

**FS STRUCTURED PRODUCTS ADVISOR, LLC**

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**As of 12/5/2019**

This brochure provides information about the qualifications and business practices of FS Structured Products Advisor, LLC (“**FSSPA**” or the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (215) 220-6651. The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

FSSPA is an investment adviser registered with the SEC. Please note that registration does not imply a certain level of skill or training.

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

## ITEM 2 – Material Changes

This Brochure dated 12/5/2019 is the initial brochure for FSSPA.

FSSPA will send its clients a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser's fiscal year-end. FSSPA may further provide other ongoing disclosure information about material changes, as necessary.

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#### ITEM 4 – Advisory Business

FSSPA was formed on March 20, 2019, for the purpose of providing investment advisory services to Bridge Street CLO 1 (the “**Issuer**”). At present, Bridge Street CLO 1 is the Adviser’s only client.

The Adviser may, subject to any limitations described in the investment advisory agreements it enters into with its clients, advise other investment companies, private investment funds, structured finance vehicles, institutional investors or other persons or entities (collectively, the “**Clients**”), at which time the Adviser will make any necessary amendments to this Brochure.

The Adviser will be responsible for identifying potential investments for the Issuer. The investment professionals of the Adviser have extensive experience in secured lending and high yield securities, including senior loans, asset-based lending, structured finance, fixed income securities, and distressed debt. The Adviser incorporates a sophisticated platform with an experienced team of investment professionals to identify opportunities in such assets, while at the same time assessing and monitoring risk. The Adviser will evaluate such investments and their appropriateness based on the Issuer’s investment objectives, strategies, restrictions, and guidelines, as described in the Issuer’s governing documents (e.g., offering circular and indentures). Because the Adviser does not provide individualized advice to investors (and an investment in an Issuer does not, in and of itself, create an advisory relationship between the investor and the Adviser), investors must consider whether a particular Issuer meets their investment objectives and risk tolerance prior to investing.

The Adviser is a subsidiary of Franklin Square Holdings, L.P. (“FSH”). FSH is the principal owner of the Adviser. The Adviser is also an affiliate of FS Global Advisor, LLC (“FSGA”), FS Tactical Advisor, LLC (“FSTA”) and certain other investment advisers affiliated with FSH. FSGA is the registered investment adviser to FS Global Credit Opportunities Fund (“FSGCO”), a closed-end investment company that focuses on investing in secured and unsecured floating and fixed rate loans, bonds and other credit instruments. As of October 1, 2019, FSGCO had approximately \$2.2 billion in assets under management. FSTA provides advisory services to FS Tactical Opportunities Fund, L.P., a private fund designed to build an investment portfolio of capital structured solutions and special situations credit investments primarily in North America. Investment professionals of the Adviser, including certain members of the Adviser’s investment committee and its portfolio managers will consist of certain individuals who also make investment decisions for FSGA and FSTA.

As of 12/5/2019, the Adviser has not acquired any assets under management for its Clients. At such time the Adviser acquires assets, it will manage those assets on a discretionary basis.

## ITEM 5 – Fees and Compensation

As compensation for the performance of its obligations as the collateral manager of the Issuer, the Adviser will generally be entitled to receive from the Issuer, subject to the terms and conditions of the Issuer's governing documents, a senior management fee, and a subordinated management fee, and may receive an incentive or performance-based fee (collectively, the "Management Fees"). Generally, the senior management fee has a higher priority in the Issuer's priority of payment waterfalls, and the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfalls. The Adviser may earn a subordinated management fee if certain tests outlined in the Issuer's governing documents have been satisfied for all of the Issuer's senior note holders. The Adviser may also receive an additional management fee at closing of a CLO, subject to the CLO's governing documents. The senior management fees and subordinated management fees are typically paid by the Issuer or its trustee quarterly in arrears, in accordance with its governing documents. Performance fees are typically paid later in the Issuer's lifecycle by the Issuer or its trustee in arrears if specific internal rates of return thresholds are achieved. All Management Fees are billed and payable according to the priority of payments described in the offering circular and indenture of an Issuer. The Adviser may, in its sole discretion, waive, reimburse or delay all or part of such fees.

