



Form ADV Part 2A

Brochure
DATE, 2018

This brochure provides information about the qualifications and business practices of PPM Loan Management Company, LLC (as used in this brochure, “PPMLM” or the “Adviser”)*. If you have any questions about the contents of this brochure, please contact Thomas R. Barrus, Vice President and Chief Compliance Officer at 312-634-2607 or thomas.barrus@ppmamerica.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about PPM Loan Management Company, LLC. also is available on the SEC’s website at www.adviserinfo.sec.gov.

*PPM Loan Management Company, LLC. is filing this brochure in conjunction with its registration with the SEC as an investment adviser. Registration does not imply a certain level of skill or training.

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Item 2 - MATERIAL CHANGES

This Brochure is the Adviser's initial Brochure filing and has been prepared in accordance with rules adopted by the SEC. This Brochure will be updated at least annually and we will further provide other ongoing disclosure information about material changes as necessary.

We encourage you to read the entire brochure.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of PPMLM's fiscal year. We will further provide other ongoing disclosure information about material changes as necessary.

Currently, this brochure may be requested by contacting Thomas R. Barrus, Vice President and Chief Compliance Officer, at 312-634-2607 or thomas.barrus@ppmamerica.com.

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Item 4 - ADVISORY BUSINESS

PPM Loan Management Holding Company, LLC (“PPMLM”), is a Delaware limited liability company that was formed and commenced operations on November 21, 2017. PPMLM is an affiliate of PPM America, Inc. (“PPMA”), an investment adviser registered with the SEC, and an indirect wholly owned subsidiary of Prudential plc (the “UK Parent”). PPMLM’s principal office is located in Chicago, Illinois, which it shares with PPMA and other affiliates. PPMLM is 100% owned by PPM Loan Management Holding Company, LLC (“Holdco”). Holdco’s LLC interests are owned by PPMA and Jackson National Life Insurance Company (“Jackson”), which is also an indirect wholly owned subsidiary of the UK Parent.

PPMLM’s primary business consists of (i) acting as the named collateral manager for collateralized loan obligation transactions, including any type of short-term or long-term warehouse or repurchase agreement facilities in connection therewith (referred to collectively herein as “CLOs”); (ii) engaging in trading activities including, but not limited to, potentially holding loans on its own account as an “originator” for purposes of the EU Risk Retention Rules (as defined herein); (iii) directly, or indirectly through one or more subsidiaries, acting as the holder of EU Retention Interests (as defined herein) (if any) in the CLOs; and (iv) acting as the holder of the preferred shares or similar warehouse equity interests of CLOs (as applicable). The CLOs for which PPMLM will serve as collateral manager may also be collectively referred to herein as the “CLO Clients.”

For each CLO Client transaction, Holdco will issue a new series of LLC interests to its members, which are currently PPMA and Jackson. The interests purchased by Jackson entitle it to receive 100% of the Holdco net income attributable to the investment proceeds received by PPMLM as a result of its investment in an applicable CLO. The interests purchased by PPMA entitle it to receive 100% of the Holdco net income attributable to the management fees received by PPMLM.

CLOs typically issue rated senior and mezzanine notes and unrated subordinated notes (the “CLO Securities”) in private placement transactions to eligible purchasers for purposes of the Securities Act of 1933 (the “Securities Act”) and the Investment Company Act of 1940 (the “Investment Company Act”), as described further in the applicable CLO’s offering circular, indenture, and other constitutional and offering documents (collectively, the “CLO Offering Materials”). CLOs rely on Section 3(c)(7) of the Investment Company Act, or other applicable exceptions or exemptions, as the basis for their exemptions from the registration requirements of the Investment Company Act.

PPMLM has entered into a Services and Employee Sharing Agreement (the “Services Agreement”) with PPMA. Pursuant to the Services Agreement, certain PPMA employees are shared with PPMLM (such employees comprise the “Bank Loan Team”) and are responsible for (i) approving the collateral management parameters for the CLO Client, (ii) recommending certain assets to be acquired by the CLO Client, and (iii) approving the purchase and sale of any asset by any CLO Client. Additionally, PPMA provides operational and investment management support to PPMLM, including research and credit analysis services, traditional middle and back office services, administrative and infrastructure services, and guidance as to when to close a CLO Client transaction or refinance or reprice the notes issued by the CLO Clients. For a more complete discussion of PPMA, please refer to PPMA’s Form ADV which is publicly available at www.adviserinfo.sec.gov.

The investment management activities of PPMLM, and the day-to-day management of the business and affairs of PPMLM, are performed by PPMLM’s officers and shared employees. The Bank Loan Team has the ultimate credit and investment decision-making authority over the assets of a CLO Client.

PPMLM is managed by a board of directors (the “Board”) consisting of Chad Myers, Chief Financial Officer of Jackson, Mark Mandich, President and Chief Executive Officer of PPMA, and Craig Smith, Chief Investment Officer – Jackson Account for PPMA. The Board is the “manager” of PPMLM under the Delaware Limited Liability Company Act with the ultimate responsibility over the business and affairs of PPMLM. The directors were ultimately appointed by and may be removed and replaced at any time by Jackson.

As of the date of this Brochure, PPMLM has a single CLO Client, PPM CLO 2018-1, Ltd. (“CLO 1”), which commenced purchasing bank loans in November, 2017. The current sole investor in CLO 1 is PPMLM and such investment has ultimately been funded by Jackson, which, as mentioned, is an affiliate of PPMLM. To date, as is customary during a warehouse period for a CLO, PPMLM has not charged or received fees for its services. PPMLM will begin charging fees upon closing, which are paid on the applicable payment dates pursuant to the CLO Offering Materials.

Types of Advisory Services

PPMLM’s advisory services are limited to exclusively acting as collateral manager for its CLO Clients. PPMLM provides discretionary investment services that may include, among other things, (i) approving the collateral management parameters for each CLO Client; (ii) participating in the credit review of all assets proposed to be acquired for the CLO Client; (iii) approving the purchase and sale of any asset by any CLO Client; and (iv) advice regarding the workout, restructuring, or other reorganization, including bankruptcy (collectively, a “Workout”) of troubled or defaulted investments. CLO Clients should refer to the applicable CLO Offering Materials for additional information.

CLOs primarily invest in U.S. broadly syndicated bank loans (“Collateral Obligations”) and certain related assets and cash equivalents (collectively, the “Assets”), though each CLO Client will have its own investment guidelines and restrictions. The Assets are used as collateral and sources of payment for the CLO Securities.

Investment Restrictions

The applicable CLO Offering Materials contain various investment restrictions that apply to the particular CLO Client. These investment restrictions are negotiated with investors that purchase the CLO Securities and are often standard across the industry for similar transaction types. Imposing investment restrictions may adversely affect a CLO Client's account performance as compared to unrestricted accounts that PPMLM or PPMA manage with the same or similar investment strategy.

Each CLO has a trustee and an independent board of directors that is responsible for providing oversight of the CLO. Each CLO and its trustee and board of directors may have the ability to impose restrictions on investing in certain securities or types of securities.

Wrap Fee Programs

PPMLM does not currently provide portfolio management or other services in connection with wrap fee programs.

