and net worth requirements, such as being (1) an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (“Securities Act”) and (a) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) or (b) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act, or (2) a non-U.S. person, depending on the eligibility requirements of the specific Client.

The minimum investment in the CLO is stated in the applicable offering and governing documents. Minimum investment size may be waived for certain investors at the Adviser’s discretion.

## Item 8

### Methods of Analysis, Investment Strategies, and Risk of Loss

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#### *Methods of Analysis and Investment Strategy*

The Adviser employs an investment approach based on fundamental credit and value analysis along with active portfolio management. In evaluating potential investments, Adviser personnel perform credit analysis and collateral analysis with respect to each loan, the loan applicant, and the real estate securing the loan. The credit analysis of the borrower and the real estate typically includes a review of historical financial statements, including rent rolls (generally unaudited), third party credit reports, judgment, lien, bankruptcy and pending litigation searches and, if applicable, the loan payment history of the borrower. Qualitative analysis, which incorporates independent credit checks and published debt and equity information with respect to certain principals of the borrower as well as the borrower itself will also be performed. The collateral analysis typically includes, in each case to the extent available and applicable, an analysis of the historical property operating statements, rent rolls and operating budgets, a review of commercial tenant leases, third-party appraisals as well as environmental and building condition reports. Members of the underwriting team may also conduct a site inspection to ascertain the overall quality, functionality and competitiveness of the property, including its neighborhood and market, accessibility and visibility, and to assess the tenancy of the property. The submarket in which the property is located is assessed to evaluate competitive or comparable properties as well as market trends.

Investments are allocated to the CLO in accordance with the governing documents. Once an investment is approved by STWD IM and becomes a holding of the CLO, portfolio holdings are reviewed by the Adviser's Investment Committee members to evaluate credit trends and highlight any new potential risks and/or opportunities. Key metrics are tracked by the appropriate investment professional and are discussed with the portfolio managers.

#### *Risk Factors*

While STWD IM's investment strategies emphasize a proactive credit discipline, there can be no assurance that our investment strategies will be successful, that the Client will achieve their investment objectives or that losses will not occur. Investing involves significant risks and is suitable only for persons who can bear the economic risk of the loss of their entire investment, have a limited need for liquidity in their investment and meet the conditions set forth in Client documentation. Accordingly, investors should give careful consideration to the following risk factors in evaluating the merits and suitability of the Adviser's strategies. The following should not be considered and does not purport to be a summary of all the risks associated with the Adviser's investment strategies. Rather the following are risks which the Adviser reasonably believes to be material or unique relative to the particular investment strategies or methods employed. A description of risks relevant to a Client can be found in the final confidential offering circular or other Client documentation. A copy of such documents is available at no charge upon Client request. Investors should consult their own legal, tax and financial advisors, prior to making an investment in a CLO, or engaging STWD IM as a manager.

While STWD IM seeks to manage the CLO so that the risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Mandates are often limited to certain types of investments and are not diversified by asset type. An investment in a CLO managed by STWD IM is not a complete investment program. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

*STWD IM and the affiliate CLO Issuer have a limited operating history.* Although the Adviser and CLO Issuer's management teams have significant experience in real estate and credit analysis, the entities have a limited operating history upon which an investor can base its investment decision.

*Business and Market Risks.* Investments in CLOs can involve a high degree of business and financial risk, which could result in substantial loss. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

*General Global Economic and Market Conditions.* The success of the Adviser's activities will be affected by general economic and market conditions within the U.S. and globally, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws and regulations (including laws relating to taxation), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of investments. Volatility or illiquidity could impair profitability or result in losses. STWD IM could maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

*CLO Risks Generally.* There are numerous risks associated with an investment in a CLO, including that interests issued by a CLO have limited liquidity and that there are restrictions on their transfer; a CLO could have limited assets to make payment on the interests issued by the CLO; certain instruments issued by a CLO are subject to greater risk of nonpayment than more senior tranches; and the holders of interests have limited rights with respect to underlying collateral. Holders of interests issued by a CLO are also exposed to the risks of the underlying assets in which the CLO invests, which will consist primarily of commercial real estate loans, mezzanine loans, and participation interests therein.