Generally, the Issuer (and, indirectly, the investors therein) bears all expenses as defined in the offering circulars and indenture of an Issuer, including (i) legal, filing, auditing, consulting, administration, accounting and other professional fees and expenses; (ii) expenses associated with periodic reporting; (iii) expenses associated with financial statements and tax returns; (iv) insurance, interest and other expenses incurred in respect of borrowings, if any; (v) other expenses associated with the acquisition, holding, monitoring, settlement and disposition of an Issuer's investments (including, without limitation, any brokerage, transaction, custody or hedging costs); (vi) the costs and expenses of any custodians, lenders, investment banks and other financing sources; (vii) any indemnity expenses; (viii) the costs and expenses of any litigation involving an Issuer or its investments; and (ix) certain compliance related costs and expenses.

For a more complete discussion of Issuer fees, compensation, and other expenses, please refer to the governing documents for each Issuer and Item 12 – Brokerage Practices.

As the Adviser establishes other relationships (e.g., additional Clients), it may arrange to receive different types of fees, including fixed fees or fees paid on some other negotiated basis.

## ITEM 6 – Performance-Based Fees and Side-by-Side Management

Performance-based compensation will be paid in accordance with Section 205(3) of the Investment Advisers Act of 1940 (the “1940 Act”) and Rule 205-3 thereunder.

“Side-by-side management” refers to the simultaneous management of multiple types of client accounts and/or investment products. For example, as discussed above, the Adviser and FSGA share investment personnel and manage Clients that invest in similar types of assets and may follow similar, complementary or competing investment objectives, policies or strategies. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for the Adviser and its employees and affiliates, including, as discussed below, the incentive to favor certain accounts with performance-based fees, accounts with respect to the Adviser receives or retains relatively higher fees, or accounts in which the Adviser and its related persons have a pecuniary interest. Accordingly, the Adviser, FSGA, FSTA, and their respective affiliates and personnel may have differing pecuniary interests with respect to different Clients and may have an incentive to favor those Clients in which they have greater pecuniary interests. See Item 10 – Other Financial Industry Activities and Affiliations.

The following are Conflicts of Interest associated with Performance Fees and Side-by-Side Management of Accounts.

### Allocation

The Adviser and its related persons have an incentive to allocate investment opportunities based on pecuniary interest. As discussed in Item 5 – Fees and Compensation; Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading; and Item 12 – Brokerage Practices, the Adviser and its related persons may be entitled to a performance fee from the Issuer and may also be eligible to receive performance-based compensation in their capacity as the investment manager, general partner or managing member of certain other Clients. Accordingly, the Adviser and its personnel face a conflict of interest when considering how to allocate investment opportunities among accounts having different fee structures or pecuniary interests. Through its trade allocation policies and procedures, conflicts of interest policy (described below) and Code of Ethics, the Adviser seeks to promote fair and equitable treatment of accounts, over time, based on considerations that are unrelated to pecuniary interests, which mitigate any actual or potential conflict of interest that may exist with respect to, for example, the Adviser’s allocation of time, resources and investment opportunities to the Clients that have performance-based compensation arrangements over those Clients that do not or are not expected to pay performance-based compensation.

### Speculative Investments

The existence of a performance fee may also create an incentive for the Adviser to make or recommend more speculative investments on behalf of certain Client accounts

than it would otherwise make, although the Adviser's investment discretion, if any, to select such speculative investments may be constrained by the Issuer's governing documents, which contain specific investment objectives, strategies, restrictions, and guidelines.

## Valuation

The Adviser's compensation may be reduced if the Adviser determines to write-down the value of a portfolio investment, creating a disincentive for the Adviser to do so. As a result, to the extent that the Adviser values a portfolio investment higher than its current market value (or where such market values are unreliable), the Adviser may benefit by receiving a management fee or incentive allocation that is increased by the impact, if any, of such a valuation discrepancy. The Adviser may have a role in determining asset values with respect to Clients and may be required to price an investment when the market price is unavailable or unreliable. Investments that are fair valued in accordance with the Adviser's valuation policies generally will not have reliable market values and the fair value assigned by the Adviser to such investments, as determined in good faith by the Adviser in accordance with its policies and procedures, may not match the next available and reliable market price or, in retrospect, have been the price at which the investment could have been purchased or sold. The Adviser's valuation policies serve to mitigate this conflict.

## Conflicts of Interest, Generally

FSH has adopted a conflict of interest policy, entitled "FS Investments' Policies and Procedures Regarding MNPI and Conflicts of Interest" (the "Policy"). The Policy is applicable to the Adviser and outlines controls which help to identify and appropriately address actual, apparent and potential conflicts of interest,

## ITEM 7 – Types of Clients

The Adviser provides investment advice to issuers of collateralized loan obligations and may, in the future, provide such advice to other structured finance vehicles.