Assets Under Management

As of May 31, 2018, PPMLM managed approximately \$192 million in Assets¹ for its CLO Clients. All of this amount is managed on a discretionary basis.

Item 5 - FEES AND COMPENSATION

Collateral Management Fees

PPMLM generally receives from its CLO Clients senior and subordinated collateral management fees (respectively the "Senior Collateral Management Fee" and the "Subordinated Management Fee" and collectively, the "Collateral Management Fees"). Senior Collateral Management Fees are paid in each CLO Client's priority of payments (as contained in the applicable CLO Offering Materials) after the payment of certain CLO Client expenses but prior to payments on the CLO Securities. Additionally, the Subordinated Collateral Management Fees are paid in each CLO Client's priority of payments after the payment of certain CLO expenses and payments on the rated CLO Securities, but prior to any payments on the most subordinated CLO Securities (such securities the "CLO Equity"). The Collateral Management Fees are calculated based on the aggregate principal balance of the Collateral Obligations plus any other Assets owned by the CLO.

Additionally, should the holders of the CLO Equity receive sufficient distributions to realize a specified return on their investment (the "Target Return"), PPMLM will earn an incentive management fee (such fee the "Incentive Management Fee" and together with the Collateral Management Fees, the "CLO Fees"). The Incentive Management Fee provides PPMLM with a percentage of the returns realized by the CLO investors.

The CLO Fees, and how such fees are calculated and paid, may be subject to investor negotiation prior to closing a CLO Client transaction, and ultimately are set forth in the respective CLO Offering Materials.

As noted above, PPMA ultimately receives 100% of the CLO Fees received by PPMLM net of any Holdco and PPMLM expenses. PPMA receives a portion of the CLO Fees pursuant to a compensation arrangement contained in the Services Agreement and the balance of the CLO Fees, net of expenses, through PPMA's ownership interest in Holdco.

Payment Method

Generally, the CLO Fees are payable quarterly directly by each CLO pursuant to the priority of payments effected on each quarterly payment date, except to the extent that PPMLM elects to waive or defer any Collateral Management Fees. The applicable CLO Client trustee calculates the CLO Fees payable to PPMLM and arranges for payment out of the CLO Client's Assets pursuant to the CLO Client's priority of payments. These fee payments are generally made on the CLO Client's quarterly payment dates, along with payment of other expenses and distributions to the CLO Client investors.

Other Fees and Expenses

In addition to the CLO Fees paid to PPMLM, each CLO Client will be responsible for the fees and expenses associated with its particular transaction and Assets, as described in the applicable CLO Offering Materials. These fees and expenses include, but are not limited to administrative expenses (including expenses related to service providers such as legal counsel for the CLO Client), organizational and wind-down or liquidation expenses, fees associated with the CLO Client's administrator, fees and expenses associated with any re-pricing, re-financing, or supplemental indenture, expenses incurred by PPMLM related to a CLO Client's Assets or a particular CLO Client transaction (including fees and expenses for its accountants, agents and counsel), and other reasonable expenses incurred by PPMLM on behalf of a CLO Client.

¹ Form ADV Part 1 includes disclosure of Regulatory Assets Under Management ("Regulatory AUM") which differs from the traditional calculation. We believe that all of PPMLM's assets under management will consist of Regulatory AUM.

Prepaid Fees

Fees due to PPMLM are paid in arrears.

Compensation for the Sale of Securities

Neither PPMLM nor PPMA is compensated for the sale of securities or other investment products, including the placement of the CLO Securities.

Each CLO Client will select a placement agent (which is not PPMLM or PPMA, nor a supervised person of PPMLM or PPMA) to act as sole manager and bookrunner with respect to the CLO Securities. In this capacity, the placement agent will generally place or purchase the CLO Securities, place or sell such securities to the ultimate CLO investors in individually negotiated transactions at varying prices to be determined in each case at the time of sale, and deliver or arrange for the delivery of such securities. The placement agent will receive from the applicable CLO Client certain fees and reimbursement of certain expenses (including legal expenses) for its services as placement agent.

Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted under “Fee Schedules” in Item 5 above, PPMLM may be entitled to receive an Incentive Management Fee if CLO Equity investors realize a Target Return, pursuant to the respective CLO Offering Materials. This Incentive Management Fee is considered a performance-based fee. CLO Clients should note that a performance-based fee may create an incentive for PPMLM to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Additionally, the Incentive Management Fee amount and the Target Return may vary as among PPMLM's CLO Clients, which may also create an incentive to favor CLO Clients that pay a higher fee or have a better chance at paying PPMLM an Incentive Management Fee because they are more likely to reach the Target Return.

PPMLM and PPMA have adopted policies and procedures designed to ensure that all clients are treated equitably, including asset class-specific trade aggregation and allocation procedures. These procedures seek to ensure that investment opportunities are allocated fairly among the clients of PPMLM and PPMA, including affiliated clients, over time and in a manner consistent with each client's investment mandate. PPMLM and PPMA do not consider fee structures in allocating investment opportunities.

Item 7 - TYPES OF CLIENTS

PPMLM provides investment advisory services exclusively to its CLO Clients that in turn offer CLO Securities to certain investors as described above. These investors may include (i) non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act or (ii) both “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act and “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act, provided that certain CLO Securities may be issued to persons or entities that are both “accredited investors” as defined in Section 501(a) of Regulation D under the Securities Act and either qualified purchasers or “knowledgeable employees” within the meaning of Rules 3c-5 of the Investment Company Act. PPMLM anticipates that a broad range of institutional investors which may include related entities of PPMLM, meeting the criteria set forth above will invest in CLOs managed by PPMLM. The minimum investment requirements applicable to CLO investors may vary as among the various CLO Clients. Investors should consult the respective CLO Offering Materials for the applicable minimum investment requirements or other investment restrictions.

Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General Description

PPMLM uses a variety of methods of analysis in formulating investment advice and managing assets. Fundamental and technical in-house research underpins PPMLM's analysis of current or potential investments. Information considered may include, but is not limited to, publicly available company financial statements, on-site meetings and teleconference calls with company management, company roadshows, information provided through credit rating services and other publicly available information. Generally, third-party research may be used on a supplemental basis. Subject to information blocking procedures, PPMLM may also receive private information, including material non-public information (“MNPI”), as part of its ordinary course investment activities or in connection with a Workout.

As mentioned above, PPMLM has entered into a Services Agreement with PPMA whereby PPMA and PPMLM share certain employees and PPMA provides PPMLM with operational support and investment services, including:

- Corporate credit research and asset class specialist teams that provide ongoing research, monitoring and the provision of an internal “relative value” rating system to the Bank Loan Team;
- Risk management and quantitative research team that oversees, monitors and provides risk management metrics and reporting across CLO Clients; and

- Administration groups that provide operations, investment performance analysis, information technology and other support services across all asset classes and accounts, as well as legal and compliance and human resources.

Although PPMLM strives to achieve a CLO Client's unique investment needs through PPMLM's investment strategies and access to PPMA's investment and operational infrastructure, PPMLM does not guarantee that a CLO Client will achieve its investment objective or any particular result. The value of a CLO Client's portfolio may decline and clients should be prepared to bear risk of loss. Additionally, PPMLM does not guarantee returns that a CLO Client may realize. Investments in CLOs and bank loans are speculative and involve certain risks, including the risk that an investor may lose its original investment.

