

ITEM 1: Cover Page

FS TACTICAL ADVISOR, LLC

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As of March 29, 2024

This brochure provides information about the qualifications and business practices of FS Tactical Advisor, LLC (“**FSTA**” 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 U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

FSTA 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 FSTA is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: Material Changes

This brochure, dated March 29, 2024 is an annual update to the brochure (“**Brochure**”) for FSTA.

Effective as of June 30, 2023, Franklin Square Holdings, L.P. completed a reorganization of the ownership of its investment advisory entities, and the current direct and indirect ownership of the Adviser is reflected on its updated Form ADV, Part 1A, Schedules A and B. This reorganization did not impact the day-to-day operation of the Adviser.

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ITEM 4: Advisory Business

FSTA (the “Adviser”) was formed on May 31, 2018, for the purpose of providing investment advisory services to FS Tactical Opportunities Fund, L.P., including any parallel funds and accounts (the “**Fund**”), a pooled investment vehicle (“**private fund**”) excluded from the definition of investment company under the Investment Company Act of 1940, as amended (the “**Company Act**”) under section 3(c)(7) of the Company Act. The Adviser may, subject to any limitations described in the investment advisory agreement between the Adviser and the Fund, 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 is responsible for identifying potential investments for the Fund.

The Adviser incorporates a sophisticated platform with an experienced team of investment professionals to seek to identify opportunities in such assets, while at the same time assessing and monitoring risk. The Adviser evaluates such investments and their appropriateness based on the Fund’s investment objectives, strategies, restrictions and guidelines, as described in the Fund’s governing documents (e.g., private placement memorandum, indentures, etc.).

The Adviser is a subsidiary of Franklin Square Holdings, L.P. (“**FSH**”), and an affiliate of FS Global Advisor, LLC (“**FSGA**”), FS Structured Products Advisor, LLC (“**FSSPA**”), FS/EIG Advisor, LLC (“**FSEIG**”) and certain other investment advisers affiliated with FSH. FSGA is the registered investment adviser to FS Credit Opportunities Fund (“**FSCO**”), 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 December 31, 2023, FSCO had approximately \$2.086 billion in assets under management. FSSPA is the advisor to Bridge Street CLO I, Ltd. and Bridge Street CLO II, Ltd., and Bridge Street CLO III, Ltd. FSEIG is the investment adviser to FS Specialty Lending Fund, formerly known as FS Energy and Power Fund.

FSTA has registered with the SEC for the purpose of providing advisory services to FS Tactical Opportunities Fund, L.P., (including its parallel funds), 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 of its portfolio managers, also make investment decisions for FSGA.

The Adviser has approximately \$245,098,344 million in assets under management, which the Adviser manages on a discretionary basis.

The primary owner of the Adviser is FSH.

ITEM 5: Fees and Compensation

As compensation for the performance of its obligations as the manager of the Fund, the Adviser will generally be entitled to receive from the Fund, subject to the terms and conditions of the Fund’s governing documents, a management fee (collectively, the “**Management Fees**”) and an incentive or performance-based fee. The Management Fees are typically paid by the Fund quarterly in arrears, in accordance with its governing documents. Performance fees are typically

paid later in the Fund's lifecycle by the Fund in arrears if specific internal rates of return thresholds are achieved. All Management Fees are billed and payable as described in the private placement memorandum of the Fund. The Adviser may, in its sole discretion, waive, reimburse or delay all or part of such fees.

Generally, the Fund (and, indirectly, the investors therein) bears all expenses as defined in the private placement memorandum and investment management agreement of the Fund, including, but not limited to: (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 the Fund'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 the Fund or its investments; and (ix) certain compliance related costs and expenses.

Furthermore, to the extent the Adviser, the Fund's general partner, related investment fund, or their respective affiliates pay any of the expenses listed in (i) through (ix) above, the Fund shall reimburse such payor. Expenses that shall be borne by the Adviser, and not the Fund, include the Adviser's general overhead expenses, including salaries of the Adviser's employees, rent and other expenses incurred in maintaining the Adviser's place of business; provided, that certain services may be provided by the Adviser to the Fund that would otherwise be performed by third parties, and the cost (including employment costs and related overhead attributable thereto), of performing such services shall be payable by the Fund. Organizational expenses have been borne by the Adviser, the Fund's general partner and/or their affiliates and such organizational expenses will be reimbursed by the Fund.

The allocation of expenses and fees between the Fund and any other FSH sponsored fund generated in the course of evaluating and making portfolio investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorneys' fees and the fees of other professionals, will be determined by the Fund's general partner in its good faith discretion based on expected participation in such investment (although, co-investors may in certain circumstances not bear broken deal expenses). Expenses related to consummated investments will generally be allocated by invested capital among the Fund and any other entities participating in such investment.