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

### Our Investment Strategies

The investment professionals of the Adviser have extensive experience identifying investments in various credit products, including senior secured and unsecured loans, floating-rate notes, second lien loans, middle market loans, debtor-in-possession financing, discounted and distressed debt, re-organized company equities, and structured products.

The Adviser will source such opportunities from issuers tracked by the Adviser, which

are then reviewed for, among other things, suitability, value, risk, indenture compliance, potential returns, potential downside, obligor management, capital structure and ownership, agency ratings, structure (including obligation documentation and covenants), and prepayment/event risk.

The Adviser executes this strategy through its experienced team, proprietary investment platform, and robust monitoring process.

## **Risks**

Currently, the Adviser provides investment advisory services only to the Issuer. The following is a summary of risks generally applicable to investors with respect to the securities offered by the Issuer. The Adviser's investment activities involve a significant degree of risk of loss that investors should be prepared to bear. Investors should reference the specific offering circular of the Issuer for a more complete description of all risks specifically applicable to the securities of and relating to the Issuer. Therefore, this summary of risks is qualified entirely by the disclosures to be made in the offering circular of the Issuer.

### *Risks Relating to the Adviser and Portfolio Manager*

- **New Management Risk.** The Adviser is a newly established investment adviser with a limited track record. Additionally, the Portfolio Manager has no prior experience in managing CLOs. The performance history of the Portfolio Manager and the Adviser's affiliates may not be indicative of future results.
- **Management Risk.** The Issuer will depend on the managerial expertise available to the Portfolio Manager. The success of a portfolio depends on the skill of the Portfolio Manager in making appropriate investment decisions, developing and implementing appropriate investment strategies, and applying investment techniques and risk analyses that achieve the portfolio's investment objectives. Subjective decisions made by the Portfolio Manager may cause losses or missed opportunities.
- **Key Man Risk.** There can be no assurance that a Portfolio Manager will continue to serve in their current position or continue to be an authorized person of the Adviser and its affiliates. The loss of one or more of such key management and personnel may have a material adverse effect on the performance of the CLOs.
- **Affiliated Service Providers.** The Adviser relies on affiliates for certain services. If such services are no longer provided or able to be provided for any reason, this could have a material and adverse effect on the performance of a portfolio.
- **Expedited Investment Decisions.** Investment analyses and decisions by the Portfolio Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Portfolio Manager at the time of making an



investment decision may be limited or the Portfolio Manager may not have the time to adhere to its typical due diligence process. Therefore, no assurance can be given that the Portfolio Manager will have knowledge of all circumstances that may adversely affect an investment. In addition, the Portfolio Manager may rely upon independent consultants and other sources in connection with its evaluation of proposed investments and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or other sources.

- Potential litigation and regulatory actions. The Adviser may be subject to claims, (or threats of claims), and regulatory investigations, examinations, requests for information, audits, inquiries, subpoenas or other regulatory or civil proceedings that could materially and adversely affect the Adviser. The outcome of any investigation, action or proceeding may materially adversely affect the Issuer and may be impossible to anticipate. Any such investigation, action or proceeding may continue without resolution for long periods of time and may consume a substantial amount of the Adviser's time and attention.
- Valuation of CLO Investments. The price at which a CLO could sell any particular investment may differ from the CLO's valuation of the investment. Such differences could be significant, particularly for illiquid collateral obligations and collateral obligations that trade in relatively thin markets or markets that experience extreme volatility. If market or other conditions make it difficult to value some investments, the CLO may value these investments using more subjective methods, such as fair value methodologies. The ability to value a CLO's investments in an accurate and timely manner may be affected by technological issues or errors by third-party service providers, such as pricing services or accounting agents. Additionally, trade errors may also effect valuation.

### *Risks Relating to the Collateral Obligations*

CLO investments are generally in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investment, including losses resulting from changes in the financial rating ascribed to, or changes in the market value or fair value of, the underlying assets of an investment. CLO vehicles generally invest in fixed income securities rated lower than Baa by Moody's Investor Services (Moody's) or lower than BBB by Standard & Poor's Financial Services (S&P) (or, if not rated, of comparable quality) and may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments.