Credit Analysis

PPMLM's investment team utilizes PPMA's broad credit research abilities in selecting bank loans that are appropriate for a particular CLO Client. The credit analysis group ("CAG") participates in the vetting, underwriting, and monitoring of bank loans for PPMLM, though the Bank Loan Team has the ultimate responsibility for trading and portfolio construction. During the vetting and underwriting process, the Bank Loan Team and CAG will produce a transaction model and derive an internal credit rating utilizing the following information as part of their analysis:

- Offering documents;
- Management and lender presentation;
- Publicly available financial statements;
- Research reports;
- Rating Agency reports;
- Industry comparisons;
- Management assessments;
- Capital structure and leverage;
- Market position and market share;
- Collateral and asset value to determine downside protection; and
- Other information as it becomes available (including in certain circumstances MNPI).

Based on the analysis performed by CAG and the Bank Loan Team, the Bank Loan Team will make the ultimate determination as to whether a CLO Client should invest in the applicable bank loan.

As part of its portfolio management services, PPMLM monitors the Collateral Obligations following their purchase. The Bank Loan Team and the CAG participate in regularly scheduled portfolio reviews and exchange real time information as necessary. In making determinations whether to purchase additional interests, sell, or hold the collateral obligation, the Bank Loan Team and CAG:

- Follow developments and news regarding the borrower;
- Correspond with company management;
- Review rating agency reports and rating changes;
- Participate in quarterly earnings calls;
- Update quarterly financial analysis; and
- Update internal ratings and opinions for upgrades and downgrades.

No method of analysis can guarantee a particular investment result or outcome and the use of investment tools cannot and does not guarantee investment performance. The methods of analysis utilized by PPMLM and PPMA involve the inherent risk that any valuations, pricing inefficiencies, or other opportunities identified may not materialize or have the anticipated impact on a Collateral Obligation. Prices of Collateral Obligations may rise, decline, underperform or outperform regardless of the method of analysis used to identify securities. Each method of analysis relies in varying degrees on information furnished from third-party and publicly available sources. This presents the risk that methods of analysis may be compromised by inaccurate, incomplete, false, biased or misleading information. Prices of

Collateral Obligations may be affected by various factors independent of the methodology used to select Collateral Obligations. For example, the price of a Collateral Obligation may be influenced by the overall movement of the market, rather than any specific company or economic factors. In addition, certain methods of analysis, such as the use of quantitative/investment models, involve the use of mathematical models that are based upon various assumptions. Assumptions used for modeling purposes may prove incorrect, unreasonable or incomplete.

Investment Strategies

Below is a summary of PPMLM's investment strategies. As mentioned above, each CLO Client has certain investment restrictions that have been negotiated with its investors and detailed in its applicable CLO Offering Materials that affect the specific investment strategy or strategies implemented for that particular CLO Client. As financial markets and products evolve, PPMLM may invest in other securities or instruments on behalf of its clients, whether such products are currently existing or developed in the future, when consistent with a CLO Client's guidelines, objectives and policies, and applicable law. Because PPMLM has discretionary authority over its CLO Clients' portfolio investments, the purchase and sale of Collateral Obligations and other financial instruments for the CLO Clients is based upon the judgment of the members of the Bank Loan Team.

Certain material general risks associated with these strategies are set forth below. This is a summary only and does not include risks that are specific to bank loans and CLOs. The CLO Offering Materials contain a more detailed description of certain risks associated with bank loans and investments in CLOs along with the principal investment strategy for each CLO Client. CLO Clients and prospective CLO investors should not rely solely on the descriptions provided below and should carefully read the applicable CLO Offering Materials and consult with their own counsel and advisers as to all matters concerning bank loans and an investment in any CLO.

PPMLM offers advice on a range of Collateral Obligations and other financial instruments including:

- Bank loans;
- Money market instruments;
- Collateralized loan obligations;
- Participations, total return swaps and other synthetic exposure instruments relating to loan assets; and
- Cash and cash-equivalents.

Material Risks for Significant Investment Strategies and Significant Types of Securities

CLO Clients should understand that investing in bank loans involves risk of loss that CLO Clients should be prepared to bear. Risks will vary based on a CLO Client's investment guidelines and restrictions, market conditions, macroeconomic variables, and specific investments held in a CLO Client's portfolio. Below is a summary of certain risks that may be associated with investing in bank loans, including risks associated with the underlying obligors of such bank loans (the "Underlying Obligors"). The risks provided are not a complete enumeration or explanation of the risks involved with investing in bank loans. CLO Clients and CLO investors should rely on the risk disclosures found in the CLO Offering Materials.

Risk of loss. CLO Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment in the CLO Client's portfolio, and CLO Clients should be prepared to bear such loss. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a CLO Client's portfolio will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for CLO Client portfolios will be subject to various market, liquidity, currency, economic, political and other risks, and will not necessarily be profitable and may lose value. Past performance of CLO Client portfolios managed by PPMLM is not indicative of future performance. Additionally, the CLO Clients are expected to use leverage and although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss.

Bank loan risk in general. The assets owned by CLOs consist primarily of bank loans rated below investment grade, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that such loans generally will be subject to greater risks than investment grade corporate obligations.

Due to restrictions on transfers in loan agreements and the nature of private syndication of loans, some loans are not as easily purchased or sold as publicly-traded instruments. Some loans are illiquid, which may make it difficult for a CLO Client to value them or dispose of them at the price at which the CLO Client has valued the loan. In addition, compared to public securities, purchases and sales of loans generally take longer to settle, which could affect a CLO Client's investment performance.

The secondary market for loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may cause PPMLM to be unable to realize a bank loan's full value when the bank loan is sold.

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 loans may be less extensive than that available for registered or exchange listed securities. In evaluating the creditworthiness of Underlying Obligors, PPMLM will rely in part on analyses performed by others.

In the event that an Underlying Obligor defaults, access to the collateral securing the loan may be limited by bankruptcy and other insolvency laws, and all remedies available under the underlying credit agreement are generally only enforceable by the agent bank. A client therefore assumes the credit risk of both the agent bank and the Underlying Obligor.

The performance of a CLO is dependent on the underlying bank loans it purchases. Although many of the bank loans purchased by a CLO are senior secured loans, it is possible that the value of the collateral may decline and/or be inadequate or difficult to realize upon. A court could take action with respect to a bank loan adverse to the holders of the loan, such as invalidating the loan, subordinating the loan to presently existing or future indebtedness, or ordering that the lenders return interest payments they previously received to the Underlying Obligor. As a result, a CLO Client might not receive payments to which it is entitled which may affect the proceeds available to make payments on the CLO Securities. PPMLM may have to participate in legal proceedings or take possession of and manage assets that secure the Underlying Obligor's obligations on behalf of a CLO Client. This could increase a CLO Client's expenses. Additionally, subject to the restrictions contained in the CLO Offering Materials, a CLO Client may invest in unsecured loans. To the extent that a CLO Client invests in unsecured loans and the Underlying Obligor is unable to pay interest or defaults in the payment of principal, there will be no collateral on which the client's account can foreclose. Therefore, these loans present greater risks than collateralized loans.