*Terms of Governing Indentures.* The ability of CLOs to make distributions or pay dividends will depend on the extent to which payments are made on their portfolio assets and, among other things, on the terms and conditions of the indentures governing the relevant CLO securities. For example, tests based on overcollateralization, interest coverage or other financial ratios may restrict the ability of certain classes of CLO securities to receive cash flow from these investments. Also, such vehicles may take actions that prioritize distributions to certain classes of securities and delay distributions to other classes of securities in order to preserve ratings. Holders of the more senior debt tranches of such a vehicle will often receive current payments of principal and interest at

times when the factors enumerated above preclude payments and distributions to some or all of the more junior debt and equity tranches of such CLO. In addition, a decline in the credit quality of an asset due to poor operating results of the relevant borrower or issuer, declines in the value of the collateral supporting such asset and increases in defaults, among other things, may force such vehicles to sell certain assets at a loss, reducing their earnings and, in turn, cash potentially available for payment or distribution.

*Diversification and Concentration.* STWD IM may select investments for the CLO that are concentrated in a limited number or types of instruments. In addition, the CLO may become significantly concentrated in investments related to a single or a limited number of property types, industries, sectors, markets, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the CLO to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such investments.

*Competition; Availability of Investments.* There is a high degree of competition for attractive assets in the credit markets. There can be no assurance that the Adviser will be able to identify or successfully pursue and obtain investment opportunities in all market conditions. Among other factors, market conditions, regulations impacting liquidity and loan origination, interest rates, and competition for suitable investments from public and private funds, CLOs and other investors will reduce the availability of investment opportunities.

*Default Risk.* If there is a default on a loan, reference loan, bond or other instrument in a CLO portfolio, the defaulted borrower often ceases to fund its obligations as they become due. The defaulting borrower usually becomes subject to lengthy and substantial workout negotiations or restructuring, often resulting in a reduction in interest rates on obligations, a write-down of principal and/or change in the terms, conditions or covenants with respect to the defaulted obligation, all of which can be substantial, including the possibility that equity of the borrower will be issued in exchange for the original obligation, in whole or in part. While loans are often secured by collateral, losses can result from default and foreclosure. The value of the underlying collateral, the creditworthiness of the obligor and the priority of the lien will have a significant impact on the potential recovery of a defaulted asset. There is no assurance that the liquidation proceeds of collateral will be sufficient to satisfy the entire outstanding balance of principal and interest on a defaulted loan, resulting in a possible loss of all or part of an investment in a CLO portfolio.

*Liquidity of Markets.* Markets periodically experience significant falloffs in liquidity. While these are usually attributable to changes in interest rates or other macro-economic factors, the cause is not always apparent or predictable. During these periods of market illiquidity, STWD IM might not be able to sell assets in its Clients' portfolios or might only be able to do so at unfavorable prices. Because interests in CLOs themselves could be illiquid, they can be difficult to value and the valuations are often based on models or an indicative price from a dealer, rather than on prices at which the security was actually sold in the secondary market. As a result, CLO notes and equity could experience large movements in price.

*Interest Rate Risk.* When interest rates decline, the value of a portfolio invested in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a portfolio investment in fixed-rate obligations can be expected to decline. Although the value of investments will vary, the Adviser expects the investments in floating rate loans to minimize fluctuations in value as a result of changes in market interest rates. However, because floating rates on loans only reset periodically, changes in prevailing interest rates can still be expected to cause some fluctuation in value. The negative impact on debt instruments from the resulting rate increases for that and other reasons could be swift and significant, which could cause a decline in value. Other economic factors (such as large downward movement in stock prices, a disparity in supply and demand of certain instruments or market conditions that reduce liquidity) can also adversely impact the markets for loans and other debt obligations. Rating downgrades of holdings or their issuers will generally reduce the value of such holdings.

*Pre-Payment Risk.* Leveraged loans are generally subject to pre-payment in whole or in part at any time at the option of the obligor, at par plus accrued unpaid interest. Pre-payments on loans will occur as a result of a number of factors that are often difficult to predict, and not within the control of the Adviser. Consequently, there is a risk that loans purchased at a price greater than par will experience a capital loss as a result of a pre-payment at par. Likewise, there is no assurance that proceeds received from a pre-payment can or will be invested in other assets of comparable value or bearing a comparable rate of interest.