- Below investment-grade assets. The non-investment grade rating of high yield bonds and leveraged loans reflect a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt. High yield debt securities are generally unsecured and subordinated, and generally

have greater credit, insolvency, and liquidity risk than investment-grade debt securities

- **Bank loans.** A CLO's underlying bank loans are not registered with the SEC or any state securities commission or listed on any national securities exchange. The amount of public information available with respect to bank loans may be less extensive than that available for registered or exchange-listed securities.
- **Credit Risk.** Credit risk is the actual or perceived risk that an underlying obligor, guarantor, counterparty, or other entity responsible for payment will not pay interest and principal payments when due. The price of a loan can decline in response to changes in the financial condition of the underlying obligor, guarantor, counterparty, or other entity responsible for payment. An account could lose money if the underlying obligor, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Changes in an underlying obligor's financial strength, the market's perception of the underlying obligor's financial strength or in a loan's credit rating, which reflects a third party's assessment of the credit risk presented by a particular underlying obligor, may affect bank loans' value. A CLO investment may incur substantial losses if an underlying obligor's credit risk is not properly measured and instead such underlying obligor presents a materially greater risk than the market appreciates.

CLOs generally invest in bank loans that are rated below investment grade. Indebtedness of companies whose creditworthiness is rated below investment grade may be highly speculative involving a substantially greater risk that such companies may never pay off their indebtedness or may pay only a small fraction of the amount owed, with a substantial risk of losing the entire amount invested.

Additionally, there is currently a supply and demand mismatch in the bank loan market. This mismatch may make it difficult to source bank loans appropriate for client portfolios and could lead to a market-wide degradation of underwriting and credit standards, which may have an adverse effect on the quality of the assets available in the market.

- **Senior Secured Loans.** Senior secured loans are subject to risks, including: (i) the possible invalidation, avoidance, unwinding or subordination of an investment transaction; (ii) lender liability claims; (iii) environmental liabilities; (iv) limitations on the ability to directly enforce compliance by the obligor with the terms of the loan or credit agreement or enforce (or retain all the proceeds realized from) any rights of set-off against the obligor; and (v) the possibility of being outvoted by other lenders in syndicated senior secured loans on important issues. In addition, these investments may be subject to the risk that security interests in the underlying collateral are not properly perfected. Compounding these risks, the collateral securing debt investments will often be subject to casualty or devaluation risks. In addition, certain investments may be made in senior loans

that, unlike typical senior loans, have limited mandatory amortization requirements.

- **Subordinated Securities.** Holders of securities that are subordinated or "junior" to more senior securities of an issuer are entitled to payment after holders of more senior securities of the issuer. Subordinated securities are more likely to suffer a credit loss than non-subordinated securities of the same issuer, any loss incurred by the subordinated securities is likely to be proportionately greater, and any recovery of interest or principal may take more time. As a result, even a perceived decline in the creditworthiness of the issuer is likely to have a greater impact on the market value of these securities. Subordinated loans generally are subject to similar risks as those associated with investments in senior loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. Consequently, subordinated loans generally have greater price volatility than senior loans and may be less liquid. The risks associated with subordinated unsecured loans, which are not backed by a security interest in any specific collateral, are higher than those for comparable loans that are secured by specific collateral.
- **Cov-Lite Loans** may not contain financial covenants. Although the Portfolio Manager generally expects the loan documentation of many of the underlying collateral obligations to include financial covenants, up to an agreed upon percentage of the collateral principal amount may consist of Cov-Lite Loans. Cov-Lite Loans contain limited, if any, financial covenants. Generally, such loans either do not require the borrower to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the borrower to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans.
- **Liquidity.** Investment in a CLO should be viewed as a long-term investment, not as a trading vehicle. There can be no assurance that a market for any CLO will develop or exist at any time. The value of an investment in a CLO may vary and such securities, if sold, may be worth more or less than their original cost.
- **Restructurings of collateral obligations** may decrease the value thereof. The Portfolio Manager, on behalf of the Issuer, has broad authority to direct and supervise the investment and reinvestment of the CLO, which may include the execution of amendments, waivers, modifications and other changes to the collateral obligations in accordance with the Portfolio Management Agreement. If the general economic and business climate were to deteriorate, it is likely that the incidence of amendments, waivers, modifications, and restructurings of collateral obligations would increase, which may lead to a decrease in the value of such collateral obligations that could adversely affect the Issuer's ability to make payments to holders of the Notes.