CLOs generally acquire interests in loans directly by way of assignment, though it is possible for a CLO to acquire an interest indirectly by way of participation. The purchaser by an assignment of a loan (the "Buying Institution") typically succeeds to all the rights and obligations of the selling institution (the "Selling Institution") and becomes a lender under the loan or credit agreement with respect to the loan. In contrast, participation interests ("Participations") provide the Buying Institution with a right to a portion of a loan held by a Selling Institution via a contractual relationship only with such Selling Institution, not with the Underlying Obligor. If a CLO Client invests in a loan via Participation, if allowed under the CLO Offering Materials, the CLO Client will be exposed to the ongoing counterparty risk of the Selling Institution in addition to the exposure the account has to the creditworthiness of the Underlying Obligor. In addition, a purchaser of a Participation may not have the right to vote to waive enforcement of any default by an Underlying Obligor. Selling Institutions commonly reserve the right to administer the debt obligations sold by them as they see fit and to amend the documentation evidencing such debt obligations in all respects, except for amendments that alter the fundamental rights of a lender or the economics of the transaction.

Bankruptcy risk. In the event of a bankruptcy or insolvency of an Underlying Obligor, a court or other governmental entity may determine that the claims of a CLO Client 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 and, after giving effect to such indebtedness, the Underlying Obligor (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such Underlying Obligor constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, 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 U.S. federal bankruptcy law or even longer under U.S. state laws) before insolvency.

The Assets held by a CLO Client 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 loan assets are 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-U.S. 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.

Concentration risk. Certain CLO Clients may invest in fewer bank loans than other strategies or CLO Clients, or in larger proportions of the bank loans of a single company or industry. Additionally, as a CLO winds down, its portfolio will consist of fewer and fewer Collateral Obligations, increasing the portfolio's concentration of assets. If these bank loans were to decline in value, there could be a substantial loss of the investment. When a CLO Client invests in a small number of Underlying Obligors, changes in the financial condition or market status of a single Underlying Obligor may cause greater fluctuation for that particular CLO Client than other, less concentrated CLOs would experience.

Counterparty risk. To the extent that a CLO Client enters into transactions on a principal-to-principal basis, the CLO Client is subject to a range of counterparty risks, including the credit risk of its counterparty (i.e., counterparty default), the risk of the counterparty delaying the return of or losing collateral relating to the transaction, or the bankruptcy of the counterparty.

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 bank 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 bank 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 Client may incur substantial losses if an Underlying Obligor's credit risk is not properly measured and instead such Underlying Obligor presents materially greater risk than the market appreciates.

As mentioned throughout, 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 substantially greater risk that such companies may never pay off their indebtedness, or may pay only a small fraction of the amount owed and may pay only after a delay, with a substantial risk of losing the entire amount invested.

Additionally, there is a currently a supply and demand mismatch in the bank loan market. This mismatch may make it difficult for PPMLM 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. Given the increased demand for CLO Securities, the terms included in CLO Offering Materials may provide PPMLM with extensive flexibility, more so than in the past. This could lead to PPMLM purchasing riskier bank loans for inclusion in a CLO Client's portfolio in order to manage the supply and demand mismatch. As these underwriting and credit standards loosen and PPMLM has greater ability to purchase riskier bank loans, the credit risk to a CLO Client's portfolio increases and could have an adverse effect on a CLO Client's ability to make payments on and ultimately repay the CLO Securities.

Cybersecurity risk. Cyber-attacks could disrupt daily operations related to trading and portfolio management. In addition, technology disruptions and cyber-attacks may impact the operations or bank loan prices of an Underlying Obligor or a group of Underlying Obligors, and thus may have an adverse effect on the value of a CLO Client's portfolio. Cyber-attacks on the bank loan market, securities markets, or the financial services infrastructure could cause market volatility or the failure of critical financial services and could affect a CLO Client's portfolio.

Dependence on PPMLM and PPMA. The performance of a CLO Client's portfolio depends on the skill of PPMLM in making appropriate investment decisions, developing and implementing appropriate investment strategies, and applying investment techniques and risk analyses that achieve the client's investment objectives. Subjective decisions made by PPMLM may cause the client to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

PPMA will also provide a number of services to PPMLM under the Services Agreement that are essential to the success of PPMLM. In addition, certain employees of PPMA are employed by PPMA and PPMLM. If such services are no longer provided or able to be provided by PPMA for any reason, including if the Services Agreement is terminated for any reason, this will have a material and adverse effect on the performance of a CLO Client because of PPMLM's reliance on PPMA in order to maintain its operations.

PPMLM is a newly established investment adviser, established in order to comply with the EU Risk Retention Rules (defined herein). PPMLM has no track record, no independent operational infrastructure, no employees that work exclusively for PPMLM, and nominal assets other than CLO Securities held for risk retention purposes.

Diversification risk. CLO Client portfolios may not be diversified across a wide range of asset classes, market sectors, or Underlying Obligor, which could increase the risk of loss and volatility than would be the case if the CLO Client's portfolio was diversified across asset classes, market sectors, or Underlying Obligors, because the value of holdings would be more susceptible to adverse events affecting those asset classes, market sectors, or Underlying Obligors.

Fraudulent conveyance considerations. Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to a CLO Client) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an Underlying Obligor has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a CLO Client, the resulting loss will be borne by the CLO Client or, indirectly, by investors in a CLO Client, as applicable.

Geographic risk. From time to time, based on market or economic conditions or specific CLO Client investment guidelines or restrictions, a CLO Client may invest a significant portion of its assets in one country or geographic region. If the CLO Client does so, there is a greater risk that economic, political, social and environmental conditions in that particular country or geographic region may have a significant effect on the CLO Client's performance and that the CLO Client's performance will be more volatile than the performance of more geographically diversified accounts. The economies and financial markets of certain regions can be highly interdependent and may decline all at the same time. In addition, certain areas are prone to natural disasters such as earthquakes, volcanoes, droughts or tsunamis and are economically sensitive to environmental events. Alternatively, the lack of exposure to one or more countries or geographic regions may adversely affect performance.

Income risk. Income generated from a CLO Client's investments may decline in the event of falling interest rates. Income risk may be high if a CLO Client's income is predominantly based on short-term interest rates, which can fluctuate significantly over short periods. This income risk could affect a CLO Client's ability to make timely payments on the CLO Securities.

Investment strategy risk. PPMLM's implements an investment strategy to seek to achieve the agreed upon investment objective for each CLO Client. Investment decisions made by PPMLM in accordance with these investment strategies may not produce the returns PPMLM expected, and may cause a CLO Client's portfolio value to decrease or underperform other CLO Client portfolios with similar investment objectives and investment profiles.

Lender liability and equitable subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower 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 Collateral Obligations, PPMLM and/or the CLO Clients could be subject to allegations of 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 a borrower to the detriment of other creditors of such borrower; (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 a borrower to the detriment of other creditors of such borrower, 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." PPMLM and the CLOs 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, PPMLM and/or the CLO Clients may be subject to claims from creditors of an Underlying Obligor that debt obligations which are held by the CLO Clients should be equitably subordinated.

The preceding discussion regarding lender liability is based upon principles of U.S. federal and state laws. With respect to Assets outside the United States, the laws of certain non-U.S. 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 U.S. federal and state laws.