*Subordinated Interests.* Certain STWD IM affiliates may invest in a significant portion of the subordinated debt or preferred equity tranche, commonly known as the “equity,” of a CLO whose investment portfolio is managed by the Adviser or its affiliates. STWD IM affiliates may also invest in various tranches of more senior debt securities issued by the CLO managed by the Adviser or its affiliates. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts of interest.

*Financial Condition of Obligors.* The market value of the collateral debt and loan obligations generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the collateral debt and loans, the credit quality of the underlying asset or pool of assets securing any collateral debt or loan obligation, the remaining term to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The Adviser does not have or hold any liability or obligation to the investors as to the amount or value of, or a decrease in the value of, the collateral debt or loan obligations from time to time. In the event that a debt or loan obligation becomes troubled, the Adviser may either sell or retain the affected asset. However, there can be no assurance as to the timing of the sale of the affected asset, or if there will be any market for such asset or as to the rates of recovery on such affected asset.

*Financial Condition of Underlying Properties.* The CLO managed by STWD IM is similar in certain respects to commercial mortgage-backed securities (“CMBS”) and subject investors to many of the same risks. Collateral underlying CMBS generally consists of commercial mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, multi-family properties, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage properties. Performance of a commercial

mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying a CLO could result in cash flow delays and losses on the CLO.

*Risks Associated with Bankruptcy Cases.* Bankruptcy cases are adversarial and can be lengthy. While creditors generally are afforded an opportunity to object to significant actions in bankruptcy proceedings, there can be no assurance that a bankruptcy court would not approve actions that are contrary to the interests of Clients. If STWD IM were determined to have taken over management and functional operating control of a debtor, it could lose Clients' ranking and priority as a creditor. Reorganizations can involve substantial legal, professional and administrative costs, are subject to unpredictable and lengthy delays and, during the reorganization process, the company's competitive position could erode, key management could depart and the company can be limited in its ability to invest adequately. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that Clients' influence with respect to a class of investments can be lost for a variety of reasons, including by the inflation of the number and the amount of claims in the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) are expected to be high.

*Participation Interests.* We may invest our CLO in loans acquired through participations. In purchasing participations, there will usually be a contractual relationship only with the selling institution, and not the borrower. There generally will not be any right to directly enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. Our CLO may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of setoff the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, our CLO may be treated as general creditors of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, CLOs may be subject to the credit risk of the selling institution as well as of the borrower.

*Changes to LIBOR.* There are proposals to phase out or reduce reliance on LIBOR in certain financial markets. In the event that adequate and reasonable means do not exist for ascertaining LIBOR, the interest rate on the commercial real estate loans will be determined in accordance with the related loan documents, which generally provide for the conversion of the related interest rate to one based on an alternative benchmark rate or the "prime rate". We cannot predict when or if any of the foregoing events will occur. If LIBOR in its current form does not survive or if an alternative index is chosen, the market value and/or liquidity of the offered notes could be adversely affected. Furthermore, there is no guarantee that the new rates under the loan documents will be based on the same base rate or will match the alternative base rate at which interest on the Notes will accrue. Additionally, the trigger for a conversion from LIBOR under the loan documents may differ from that under the Indenture. Therefore there is a risk of a mismatch in

benchmark rates used by the notes and the collateral interests if LIBOR is ever unavailable. Furthermore, there can be no assurance that any supplemental indenture to apply an alternate base rate (a) will be entered into, (b) if entered into will effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the notes, (c) will be entered into prior to any date on which the Issuer suffers adverse consequences from the elimination or modification or potential elimination or modification of LIBOR or (d) will not have a material adverse effect on the holders of any class of notes, including the liquidity of such notes.