- Credit ratings. Credit ratings are not a guarantee of quality and can change. Any potential changes in the rating agencies' rating methodology for determining expected credit loss may adversely affect spreads on a CLO's collateral portfolio and, consequently, reduce interest proceeds available to the CLO to make payments on the securities it has issued. A decline in the credit quality of a CLO's collateral portfolio or defaults could result in losses, which would adversely affect an investment in the CLO. In the event of impairment of credit quality and/or defaults on the collateral, the Adviser may sell the affected collateral. There can be no assurance as to the rates of recovery on such collateral both as a result of the credit quality of such collateral and the possible limited liquidity.
- Restrictions on the ability to assign certain collateral obligations and the related collateral may expose the Issuer to a higher risk of loss on such collateral obligations. Certain of the collateral obligations contain provisions prohibiting the collateral obligations from being assigned or otherwise transferred to parties who do not meet certain criteria set forth in the related underlying instruments. If following an event of default or an enforcement event, the trustee attempts to sell the collateral obligations subject to such restrictions, the trustee could not sell the collateral obligations to a transferee that did not meet the criteria in the applicable underlying instrument. Such provisions could have a material adverse effect on the value received for such collateral obligations by the trustee upon any sale or liquidation and may limit the proceeds available to make payments on the notes in connection therewith.
- Lender liability and equitable subordination. The United States courts have recently upheld the right of the obligor to sue lending institutions on the basis of various legal theories. Lender liability is generally founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to an obligor or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the CLOs, the Adviser and/or the Issuer's portfolio could be subject to allegations of such lender liability. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." The Adviser and the Issuer do not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine. However, because of the nature of certain of the assets, the Adviser and/or the Issuer may be subject to claims from creditors of an underlying obligor that debt obligations that are held by the Issuer should be equitably subordinated. With respect to assets outside

the United States, the laws of certain non-US jurisdictions may also impose liability upon lenders or bondholders under factual circumstances similar to or different from those described above, with consequences that may or may not be analogous to those described above under US federal and state laws.

- Prepayment. Obligors may pay back principal before the scheduled due date as obligors may find it advantageous to do so due to a decline in interest rates or an excess in cash flow. Such prepayments may require the Adviser to replace an investment with a lower yielding security, which may have an adverse effect on the portfolio's share price. Floating rate securities, including loans, can be less sensitive to prepayment risk, but a portfolio's net asset value may still fluctuate in response to interest rate changes because variable interest rates may only reset periodically and may not rise or decline as much as interest rates in general.
- Balloon loans and bullet loans present refinancing risk. The assets will primarily consist of collateral obligations that are either balloon loans or bullet loans. Balloon and bullet loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the obligor to make a large final payment upon the maturity of the collateral obligation.
- The collateral obligations will primarily consist of "cash flow" loans. The collateral obligations expected to be owned by the Issuer are, and it is projected that additional collateral obligations and substitute collateral obligations acquired by the Issuer will be, primarily "cash flow" corporate loans. Cash flow lending involves lending money to an obligor based primarily on the expected cash flow, profitability and enterprise value of such obligor, with the value of any tangible assets as secondary protection. Cash flow loans may have more leverage than traditional bank debt. In the case of a senior cash flow loan, the originator thereof or other collateral agents on behalf of the lenders generally takes a lien on substantially all of an obligor's assets, but the value of those tangible assets is typically less than the amount of money advanced to the obligor of such loan.
- Cross-collateralization arrangements may be subject to challenge, which could result in the subordination of the Issuer's interest in the collateral securing the collateral obligation or the collateral obligation itself. Certain of the collateral obligations will be cross-collateralized. Cross-collateralization arrangements involving more than one obligor could be challenged as fraudulent conveyances by creditors of the related obligor in an action brought outside a bankruptcy case or, if the obligor were to become a debtor in a bankruptcy case, by the obligor's representative (or the obligor as debtor-in-possession).
- Agency provisions with respect to the collateral obligations may impair enforcement actions against the collateral securing the collateral obligation and expose the holders of the notes to losses on the collateral obligations. The collateral obligations are expected to consist primarily of agented loans. Under

the underlying instruments with respect to agented loans, a financial institution or other entity may be designated as the administrative agent and/or collateral agent or a person acting in a similar capacity. Under these arrangements, the obligor grants a lien to the agent on behalf of the holders of the associated indebtedness and directs payments to the agent, which, in turn, will distribute payments to the holders of the associated indebtedness, including the Issuer.