LIBOR risk. Bank loans and CLO Securities are generally floating rate instruments based on LIBOR; however, the future of LIBOR has been in question since a LIBOR rigging scheme implicated some of the world's largest banks. On July 27, 2017, Andrew Bailey, the CEO of the Financial Conduct Authority, the UK financial regulator that has regulated LIBOR since April 2013, gave a speech regarding the future of LIBOR in which he outlined the many limitations of LIBOR and a plan to transition to a new benchmark at the end of 2021. Although newly issued CLOs are beginning to include provisions that allow for some flexibility should LIBOR cease to be reported, transitioning away from LIBOR will take significant market cooperation to avoid disruption of contracts currently based on LIBOR that will extend beyond the transition date. Any such disruption could have a negative effect on the bank loan and other debt securities markets, which could affect the market value and/or transferability of a CLO Client's bank loan portfolio and/or the CLO Securities.

Similarly, the Euro Interbank Offered Rate ("EURIBOR") and other so-called "benchmarks" are the subject of proposals for reform by a number of international authorities and other bodies. In September 2013, the European Commission published a proposed regulation (the "Proposed Benchmark Regulation") on indices used as benchmarks in financial instruments and financial contracts. The Proposed Benchmark Regulation will, if enacted, make significant changes to the way in which EURIBOR is calculated, including detailed codes of conduct for contributors and transparency requirements applying to contributions of data. Benchmarks such as EURIBOR may be discontinued if they do not comply with these requirements or if the administrator of the benchmark either fails to apply for authorization or is refused authorization by its home regulator.

On April 3, 2018, the New York Federal Reserve Bank began publishing its alternative rate, the Structured Overnight Financing Rate ("SOFR"). The Bank of England followed suit on April 23, 2018 by publishing its proposed alternative rate, the Sterling Overnight Index Average ("SONIA"). Both SOFR and SONIA significantly differ from LIBOR – both in the actual rate and how it is calculated – and therefore it is unclear whether and when markets will adopt either of these rates as a widely accepted replacement for LIBOR.

It is possible that the LIBOR administrator and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so. However, the survival of LIBOR in its current form, or at all, is not guaranteed until or after 2021 and, if LIBOR in its current form does not survive, it could cause a disruption in the credit markets generally, which could negatively impact the market value and/or transferability of the CLO Securities and/or the Collateral Obligations. It is not possible to predict the changes that will ultimately be made to LIBOR or EURIBOR, the effect of any such changes and any other reforms to LIBOR or EURIBOR that may be enacted in the European Union and elsewhere and the effect of any perceived inaccuracy of LIBOR or EURIBOR. An increase in alternative types of financing at the expense of LIBOR- or EURIBOR-based syndicated loans may make it more difficult for PPMLM to source loans for inclusion in the CLO Client portfolios, and ultimately may impair the value and/or the liquidity of a CLO Client's existing investments.

Liquidity risk – Investments in bank loans are generally considered less liquid than other investments in securities. Some bank loans may be more difficult to purchase or sell than others (illiquid or thinly-traded bank loans) and investments in such illiquid bank loans may reduce returns if a CLO Client is unable to sell the bank loan at an advantageous time or price or achieve its desired level of exposure to a certain sector. Liquidity risk arises, for example, from small average daily trading volumes, trading restrictions, or temporary suspensions of trading. In times of market volatility, certain bank loans may become illiquid. Government or regulatory actions may decrease market

liquidity, and liquidity for certain bank loans. Small-capitalization companies and companies domiciled in emerging markets pose greater liquidity and price volatility risks. Certain bank loans that were liquid when purchased may later become illiquid or less liquid, particularly in times of overall economic distress. Illiquid bank loans may also be difficult to value, may be required to be fair valued in accordance with PPMLM's Valuation Policies and Procedures, and may reflect a discount, which may be significant, from the market price of comparable bank loans for which a liquid market exists.

Liquidity risk may also refer to the risk that PPMLM may be forced to sell bank loans at an unfavorable time and/or under unfavorable conditions as part of a CLO redemption or in order to comply with certain collateral quality tests contained in the CLO Offering Materials. Selling bank loans in bulk as part of any such redemption or curing action could result in lower prices for such bank loans.

Management risk. The investment techniques PPMLM employs could fail to achieve a CLO Client's investment objective, or may negatively affect the CLO Client's investment performance. There is no guarantee that the investment objective or expected investment returns of the CLO Client will be achieved.

Market risk. Markets may at times be volatile and values of individual Collateral Obligations and other investments may decline significantly, and sometimes rapidly, in response to real or perceived adverse Underlying Obligor, political, regulatory, market, economic or other developments that may cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment. Changes in the financial condition of a single Underlying Obligor may affect a market as a whole.

MNPI risk. PPMLM (and PPMA) may take steps to ensure that it does not receive MNPI about the Underlying Obligors who also issue (directly or through a related entity) publicly traded securities. By not receiving MNPI, a CLO Client may have less information than other investors about certain of the loans in which it invests or seeks to invest. This may place a CLO Client at a disadvantage relative to other investors in loans.

Model valuations risk. Certain of the investments made by PPMLM will be based, in part, on complex models used by PPMLM that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations — even if the model is fundamentally sound. Moreover, there can be no assurance that PPMLM's models are fundamentally sound or contain fully accurate data. The models used by PPMLM will typically require certain market forecasts that are based on analytical models and assumptions. There can be no assurance that such models are accurate or that assumptions are not oversimplified, which would adversely affect market forecasts leading to potential losses and cash flow insufficiencies.

Recent market conditions. Since the financial crisis that started in 2008, the U.S. and many non-U.S. economies continue to experience its after-effects, which have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both in the U.S. and globally. Reduced liquidity in fixed income and credit markets may negatively affect many Underlying Obligors worldwide, which may have an adverse effect on a CLO Client's portfolio. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact Underlying Obligors in a different country or region.

As a result of the crisis, the U.S. and other governments and the Federal Reserve and certain non-U.S. central banks took steps to support financial markets. In some countries where economic conditions have somewhat recovered, they are nevertheless perceived as still fragile. Withdrawal of government support, failure of efforts in response to the crisis, or investor perception that such efforts have not succeeded, are all factors that could adversely impact the value and liquidity of certain Collateral Obligations. The severity or duration of adverse economic conditions may also be affected by policy changes made by governments or quasi-governmental organizations, including changes in tax laws. The impact of new financial regulation legislation on the markets and the practical implications for market participants may not be fully known for some time. Regulatory changes are causing some financial services companies to exit long-standing lines of business, resulting in dislocations for other market participants. In addition, political events within and outside the U.S. may affect investor and consumer confidence and may adversely affect financial markets and the broader economy, perhaps suddenly and to a significant degree, including, for example, high public debt in a number of countries that creates ongoing systemic and market risks and policymaking uncertainty. Political and military events, including in North Korea, Venezuela, Syria, and other areas of the Middle East, and nationalist unrest in Europe, also may cause market disruptions.

These events and the potential for continuing market turbulence may have an adverse effect on a CLO Client's portfolio. Because the effect on the markets has been widespread, it may be difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. Changes in market conditions will not have the same effect on all types of Collateral Obligations.