*Regulatory Risk Related to Risk Retention.* As collateral manager or sponsor of the CLO, Starwood expects to retain interests in the CLO, which consist of securities issued by the CLO, in order to comply with applicable risk retention requirements (so long as required thereunder). There has been no explicit guidance regarding how entities should be structured for this purpose and therefore the regulatory environment in which the CLO intends to operate is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Starwood, and the manner in which it expects to hold risk retention interests, will satisfy the risk retention requirements. If such transactions, structures or arrangements are determined not to comply with the risk retention requirements, Starwood could become subject to regulatory action that could result in adverse consequences.

**Item 9**  
**Disciplinary Information**

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Neither STWD IM nor any of its professionals have been the subject of any legal or disciplinary event of an investment-related nature that would be material to the business of STWD IM or that would be subject to disclosure in Item 11 of Part 1A of Form ADV.



## **Item 10**

### **Other Financial Industry Activities and Affiliations**

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As mentioned in Item 4 above, STWD IM is a wholly-owned affiliate of STWD, which is publicly traded on the New York Stock Exchange. STWD is externally managed by SPT Management, LLC, which is an affiliate and relying adviser of Starwood Capital Group Management, L.L.C. (“SCGM”), a registered investment adviser.

An affiliated broker-dealer, Starwood Capital, L.L.C. (“SC”), may act as a placement agent for the private offer and sale of interests in the Client vehicles advised by SCGM; however, SC will not act as a placement agent for the CLO and will not execute any portfolio trades on behalf of the CLO.

STWD IM may have duties or incentives relating to the interests of STWD’s shareholders that may differ from, and that could conflict with, the interests of its Client and its investors, such as conflicts arising from the allocation of expenses and investment opportunities. Each of STWD and STWD IM, consistent with its fiduciary duties, will endeavor to resolve such conflicts in a manner that it deems fair and equitable to the extent possible under the prevailing facts and circumstances.

There may be conflicts of interest related to STWD IM’s affiliations with other entities under STWD that may increase risk to the CLO. The mortgage portfolio in which the CLO invests are originated, underwritten and serviced by various affiliates of the Adviser. LNR, acting in its capacity as special servicer of the CLO Issuer, will from time to time come into possession of material non-public information (“MNPI”) which could impact the ability of the Adviser to transact in certain investments. The Adviser has established and implemented an information barrier to mitigate these potential conflicts of interest. Additionally, the Adviser selects the specific pool of commercial real estate-related loans that are included in a CLO based on, among other things, whether such mortgage assets satisfy the eligibility criteria set forth in the governing documents for such CLO. In order to address these and other related-party conflicts, the advisory committee, or an independent representative, will review conflicted transactions.

## **Item 11**

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

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#### *Standards of Conduct*

STWD IM has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act. The Code imposes standards of business conduct, including standards and procedures for the detection and prevention of inappropriate personal securities transactions and addresses other situations involving potential conflicts of interest. The Code is intended to ensure that the personal securities transactions of persons subject to it are conducted in accordance with the following principles: (i) the duty at all times to place the interests of the Adviser’s Clients first; (ii) the requirement that all personal securities transactions be conducted consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s responsibility and position of trust; (iii) the fundamental standard that persons subject to the Code not take inappropriate advantage of their positions; and (iv) the duty at all times to comply with applicable state and federal securities laws. The Adviser’s Chief Compliance Officer will maintain a restricted list of securities in which there is a conflict or non-public information known about an issuer of securities (the “Restricted List”). Adviser personnel are prohibited from trading and investing in securities on the Restricted List unless permitted by the Chief Compliance Officer. A copy of the Code is available upon request.

In addition to the Code, STWD IM has other policies and procedures designed to address conflicts of interests with respect to, among others, principal and affiliated transactions, gifts and entertainment, outside business activities and political contributions. Other Adviser policies prohibit its personnel from trading securities for Clients or themselves or recommending to others trading in securities while in possession of MNPI or disclosing MNPI to any person not entitled to receive it, in violation of applicable securities laws.

In certain limited circumstances, the Chief Compliance Officer or designee may grant exceptions to its policies and procedures (including the Code) when he believes, based on the particular facts and circumstances, that doing so would not harm a Client or otherwise interfere with STWD IM’s fiduciary duties.