- The collateral obligations may have different seasoning periods. The collateral obligations expected to be owned by the Issuer may have different seasoning periods. Further, there is no guarantee that any additional collateral obligations or substitute collateral obligations acquired by the Issuer will or will not have significant seasoning. With respect to collateral obligations with short seasoning periods, it is difficult to predict what level of delinquencies and defaults the Issuer may experience over the life of such collateral obligations. With respect to collateral obligations with extensive seasoning, certain of such collateral obligations have experienced credit deterioration since their origination or purchase.
- Certain collateral obligations feature interest rates which allow the obligor to elect between interest rate indices. The interest rates payable by obligors under certain collateral obligations may vary based on an option available to the related obligor under the applicable underlying instruments which allows the obligor to change interest rate indices.
- Participation Interests and Assignments. A participation interest gives the Issuer's portfolio an undivided interest in a loan in the proportion that the portfolio's participation interest bears to the total principal amount of the loan but does not establish any direct relationship between the portfolio and the obligor. If a floating rate loan is acquired through participation, the portfolio generally will have no right to enforce compliance by the obligor with the terms of the loan agreement against the obligor, and the portfolio may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the portfolio will be exposed to the credit risk of both the obligor and the institution selling the participation. The portfolio also may invest in a loan through an assignment of all or a portion of such a loan from a third party. If a floating rate loan is acquired through an assignment, the portfolio may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral.
- Limited control over amendments to collateral obligations. As a holder of an interest in a bank loan or other collateral obligation, the Issuer will have limited consent and control rights and such rights may not be effective in view of the expected proportion of such obligations held by the Issuer. The Portfolio Manager will exercise or enforce, or refrain from exercising or enforcing, any or all of the Issuer's rights in connection with the collateral obligations or any related documents or will refuse amendments or waivers of the terms of any collateral

obligation and related documents in accordance with its portfolio management practices and the Portfolio Manager standard. The Portfolio Manager's ability to change the terms of the collateral obligations will generally not otherwise be restricted by the indenture.

- Voting restrictions on collateral obligations for minority holders. The Issuer will generally purchase each collateral obligation in the form of an assignment of, or participation interest in, a note or other obligation issued under a loan facility to which more than one lender is a party or as a debt security issued under an indenture. Loan facilities are administered for the lenders by a lender or other agent acting as the lead administrator. The terms and conditions of these loan facilities and indentures may generally be amended, modified or waived only by the agreement of the lenders or security holders, as applicable.
- Participation on a creditors' committees. The Issuer, the Portfolio Manager, or the Portfolio Manager affiliates on behalf of themselves, the Issuer and/or other accounts, may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Issuer may seek to negotiate directly with the debtors with respect to restructuring issues. The participants on such a committee will attempt to achieve an outcome that is in their respective individual best interests and there can be no assurance that results that are the most favorable to the Issuer will be obtained in such proceedings. By participating on such committees, the Issuer, the Portfolio Manager and/or any of its affiliates, as applicable, may be deemed to have duties to other creditors represented by the committees, which might thereby expose such party to liability to such other creditors who disagree with such party's actions.

The Issuer may also be provided with material non-public information that may restrict the Issuer's ability to trade in the securities of such a company. While the Issuer intends to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Issuer may trade in such a company's securities while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the Issuer to incur significant legal fees and potential losses.

- Concentration. CLOs potentially increases the risk of loss because the securities of many or all of the companies may decline in value due to developments adversely affecting the industries in which they operate.
- Foreign investments. Investments made in assets based outside the US face the risks inherent in foreign investing. Adverse political, economic or social developments could undermine the value of the investments or prevent them from realizing their full value. Financial reporting standards for companies based in foreign markets differ from those in the US. Additionally, foreign securities markets generally are smaller and less liquid than in US markets. With respect to

investments in non-US dollar-denominated foreign securities, changes in currency exchange rates may affect the US dollar value of foreign securities or the income or gain received on these securities. Foreign governments may restrict investment by foreigners, limit withdrawal of trading profit or currency from the country, restrict currency exchange or seize foreign investments. Investments may also be subject to foreign withholding taxes. Foreign transactions and custody of assets may involve delays in payment, delivery or recovery of money or investments.

- Bankruptcy considerations. In the event of a bankruptcy of an underlying obligor, a court or other governmental entity may determine that the claims of a CLO are not valid or not entitled to the treatment that was expected when the related loan asset was acquired. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an underlying obligor, such as a trustee in bankruptcy, were to find that such underlying obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such underlying assets, such court could decide to invalidate, in whole or in part, the indebtedness constituting the underlying assets as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the underlying obligor or to recover amounts previously paid by the underlying obligor in satisfaction of such indebtedness. In addition, in the event of the insolvency of an underlying obligor, payments made on such underlying loan assets could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year under US federal bankruptcy law or even longer under US state laws) before insolvency.