Interest rates have been unusually low in recent years in the U.S. and abroad. However, the Federal Reserve has recently raised the target range for the federal funds several times. These rate increases, and the possibility that the Federal Reserve may continue with such rate increases, among other factors, could cause markets to experience continuing high volatility or broader market-wide price volatility. The U.S. is also considering significant new investments in infrastructure and national defense which, coupled with lower federal tax revenues following the passage of the Tax Cuts and Jobs Act, could lead to increased government borrowing and higher interest rates, which may lead to slower economic growth.

Recent regulatory events and government intervention. The recent financial crisis has also resulted in increased regulation for financial institutions and markets. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") granted U.S. regulatory authorities broad rulemaking and enforcement authority to implement and oversee various provisions of Dodd-Frank, including

comprehensive regulation of the over-the-counter derivatives and consumer credit markets. Dodd-Frank covers a broad range of topics, including (among many others):

- new rules regarding risk retention in securitization transactions, such as CLOs;
- a reorganization of U.S. federal financial regulators;
- a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms;
- new rules for derivatives trading;
- the creation of a consumer financial protection watchdog;
- the registration and additional regulation of hedge and private equity fund managers; and
- new federal requirements for residential mortgage loans.

The U.S. government or its agencies may also acquire distressed assets from financial institutions and acquire ownership interests in such institutions. The implications of government ownership and disposition of these assets are unclear and such a program may positively or negatively affect liquidity, valuations and performance of a CLO Client's portfolio. Instruments in which a CLO Client may invest, or the issuers of such instruments, may be affected in ways that are unforeseeable. Accordingly, the extensive changes to the regulation of various markets and market participants required by Dodd-Frank and increased regulation arising out of the recent financial crisis could have an adverse effect on a CLO Client's portfolio.

Dodd-Frank included certain amendments to the Securities Exchange Act of 1934 pursuant to which various federal agencies issued rules governing securitization transactions such as CLOs (the "U.S. Risk Retention Rules"). However, on February 9, 2018, the United States Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules did not apply to managers of so-called "open-market CLOs" (such ruling, the "Circuit Court Ruling"). The Circuit Court Ruling applies to PPMLM and PPMA; as a result, open market CLOs sponsored and managed by PPMLM or PPMA do not have to comply with the U.S. Risk Retention Rules. The results of the Circuit Court Ruling are difficult to predict at this time. For example, it is possible that this could increase the number of managers of CLOs and thereby increase the competition for leveraged loans and other investments held by CLOs.

In addition to the U.S. Risk Retention Rules, the European Union also enacted rules regarding risk retention and other securitization requirements (the "EU Risk Retention Rules"). The EU Risk Retention Rules include a risk retention requirement that is substantially similar to that of the U.S. Risk Retention Rules. In addition to the risk retention requirement, the provisions of the EU Risk Retention Rules relevant to PPMLM also currently require a CLO manager to originate a portion of the loans purchased by the CLO as of the CLO Client's effective date. Unlike the U.S. Risk Retention Rules, the EU Risk Retention Rules remain in effect and require additional operational measures for CLO managers that manage CLOs with European investors. As a result, if European investors invest in CLOs sponsored and managed by PPMLM, such CLOs will have to be compliant with the EU Risk Retention Rules.

PPMLM was established to comply with the EU Risk Retention Rules adopting the market-developed and widely used capitalized majority owned affiliated structure. Under this structure, for any CLO that is compliant with the EU Risk Retention Rules, PPMLM will originate 5% of the loans purchased by the CLO as of the CLO Client's closing date, in a manner consistent with accepted market practice and acceptable to the applicable CLO investors. PPMLM will also purchase a portion of the CLO Securities equal to 5% of the total principal balance of the Assets for each CLO Client that is compliant with the EU Risk Retention Rules (the "EU Retention Interest"). Although PPMLM believes that the foregoing will satisfy the EU Risk Retention Rules, there is a risk that this structure may ultimately be deemed non-compliant. Additionally, the EU Risk Retention Rules are in the process of being centralized and amended. It is possible that the EU continues to alter the EU Risk Retention Rules imposed on certain CLO investors and managers adding uncertainty into the CLO market which may affect the price of bank loans and ultimately the value of a CLO Client's portfolio and CLO investors' returns.

CLO Client portfolios are also subject to volatility given the current political climate. The results of the last U.S. presidential election appear to herald significant changes in certain policies, which may result in less stringent prudential regulation of certain financial institutions. While these proposed policies are going through the political process, markets may react strongly to expectations, which could increase volatility, especially if a market's expectations for changes in government policies are not borne out. Additionally, the upcoming midterm elections could result in a change in the balance of power in Congress resulting in political gridlock or policies that may have an adverse effect on financial markets.

CLO Client portfolios are also subject to the risk of local, national and global economic disturbances based on unknown conditions in the market in which an account invests. In the event of such disturbances, Underlying Obligors may suffer significant declines in the value of these assets and even terminate operations. Such Underlying Obligors also may receive government assistance accompanied by increased control and restrictions or other government intervention. It is not clear whether the U.S. government will intervene in response to such disturbances and the effect of any such intervention is unpredictable.

Reliance on corporate management and financial reporting. PPMLM will select investments for CLO Clients in part on the basis of information and data filed by Underlying Obligors with various government regulators, publicly available or made directly available to PPMLM by such Underlying Obligors or third parties. Although PPMLM will evaluate this information and data and seek independent corroboration when it considers it appropriate and reasonably available, PPMLM will not always be in a position to confirm the

completeness, genuineness or accuracy of such information and data. PPMLM is dependent upon the integrity of the management of such Underlying Obligors and of such third parties as well as the financial reporting process in general. CLO Clients may incur material losses as a result of corporate mismanagement, fraud and accounting irregularities relating to Underlying Obligors.

Restricted securities risk. As part of a Workout involving a Collateral Obligation, a CLO Client may receive certain equity or other restricted securities in exchange for its interest in such Collateral Obligation, and such securities may be illiquid. PPMLM may be unable to sell them on short notice or may be able to sell them only at a price below current value. Also, PPMLM may get only limited information about the issuer of a restricted security, so it may be less able to predict a loss. In addition, if PPMLM receives material non-public information about the issuer, a CLO Client may be unable to sell the securities.

Sector risk. To the extent a CLO Client invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events. A CLO Client's portfolio performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance.

Systemic risk generally. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as banks, securities firms and exchanges, with which PPMLM interacts on a daily basis.

Tax Reform risks. On December 22, 2017, the President of the United States signed into law new tax legislation, commonly referred to as the Tax Cuts and Jobs Act. Many provisions of the Tax Cuts and Jobs Act are complex and, in certain cases, additional guidance will be necessary to interpret certain of the provisions. Although it is expected that U.S. Treasury Regulations or other guidance will be issued to provide additional clarification, the timing of any such guidance is not known. As a result, the effects that the Tax Cuts and Jobs Act will have on investments in a CLO Client's portfolio, and on the investment activities of a CLO Client, remain uncertain.

Terrorism risk. Terrorist attacks may lead to increased short-term market volatility and may have long-term effects on United States and world economies and markets. Terrorist attacks also may adversely impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to a CLO Client's portfolio and adversely affect such account's service providers and operations.