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

As the Adviser establishes other relationships (such as, with 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 is paid in accordance with Section 205(3) of the Advisers Act or 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, FSSPA 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 may give 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 which 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, FSSPA and their respective affiliates and personnel 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.

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 Fund 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 may 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, 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 creates 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 to select such speculative investments may be constrained by the Fund’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 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

FSH has adopted a conflicts 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 currently provides investment advice to a single private fund and may, in the future, provide investment advice to other pooled investment vehicles. As discussed in Item 4, the Adviser may, subject to any limitations described in the investment advisory agreement between the Adviser and the Fund, advise other Clients.

The required minimum investment in the Fund is \$1,000,000.00. The Fund's general partner has discretion to accept lesser amounts.

ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

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 investment professionals of the Adviser review all opportunities 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.

Investment Strategy

The Fund intends to invest primarily in credit instruments in both public and private markets that offer risk premiums for illiquidity or complexity, as well as structural and downside protections. The Fund's investment portfolio will consist primarily of secured and unsecured floating and

fixed rate loans, bonds and other types of credit instruments within North America. The Fund may also invest in preferred equity, structured equity or common equity.

Risk of Loss

Currently, the Adviser provides investment advisory services only to the Fund, and the following is a summary of risks generally applicable with respect to the types of securities in which the Fund invests. The Adviser's investment activities involve a significant degree of risk of loss that investors should be prepared to bear. Investors should reference the private placement memorandum of the Fund for a more complete description of all risks specifically applicable to those securities. Therefore, this summary of risks is qualified entirely by the disclosures made in the Private Placement Memorandum of the Fund.

Equities

The price of equities fluctuates due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market conditions. It is possible to receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as a downturn in an investment will cause a more significant loss. Diversification assists in reducing concentration risk.

Fixed Income Investments:

- Interest rate risk, the risk encountered in the relationship between bond prices and interest rates, is the most common form of risk. The price of a bond will generally change in the opposite direction of movements in prevailing interest rates.
- Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.
- Default risk is commonly referred to as "credit risk" and is based on the probability that the issuer of the debt obligation may default. Default risk is rated by quality ratings assigned by commercial rating companies.
- Call risk is the risk related to call provisions on debt obligations.
- Inflation risk arises based on the value of cash flows being received from a debt obligation may lose purchasing power over time due to the effects of inflation.
- Liquidity risk depends on the ease with which an asset can be sold at or near its current value. The best indicator to measure an issue's liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the asset indicates a greater liquidity risk.
- Exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The

dollar cash flows are dependent on the exchange rate at the time the payments are received.

- Floating Rate or adjustable-rate risk, the loans may or may not hold a senior position in the capital structure of the underlying U.S. and foreign corporations, partnerships or other business entities. Senior Loans may allow them to have priority of claim ahead of (or at least as high as) other obligations of a borrower in the event of liquidation and may be collateralized or uncollateralized. They typically pay interest at rates that float above, or are adjusted periodically based on, a benchmark that reflects current interest rates.
- **Regulatory Developments Related to Private Funds.** In August 2023, the SEC finalized new rules and amendments to existing rules under the Advisers Act, specifically related to registered advisers and their activities with respect to certain private funds (collectively, the “**SEC Private Fund Rules**”). The SEC Private Fund Rules could have a significant impact on the Adviser and private funds that it advises. In particular, the SEC has proposed to increase reporting requirements by private funds to investors concerning performance, fees and expenses; to require registered advisers to obtain an annual audit for private funds and also require such fund’s auditor to notify the SEC upon the occurrence of certain material events; to impose enhanced requirements, including the need to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); to prohibit or restrict advisers from engaging in certain practices, such as, without limitation, (i) charging or allocating to a private fund expenses associated with an investigation of the private fund adviser (or its related persons) by regulatory authorities, absent written consent by fund investors (other than fees and expenses stemming from an investigation that results or has resulted in sanctions for violations of the Advisers Act or the rules thereunder), (ii) charging or allocating to a private fund any regulatory, compliance or examination expenses of the private fund adviser (or its related persons) by regulatory authorities, unless such expenses are disclosed in a written notice to investors within 45 days of the end of the fiscal quarter in which the expenses were incurred, (iii) reducing the amount of an adviser’s (or a related person’s) clawback by actual, potential or hypothetical taxes, unless the private fund adviser discloses in a written notice the aggregate dollar amounts of the adviser clawback, both before and after any such reduction, (iv) charging or allocating fees and expenses related to a private fund portfolio investment held by multiple funds on a non-pro rata basis, unless the charge or allocation is fair and equitable under the circumstances and the private fund adviser first distributes a written notice describing the allocation and how it is fair and equitable under the circumstances, and (v) borrowing money, securities or other private fund assets, or receiving a loan or extension of credit from a private fund, unless the private fund adviser distributes a written description of the material terms of the proposed borrowing to the fund’s investors and obtains written investor consent. Certain private fund industry associations have filed claims in the Fifth Circuit against the SEC challenging the validity of the SEC Private Fund Rules, thereby introducing further uncertainty as to the impact of these rules. If allowed by the courts to go into effect, the SEC Private Fund Rules could have a significant impact on private fund advisers and their operations, including increasing compliance burdens and associated regulatory costs, reducing the ability to receive expense reimbursements and enhancing the risk of regulatory action, including