The assets held by the CLO may be subject to various laws for the protection of debtors in other jurisdictions, including the jurisdiction of incorporation of the underlying obligor and, if different, the jurisdiction from which it conducts business and in which it holds assets, any of which may adversely affect such underlying obligor’s ability to make, or a creditor’s ability to enforce, payment in full, on a timely basis or at all. These insolvency considerations will differ depending on the jurisdiction in which an underlying obligor or the related underlying collateral is located and may differ depending on the legal status of the underlying obligor. Avoidance provisions similar to those described above are sometimes available with respect to non-US underlying obligors, but there is no assurance that this will be the case which may result in a much greater risk of partial or total loss of value in that underlying asset.

#### ITEM 9 – Disciplinary Information

The Adviser is required to disclose all material facts regarding any legal or disciplinary events that could be material to your evaluation of the Adviser or the integrity of the Adviser’s management. The Adviser has not been involved in any disciplinary actions or legal or administrative proceedings related to its business activities.



## ITEM 10 – Other Financial Industry Activities and Affiliations

The Adviser is affiliated with FS Investment Solutions, LLC (“FSIS”), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“**FINRA**”). FSIS is a wholly-owned subsidiary of FSH and has been or is currently the dealer manager for the distribution of securities of certain funds and investment vehicles sponsored by FSH.

The Adviser is affiliated with the following investment advisers: (i) FS Energy Advisor, LLC, the registered investment adviser to FS Energy Total Return Fund, a continuously offered, non-diversified, closed-end, management investment company that operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act; (ii) FS Fund Advisor, LLC, the registered investment adviser to FS Series Trust, an open-end management investment company that operates as a series trust; (iii) FS Tactical Advisor, the registered investment adviser to FS Tactical Opportunities Fund L.P. a private fund under Rule 3(c)7.; (iv) FS Multi-Alternative Advisor, LLC, the registered investment adviser to FS Multi-Alternative Income Fund, a non-diversified, closed-end management investment company and operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act; (v) FS Credit Income Advisor, LLC, the registered investment adviser to FS Credit Income Fund, a non-diversified, closed-end management investment company and operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act; (vi) FS Global Advisor, LLC, the registered investment adviser to FS Global Opportunities Fund, a non-diversified, closed-end management investment company under the 1940 Act; (vii) FS/EIG Advisor, LLC, a registered investment adviser that is jointly owned and operated by affiliates of FSH and EIG Asset Management, LLC, and which provides investment advice to FS Energy and Power Fund, an externally managed, closed-end management investment company that has elected to be regulated as a business development company (“**BDC**”) under the 1940 Act; (viii) FS/KKR Advisor, LLC, a registered investment adviser that is a jointly owned and operated by affiliates of FSH and KKR Credit Advisors (US) LLC, and which provides investment advice to five private credit BDCs, including FS KKR Capital Corp, a publicly traded BDC. (ix) FS Real Estate Advisor, the registered investment adviser to FS Credit Real Estate Investment Trust, Inc., a Maryland corporation that intends to elect to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes.

Conflicts of interest with the Adviser’s current Client, the Issuer, related to these relationships may include the following:

- The directors, officers, investment and other personnel of the Adviser will allocate their time between advising the Issuer and managing other investment activities and business activities in which they may be involved, including managing and operating the affiliated investment vehicles referenced above, or the “Fund Complex”;
- The Issuer may compete with certain of its affiliates for investments, including FSGCO, subjecting the Adviser and its affiliates to certain conflicts of interest in

evaluating the suitability of investment opportunities and recommending acquisitions on the Issuer's behalf;

- Regardless of the quality of the assets acquired, or the services provided to the Issuer, the Adviser may receive fees in connection with the management of the Issuer's portfolio and may receive incentive fees in connection with such activities;
- The personnel of the Adviser will allocate their time between assisting the Adviser in identifying investment opportunities for the Issuer and otherwise providing investment management services to the Issuer and making investment recommendations and performing similar functions for other business activities in which they may be involved, including in connection with certain other entities in the Fund Complex;
- From time to time, to the extent consistent with the 1940 Act and the rules and regulations promulgated thereunder, the Issuer and certain other investment vehicles in the Fund Complex may make investments at different levels of an investment entity's capital structure or otherwise in different classes of an issuer's securities. These investments may give rise to inherent conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by the Issuer and such other investment vehicles;
- The Adviser and its investment personnel may give advice and recommend securities to other investment vehicles in the Fund Complex which may differ from the advice given to, or securities recommended or bought for, the Issuer;
- Personnel of the Adviser may have existing business relationships or access to material, non-public information that would prevent the Adviser from recommending certain investment opportunities that would otherwise fit within the Issuer's investment objectives and strategies;
- The Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with the Issuer and/or may involve substantial time and resources of the Adviser;
- To the extent permitted by the 1940 Act and SEC staff interpretations, and subject to the allocation policies of the Adviser, the Issuer and any of their respective affiliates, as applicable, the Adviser, and its affiliates may determine it appropriate for the Issuer and one or more other investment accounts or vehicles managed by the Adviser, personnel of the Adviser or the Adviser's affiliates to participate in an investment opportunity.