#### *Principal Transactions*

The Adviser expects that principal transactions will arise primarily but not exclusively when an entity funded or owned by Starwood or a Related Party transfers one or more warehoused assets to a CLO managed by the Adviser. To the extent that a transaction may be viewed as a principal transaction due to the ownership interest by the Adviser or its affiliates, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including disclosure to and consent of the Client’s Advisory Committee or independent review party, as applicable under the Client’s governing documents. Following the receipt of notice of a principal transaction, the Advisory Committee or independent review party, as applicable, is required to determine whether the transaction is on terms substantially as favorable to the Client as would be the case if such transaction were not a principal transaction and whether the investment satisfies the applicable

eligibility criteria applicable to it. Each of the foregoing determinations must be made by the Advisory Committee or independent review party and evidenced in writing. The Adviser's Compliance Manual contains policies and procedures designed to ensure compliance with principal transactions requirements.

*Participation or Interest in Client Transactions, Affiliate Transactions*

A STWD IM affiliate will invest in the CLO and will enjoy more favorable terms (including, but not limited to, fees, reporting and/or liquidity) than other non-affiliated investors in the same CLO. Interests are acquired upon initial issuance or through secondary market transactions. There is no assurance that such holdings will remain unchanged over time or that the STWD IM affiliate's interest will remain aligned with those of the Client, investors or any particular class of investors or noteholders. For example, if a STWD IM affiliate owns preferred equity interests in a CLO, STWD IM faces a conflict when making investment decisions for the portfolio between the holders of the senior notes on the one hand and the owners of the equity on the other. Further, in instances where STWD IM or an affiliate have a financial interest in a Client vehicle, there is a conflict of interest for the Adviser when making decisions regarding the allocation of trade opportunities between that Client and others in which there is no or lesser economic interest because there is an incentive to make favorable allocations to those Client vehicles where STWD IM or an affiliate have a financial interest in order to benefit from such favorable allocation decisions.

Affiliates of the Adviser will likely enter into service arrangements with Clients advised by the Adviser. These arrangements present conflicts of interest and are disclosed to the investors in disclosure documents delivered prior to investment. The offering and governing documents of the Client vehicles set forth restrictions on conflicts of this nature. These service arrangements are required to be provided pursuant to terms documented in written agreements that describe the services to be provided and the fees to be assessed. The terms and conditions of these written agreements must be at terms at least as favorable to the Client as would be the case if the service agreement were with an independent provider. In certain circumstances, the governing documents of a Client require approval of such transactions, regardless of terms, by an Advisory Committee or independent representative.

## **Item 12**

### **Brokerage Practices**

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STWD IM advises Clients with investment objectives primarily focused on commercial lending and investment activities, including originating, investing in, and managing debt-related investments. Subject to Client documentation, the Adviser has the authority and full discretion to select trading counterparties, investment amount and price when making investment decisions on behalf of its Clients and to seek “best execution” in executing transactions on behalf of its Clients. Investment strategies which focus on credit markets generally do not involve commissions in connection with executing transactions but will typically be subject to spreads or other trading costs. Moreover, due to the nature of credit markets and, in particular, leveraged loans, there is often a limited universe of counterparties offering or making a market in these instruments. STWD IM anticipates transacting not only with banks and broker-dealers but also with other participants in the credit markets such as funds and fund managers. In seeking best execution, STWD IM is not obligated to choose the counterparty with the lowest possible execution cost, but primarily considers whether the transaction represents the best qualitative execution under the circumstances. Consideration of best execution will include, but may not be limited to, price, speed, anonymity, counterparty credit risk, and the ability to locate financial intermediaries with significant trading capabilities. The Adviser has adopted written policies and procedures governing the process for evaluating best execution.

On occasion, errors can be expected to occur with respect to trades executed on behalf of Clients. STWD IM endeavors to detect and correct errors promptly and in accordance with its trade error policy. The breach of any prohibitions, limits or other guidelines (numerical, percentage, ratings based or otherwise) does not constitute a trade error if the remedy for such breach is addressed in the relevant Client documentation. When seeking to cure such breach, the Adviser exercises its discretion to purchase or sell any asset or instrument (whether or not such asset or instrument caused the breach). Errors which are detected and corrected prior to settlement are not deemed to be trade errors. In accordance with its policy, the Adviser determines whether such error resulted from its gross negligence, bad faith or willful misconduct and, unless it finds this to be the case, any losses from such trade errors will be borne by the Client. Gains resulting from trade errors can be applied to offset any losses from trade errors. As a result, Clients, and not STWD IM, will generally be responsible for losses from trade errors and similar human errors.