Underlying Obligor risk. The value of an individual bank loan can be more volatile than the market as a whole and can perform differently from the market as a whole. A bank loan's value may decline for reasons that directly relate to the Underlying Obligor, such as management performance, corporate governance, financial leverage and reduced demand for the Underlying Obligor's goods or services. Certain unanticipated events, such as natural disasters, can have a dramatic adverse effect on the value of an Underlying Obligor's bank loans and other securities. A bank loan's performance may also differ from other securities issued by an Underlying Obligor, including debt or equity securities.

United Kingdom's withdrawal from the European Union. The United Kingdom voted on June 23, 2016 to leave the EU. The process of withdrawal from the EU, set out in Article 50 of the Treaty on European Union ("TEU"), was triggered on March 29, 2017 by the United Kingdom formally notifying the European Council of its intention to withdraw. The TEU provides for a period of up to two years (from the date of the United Kingdom's notification) for negotiation and coming into force of a withdrawal agreement, at the end of which (whether or not agreement has been reached) the EU treaties cease to apply to the United Kingdom. The remaining EU member states and the United Kingdom may extend this period by unanimous agreement. On March 23, 2018, it was announced that a transition agreement had been reached in principle, which will apply during the transition period from March 29, 2019 (being the date on which the United Kingdom will withdraw from the EU) to December 31, 2020 (the "Transition Period"). If that transition agreement is formally agreed and ratified, the United Kingdom will, during the Transition Period, retain access to the EU Internal Market and Customs Union and be treated as if it still were a member state of the EU. This negotiation period applies only to agreement on the arrangements for the United Kingdom's withdrawal from the EU. The agreement on the United Kingdom's future relationship with the EU is separate and not subject to any formal time restriction. During and possibly after the withdrawal negotiation period, there is likely to be considerable uncertainty as to the United Kingdom's post-withdrawal framework, and in particular as to the arrangements which will apply to its relationships with the EU and with other countries. The impact of this unique process is difficult to predict at this stage as it will depend on a range of factors, including how and to what timescale the negotiations develop.

The process itself and/or the uncertainty associated with it may, at any stage, adversely affect the return on a CLO Client's portfolio. There may be detrimental implications for the value of the investments of a CLO Client and/or PPMLM's ability to implement its investment program, especially given that PPMLM's UK Parent is based in the United Kingdom and will be affected by the withdrawal. It remains unclear how any such withdrawal will affect PPMLM, though it is possible that there will be a material effect on PPMLM's operations and ability to service the CLO Clients.

Valuation risk. The price at which a CLO Client could sell any particular investment may differ from the CLO Client'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 Client may value these investments using more subjective methods, such as fair value methodologies. A CLO Client's ability to value its 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.

Item 9 - DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a CLO Client's or prospective CLO Client's evaluation of PPMLM's business or the integrity of its management. In the past, the UK Parent has entered into certain settlements with regulators and other third parties and has been the subject of adverse legal and disciplinary events. Additional information regarding certain of these settlements is set forth in Part 1A of PPMLM's Form ADV.

Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

This brochure discusses only those functions performed by PPMLM on behalf of its clients and the services provided by PPMA pursuant to the Services Agreement. This brochure does not discuss the activities of other affiliated entities or related persons on behalf of their respective clients except to the extent such activities are conducted in connection with the investment advisory activities of PPMLM. Additional information relating to these related persons of PPMLM may be found on Schedule D to Part 1 of PPMLM's Form ADV and, to the extent applicable, in the Form ADV for such affiliated entities or related persons.

As of May 31, 2018, one of PPMLM's associated persons is registered as a registered representative of a Jackson National Life Distributors, LLC, an affiliated Broker Dealer.

As of May 31, 2018, none of PPMLM's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

PPM America

As discussed above, PPMLM is ultimately partially owned by PPMA and has entered into the Services Agreement with PPMA. PPMA serves as investment adviser or sub-adviser to numerous affiliates of its UK Parent, as generally described below:

- PPMA serves as investment adviser or sub-adviser to general accounts of affiliated insurance companies and various portfolios of investment products or funds sponsored by affiliates in non-US jurisdictions. Certain of these affiliate portfolios invest in bank loans and the Bank Loan Team provides the advisory services related to such investments. It is possible that other affiliates may invest in PPMLM's CLO Clients, including Jackson as described below.
- PPMA serves as collateral manager to one outstanding CLO, PPM Grayhawk CLO, Ltd., which was optionally redeemed in October, 2017, and is currently in the process of winding down. PPMA has historically served as collateral manager to other CLOs which have since been dissolved. The Bank Loan Team responsible for management of the Grayhawk CLO also manages the Assets of the PPMLM CLO Clients.
- PPMA serves as investment adviser to PPM Funds, an open-end investment company organized as a Massachusetts business trust, consisting of nine separate series funds. Certain series of the PPM Funds invest in bank loans and the Bank Loan Team provides advisory services related to such investments.
- PPMA also currently serves as investment sub-adviser to nine mutual funds sponsored and advised by Jackson National Asset Management ("JNAM"). JNAM is a wholly-owned subsidiary of Jackson. Jackson and certain of the JNAM portfolios invest in bank loans and the Bank Loan Team provides the advisory services related to such investments.

Please refer to PPMA's ADV 2A brochure (available upon request or at www.adviserinfo.sec.gov) for a detailed description of PPMA's affiliate relationships.

Jackson

PPMLM is owned by Holdco which is in turn jointly owned by PPMA and Jackson. Jackson has provided first-loss equity capital during the CLO 1 warehouse period and is expected to purchase all of the equity issued by CLO 1 upon closing. PPMA serves as investment adviser to Jackson and its wholly-owned subsidiary, Jackson National Life Insurance Company of New York, as well as certain other Jackson insurance company related entities.

Affiliations and Conflicts of Interest

PPMLM is committed to providing clients with service of the highest quality and seeks to act in the best interests of its clients. Nevertheless, there are circumstances where client interests conflict with PPMLM's interests, the interests of its affiliates, or the interests of other clients, including PPMA clients. From time to time, PPMLM's and PPMA's management of multiple client portfolios may give rise to potential and actual conflicts of interest. Additionally, given the nature of the relationship between PPMLM and PPMA, certain potential or actual conflicts of interest may arise given that the Bank Loan Team provides advisory services regarding bank loans to PPMLM and PPMA clients, and in certain cases, such advice will differ by client. Some of these conflicts of interest are inherent to PPM's business and are encountered by other large financial services firms that offer similar services.

The Bank Loan Team must divide time and investment ideas across multiple clients of both PPMLM and PPMA, some of which may be affiliated clients. Although PPMLM currently has only one client, CLO 1, as PPMLM's CLO business continues to grow, it expects to

launch multiple CLOs each year resulting in additional clients for PPMLM (e.g. CLO 2 is expected to launch in May, 2018). PPMLM could provide advice or take actions for a client that differs from recommendations or actions taken for other clients. As has been described herein, the same investment professionals are making these recommendations for the various PPMLM and PPMA clients, pursuant to the Services Agreement. Despite having similar investment guidelines or restrictions, investment performance and returns could vary significantly by client.