To mitigate these conflicts, the Adviser will seek to execute such transactions for all of the participating investment accounts, including the Issuer, on a fair and equitable basis

and in accordance with its allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Issuer, the Clients for which participation is appropriate and any other factors deemed appropriate. In addition, the Chief Compliance Officer of the Adviser will periodically review policies and procedures that are applicable to the Adviser in its capacity as investment adviser to the Issuer and the Adviser's compliance with such policies and procedures.

Further, as discussed above, certain investment and other professional personnel of the Adviser may also be involved in managing the assets of other affiliated investment vehicles pursuant to a different compensation structure which may create conflicts of interest with the Issuer with respect to their allocation of management time, services and functions.

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

The Adviser has adopted a code of ethics pursuant to Rule 204A-1 of the Advisers Act establishing procedures that govern the conduct and securities transactions of each of the Adviser's officers, employees, and supervised persons. The "Code of Business Conduct and Ethics and the Statement on the Prohibition of Insider Trading" (the "**Code**") is designed to prevent violations of the fiduciary responsibilities owed by the Adviser to its Clients, including the Issuer. It contains provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser will be required to acknowledge the terms of this document annually, or when it is amended.

The Code is designed to ensure that the personal securities transactions, activities, and interests of the officers, employees and supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, transactions involving certain classes of securities will be designated as exempt transactions, based upon a determination that trading in these securities would not materially interfere with the best interests of FSSPA's Clients. In addition, the Code requires pre-clearance of certain transactions. Employee trading will be monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients. Generally, the securities purchased for the Adviser's Clients will not be available to a retail investor.

## ITEM 12 – Brokerage Practices

### In General

Most of the investment activity in the Issuer's accounts will not require the involvement of a broker-dealer. However, the Adviser is required under various agreements to seek best execution in its purchase and sale of credit products from various trading desks. In either case, the Adviser will seek to obtain best execution by taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the Issuer's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria.

### Research and Soft Dollar Benefit

In the event that the Adviser's investment activity does involve a broker-dealer or a trading desk offers such arrangements, the Adviser is authorized by the Issuer to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with investment and research information, or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided.

### Order Aggregation

To the extent that the Adviser in its sole judgment believes that such aggregation will result in an overall economic benefit to participating Issuers (taking into consideration the transaction price and other expenses), the Adviser will aggregate purchase and sales.

## ITEM 13 – Review of Accounts

The Adviser is required to prepare and deliver written reports and other data required by the Issuer's indenture and other governing documents, in sufficient time to the parties entitled thereto.

## ITEM 14 – Client Referrals and Other Compensation

The Adviser does not pay inside or outside parties for referrals.

## ITEM 15 - Custody

The Adviser does not custody assets. U.S. Bancorp., as trustee for the Issuer, will have custody of Issuer funds and send quarterly account statements to investors. Investors

should carefully review these account statements, and compare them against the reports, if any, prepared by the Adviser.

#### ITEM 16 – Investment Discretion

The Adviser has investment discretion over the investments made by the Issuer. However, the indenture and the collateral management agreement between the Issuer and the Adviser, contains significant restrictions on the type of investments purchased or sold and the timing of those purchases or sales. The Adviser exercises its discretion in a manner consistent with the indenture and agreements.

#### ITEM 17 – Voting Client Securities

The Adviser does not generally manage assets that come with proxy voting rights. To the extent it does, it shall vote all such proxies in the best interest of its clients. The Adviser's written proxy voting policies and procedures, and history of proxy votes are available for review by existing clients upon request.

#### ITEM 18 – Financial Information

There is no financial condition that is reasonably likely to impair the Adviser's ability to continue to meet its contractual commitments and provide services to its clients. In addition, the Adviser has not been the subject of a bankruptcy proceeding.