### **Item 13**

#### **Review of Accounts**

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STWD IM's investment team will perform ongoing reviews of the CLO portfolio to monitor performance and adherence with investment objectives and guidelines, credit risk requirements and investment strategy set forth in the CLO governing documents. Portfolio managers will conduct portfolio credit monitoring for all client accounts. The Adviser will perform these reviews no less frequently than quarterly.

The related servicer and special servicer will prepare period statements regarding the collateral assets, and the related note administrator prepares period statements regarding distributions to noteholders.

## **Item 14**

### **Client Referrals**

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STWD IM does not compensate any third party for client referrals directly to it for advisory services and does not receive any economic benefit from a third party for providing investment advice or other services to its clients.

STWD IM has entered into contractual agreements with individuals and/or organizations (“placement agents”) who solicit investors for the CLO. While the specific terms of the arrangement may differ, generally, a placement agent’s compensation is based upon the value of assets of the referred investor(s) managed by the Adviser. The placement agent’s compensation is borne by the CLO Issuer and does not increase investor’s fees beyond that which STWD IM would otherwise charge the referred investor for its investment management services.

## **Item 15**

### **Custody**

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With respect to the CLO, neither STWD IM nor its affiliates intend to maintain custody of the Client assets. The trustee of the CLO has custody of the Client assets in accordance with the relevant offering and governing documents.

## **Item 16**

### **Investment Discretion**

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STWD IM accepts discretionary authority to manage the assets of its Client. The Adviser's discretion is limited by the investment guidelines and conditions contained in the Client's investment advisory agreement and governing documents. All investors receive disclosure of investment guidelines and client operations prior to their commitment to the investment fund.

Grants of discretionary authority will be part of the governing documents of the Client vehicle. The authorization permitting discretionary authority is extended to the General Partner directly and by extension to STWD IM as delegated by the General Partner under the governing documents of the Client vehicle.



## **Item 17**

### **Voting Client Securities**

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The types of investments that the CLO will primarily hold typically do not issue proxies. However, the Adviser could be called upon to consent on certain matters (e.g., loan amendments, modifications, waivers, resolutions, etc.) similar to proxy voting.

STWD's Compliance Manual contains a section on voting policies and procedures designed to comply with Rule 206(4)-6 of the Advisers Act. Very generally, a broad fiduciary principle is extended to any consent decisions made on behalf of Clients, requiring the Adviser to act prudently and consistent with its fiduciary duties. As such, the Adviser could, but is not obliged to, vote in accordance with recommendations from senior management when it believes those recommendations are consistent with the Clients' best interests. Likewise, the Adviser maintains the authority to abstain from voting proxies if it determines that not voting is in the Clients' best interests.

These procedures, among other things, require the Adviser to monitor any vote to identify any actual or potential conflicts of interest. In the event the Adviser determines that its voting policies do not adequately address a material conflict of interest, the Adviser will provide the affected Client's Advisory Committee or independent representative, as applicable, with copies of all consent decision voting materials, a description of the actual or potential conflict of interest, the Adviser's intended response to the consent decision, and will request the Client's Advisory Committee or independent representative to consent to the Adviser's intended response. If the Client's Advisory Committee or independent representative consents to the intended response or fails to respond within a reasonable period of time specified in the notification, the Adviser will vote as described in the notification. If the Client's Advisory Committee or independent representative objects to the Adviser's intended response, the Adviser will vote as directed by the Client.

STWD IM will maintain a record of all situations where a consent was requested and will provide a record of whether it consented or withheld consent and a copy of its voting policies to clients upon request.

**Item 18**  
**Financial Information**

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STWD IM is not aware of any financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to Clients. The Adviser does not assess any fees more than six months in advance. The Adviser has never been the subject of a bankruptcy proceeding.