public regulatory sanctions and may result in a change to the Adviser's and/or the private funds that it advises business practices and create additional regulatory uncertainty. In addition, if the legal challenge to the SEC Private Fund Rules is successful, the private funds may bear the costs of implementation efforts that are never effected.

- **Disruption and Uncertainty in Financial Markets.**

From time-to-time, capital markets may experience periods of disruption and instability. Social, economic, political and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that have significant impacts on issuers, industries, governments and other systems, including the financial markets. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets. These impacts can be exacerbated by misguided or faulty responses, or failure to adequately respond, by governments and societies to an emerging event or threat.

Significant political, social, economic conditions and events, such as Brexit, the COVID-19 pandemic, supply chain disruptions, increasing or volatile interest rates and inflationary environments, the Russia/Ukraine conflict, the Israel/Hamas conflict and further spread of conflict in the region, as well as escalated tensions globally, have created substantial uncertainty. While the specific source, nature and impact of any events that create uncertainty is inherently difficult to predict, uncertainty can both create and exacerbate risk, even for investments made in established markets. Some of the risks associated with political, economic and social uncertainty include: greater volatility in asset prices, value and performance; changes in interest rates and prevailing credit spreads; increased risk of default by obligors of underlying loans held by Clients; greater social, economic and political instability (including the risk of war or natural disaster); increased risk of nationalization and greater governmental involvement in the economy; increased regulatory restrictions and oversight; downgrades by rating agencies; lack of liquidity; limited ability to hedge interest rate risk; and difficulties in obtaining and/or enforcing legal judgments. During times of uncertainty the capital markets often become volatile. Monitoring and regulation of markets while a country is experiencing political uncertainty, and the activities of investors in such markets and enforcement of existing regulations might be extremely aggressive or insufficient. Markets experiencing political uncertainty can have substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates can have negative effects on such countries' economies and securities markets. Additionally, uncertainty creates a greater risk of escalation of conflicts, such as trade wars, sanctions or military actions, in times or locations that are experiencing social, economic or political uncertainty and such an escalation, in turn, can increase the level of uncertainty experienced. Escalation of conflicts can lead to: higher prices; disruption in infrastructure; impairments to the supply chain; imposition of taxes, tariffs, duties and/or sanctions (and retaliatory measures in response thereto); rerouting of long-standing trade relationships; exacerbation of global supply and pricing issues; reduction and scarcity of

key resources; migration and other dislocations; failed debt payments; and currency devaluations.

Given the ongoing and dynamic nature of recent market disruption and instability, it is difficult to predict the full impact of these conditions on a Client's portfolio. The extent of any such impact will depend on future developments, which are highly uncertain, including the duration or reoccurrence of any potential business or supply chain disruption, changes in interest rates and inflation rates, the conflicts between Russia and Ukraine and Israel and Hamas and any further spread of conflict, health epidemics and pandemics, and the actions taken by governments in response to these conditions.

During any such periods of market disruption and instability, companies may have limited access, if available, to alternative markets for debt and equity capital. Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The continuance or reappearance of market disruption for any substantial length of time could make it difficult to extend the maturity of, or refinance existing, indebtedness or obtain new indebtedness with similar terms, which could have a material adverse effect on assets held by Clients. Costs of debt capital may increase or be subject to less favorable terms and conditions. If issuers are unable to raise or refinance debt, then returns on investment may decrease, and any such decrease could be significant. Significant disruption or volatility in the capital markets could also have a negative effect on the valuations of Clients' investments and on the potential for liquidity events involving these investments.

The Fund's focus on special situations, which include stressed and distressed debt, market dislocations, complex situations or companies with unconventional credit profiles, and capital structured solutions, present greater risks than other investments.

The Advisor monitors its banking relationships and endeavors to maintain appropriate deposit insurance coverage.

For additional information on the investment strategy and related risk factors, please refer to the Private Placement Memorandum and other offering materials.

ITEM 9: Disciplinary Information

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.

As described above in Item 1, the Adviser is an affiliate of FSGA, a registered investment adviser under the Advisers Act, which provides investment advisory services to FSCO. The

Adviser is also affiliated with the following investment advisers: (i) FS Fund Advisor, LLC, the registered investment adviser to certain open-end management investment company that operates as a part of the AIC III Series Trust; (ii) FS Real Estate Advisor, LLC, the investment adviser to FS Credit Real Estate Income 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; (iii) 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 Company Act; (iv) FS Structured Products Advisor, LLC, a registered investment adviser which provides investment advice to Bridge Street CLO I, Bridge Street CLO II, and Bridge Street CLO III; (v) Chiron Investment Management, LLC a registered investment adviser that advises to a variety of pooled investment vehicles; (vi) FS/KKR Advisor, LLC, as discussed below; (vii) FS/EIG Advisor, LLC, as discussed below; (viii) Portfolio Advisors, LLC; (ix) Asia Select Management Limited; (x) Portfolio Advisors Capital UK, Ltd.; and (xi) Portfolio Advisors Singapore Pte Ltd.

As discussed above, the Adviser is affiliated with two joint-venture enterprises, 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 Specialty Lending Fund (formerly known as 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 Company Act, and 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 private credit BDCs, FS KKR Capital Corp. and KFIT.

Conflicts of interest with the Adviser’s current Client, the Fund, may include the following:

- The directors, officers, investment and other personnel of the Adviser will allocate their time between advising the Fund 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 Fund may compete with certain of its affiliates for investments, including FSCO, subjecting the Adviser and its affiliates to certain potential or actual conflicts of interest in evaluating the suitability of investment opportunities and recommending acquisitions on the Fund’s behalf;
- Regardless of the quality of the assets acquired, or the services provided to the Fund, the Adviser may receive fees in connection with the management of the Fund’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 Fund and otherwise providing investment management services to the Fund 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 Company Act and the rules and regulations promulgated thereunder, the Fund 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 the Fund'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 Fund 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 advice given to, or securities recommended or bought for, the Fund;
- 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 Fund'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 Fund and/or may involve substantial time and resources of the Adviser;
- To the extent permitted by the Company Act and SEC staff interpretations, and subject to the trade allocation policies and procedures of the Adviser, the Fund and any of their respective affiliates, as applicable, the Adviser, and its affiliates may determine it appropriate for the Fund 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 Fund, on a fair and equitable basis and in accordance with its trade allocation policies and procedures, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Fund, 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 Fund, 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 Fund 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 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 Fund. 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 are 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 FSTA'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.

The Adviser's Client or prospective Clients may request a copy of the Code by contacting the Chief Compliance Officer, FS Tactical Advisor, LLC, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

ITEM 12: Brokerage Practices

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 Fund'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. The Adviser does not use an affiliated broker for any of the Fund's business.

Research and Soft Dollar Benefit

The Adviser does not engage in Soft Dollar transactions. 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 Fund 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.

Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The Adviser is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the Adviser, and the Adviser's fee is not reduced as a consequence of the receipt of such supplemental research information. The Adviser has also determined to stay within the so-called "28(e) safe harbor" for such "soft dollar" benefits. The availability of these benefits may influence the Adviser to select one broker or trading desk rather than another to perform services for the Fund, because the proprietary and third-party research received through soft dollar arrangements relieves the Adviser from having to produce or otherwise pay for such research itself. This creates an incentive for the Adviser to select a broker-dealer or a trading desk based on its interest in receiving research or other services rather than on any particular Fund's interest in receiving best execution. Nevertheless, the Adviser will attempt to assure either that the fees and costs for services provided to the Fund by brokers or desks offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers or desks not offering such services or that the Fund also will benefit from the services.

Order Aggregation

To the extent that the Adviser in its sole judgment believes that such aggregation will result in an overall economic benefit (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 Fund'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 internal or external parties for referring investors to the Funds.

ITEM 15: Custody

The Adviser has custody of assets as a related person to the general partner of the Fund as defined in section 206(4)-2(a)(5) of the Act. Physical custody of assets will be maintained by State Street Bank and Trust Company, as custodian for the Fund. The Adviser will provide account statements to each limited partner (or member or beneficial owner) as required under section 206(4)-2(a)(3) of the Act. Consistent with the audit exception to the custody rule, the Fund's custodian provides quarterly statements to each of the Fund's limited partners.

ITEM 16: Investment Discretion

The Adviser has investment discretion over the investments made in the Fund. The Adviser exercises its discretion in a manner consistent with the Fund's private placement memorandum and governing documents.

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 voting policies and procedures, and history of 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 Adviser's ability to continue to meet its contractual commitments and provide services to its Client. In addition, the Adviser has not been the subject of a bankruptcy proceeding.