PPMLM is not obligated to recommend to any or all CLO Clients any investments that it may recommend to, or purchase or sell for, certain other CLO Clients, or that PPMA recommends to, or purchases or sells for its clients. CLO Clients may invest in the same instruments as other PPMLM or PPMA clients, including affiliated clients, which could create potential conflicts, particularly where investment opportunities in bank loans or markets are limited or where the liquidity of certain instruments is limited. The allocation of investment opportunities raises potential conflicts of interest. PPMLM may have an incentive to provide favorable treatment to certain CLO Clients and investment opportunities that are appropriate for a CLO Client may be allocated entirely to other CLO Clients, including PPMA clients, the majority of which are affiliated clients. Additionally, registered investment companies advised by PPMA are subject to different regulations than CLOs managed by PPMLM and, consequently, there may be differences in the allowable investments and investment techniques among PPMLM clients and/or PPMA clients.

Conflicts may also arise when various PPMLM and/or PPMA clients invest in the same bank loan or invest in different levels of an Underlying Obligor's capital structure. In both cases, PPMLM and PPMA may take actions with respect to the assets held by one client that are adverse to the other clients. For example, a PPMLM CLO Client may own an interest in an Underlying Obligor's senior bank loan and a PPMA client may own an interest in the junior unsecured debt or equity of the same Underlying Obligor. In such circumstances, decisions over items such as whether to make the investment, proxy voting, corporate reorganization, how to exit an investment, or bankruptcy matters (including, for example, whether to trigger an event of default or the terms of any workout) could present conflicts of interest.

PPMA may advise its clients to invest in CLOs managed by PPMLM, creating a potential or an actual conflict of interest as among the PPMA clients, PPMLM CLO Clients, and CLO Client investors. PPMLM may also cause a CLO Client to purchase from, or sell assets to, an entity, such as a structured finance vehicle, in which PPMA clients may have an interest, potentially in a manner that will have an adverse effect on the PPMLM CLO Client.

As mentioned above, Jackson is the majority owner of Holdco, which is the sole owner of PPMLM. Furthermore, Jackson may invest in the CLO Securities issued by a PPMLM CLO Client separately from his investment in Holdco. In addition to being affiliated with PPMLM and PPMA, Jackson is also PPMA's largest client. It is possible that PPMA may advise Jackson to purchase, not purchase, sell, or hold the same or similar bank loans as those held by PPMLM CLO Clients and such advice may differ from that which PPMLM provides its CLO Clients. Jackson may also own an interest at a different level of an Underlying Obligor's capital structure. PPMA may advise Jackson to take actions related to these other investments that are adverse to the actions taken by PPMLM's CLO Clients.

Certain potential conflicts may arise from PPMLM and PPMA personnel's industry relationships and affiliations. These relationships or affiliations may include pre-existing relationships with existing or prospective service providers, which may inhibit PPMLM's impartiality or create an incentive for PPMLM or PPMA to favor one third-party over another.

When making investment decisions or decisions related to an Asset held by a CLO Client where a conflict of interest arises, PPMLM will endeavor to act in a fair and equitable manner between all of its CLO Clients. PPMLM has policies and procedures that are designed to address conflicts and ensure that PPMLM acts in the best interests of its CLO Clients. In addition, PPMA has established a designated conflicts committee as well as a special conflicts committee of PPMA's Board of Directors. These committees are tasked with considering and resolving various material conflicts matters on an as needed basis, including those that arise in connection with PPMLM's business. PPMLM will resolve conflicts of interest on a case-by-case basis taking into consideration the interests of the relevant CLO Clients, the circumstances giving rise to the conflict, and applicable laws.

Notwithstanding the foregoing, in certain instances the resolution of a conflict may result in PPMLM or PPMA acting on behalf of a client or clients in a manner that may not be in the best interest, or may be adverse to other PPMLM CLO Clients. In some circumstances, resolution of a conflict may benefit certain PPMLM or PPMA clients that pay higher fees or performance fees or clients in which PPMLM affiliates have a significant proprietary interest. It is possible that any actual or potential conflicts of interest will result in a particular CLO Client or group of CLO Clients receiving less favorable investment terms in or returns from certain investments than if such conflicts of interest did not exist. Additionally, despite PPMLM's efforts to enact appropriate policies and procedures to address these conflicts, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

Item 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

All of PPMLM's employees, officers, directors and certain affiliated employees of PPMLM are considered "access persons" of PPMLM and PPMA under the Code of Ethics and Conduct ("Code") adopted by both PPMLM and PPMA. Subject to satisfying the Code and applicable laws, access persons may trade for their own accounts in securities that are held in CLO Client portfolios. The Code sets forth, among other things, standards of conduct expected of advisory personnel and addresses conflicts that arise from personal trading by advisory personnel. The Code emphasizes PPMLM's (and PPMA's) fiduciary obligation to put client interests first.

All access persons are required to pre-clear their personal securities transactions in covered securities prior to execution, except as specifically exempted under the Code. The Code's restrictions on personal trading apply to any account over which an access person and certain immediate family members have investment discretion or a beneficial interest. The Code also imposes a "blackout" period whereby employees may not be able to trade in a particular security if PPMLM or PPMA has transacted in that security for clients. We do not allow access persons to participate in Initial Public Offerings ("IPOs") and all private placements must be pre-cleared and approved by Legal and Compliance.

In order to monitor personal trading, PPMA receives transaction and account data regarding all access person's reportable accounts, and access persons are required to provide quarterly and annual certifications regarding their personal securities accounts.

PPMLM will provide a copy of the Code to any CLO Client upon request.

Gifts and Business Entertainment

PPMLM has adopted Gift and Business Entertainment Policies and Procedures for PPMLM employees that places restrictions on receiving and providing gifts and business entertainment, imposes reporting requirements, and requires pre-approval to participate in business entertainment, except as specifically exempted under the Gift and Business Entertainment Policies and Procedures.

Participation or Interest in Client Transactions

PPMLM does not buy or sell securities or other instruments to or from CLO Clients on a principal basis except as permitted by applicable law, CLO Client guidelines and restrictions, and in accordance with its compliance procedures. Additionally, subject to the foregoing, PPMLM also may effect "cross" transactions between CLO Clients, including PPMA clients. In these cases, one client will purchase a security held by another client. Neither PPMLM nor any related party will receive any compensation in connection with a "cross" transaction. PPMLM will effect these transactions pursuant to internal PPM procedures and only when it deems the transaction to be in the best interests of both buying and selling clients and at prices that PPMLM has determined reflect fair value.

As described herein, if PPMLM manages a CLO that is compliant with the EU Risk Retention Rules, it will purchase an EU Retention Interest and satisfy the "originator" requirements contained in the EU Risk Retention Rules. For those CLO transactions that are compliant with the EU Risk Retention Rules, PPMLM will (i) hold the EU Retention Interest of each CLO, (ii) act as the collateral manager for such CLO, and (iii) originate a portion of the loans to be held by such CLO, so that PPMLM is considered to be the "originator."

It is a requirement of the EU Risk Retention Rules that the "originator" not transfer its Retention Interest until the final maturity of the applicable CLO Securities. Accordingly, for those CLO Clients that are EU Risk Retention compliant, PPMLM expects to covenant and agree with the CLO Client that it will not transfer the Retention Interest of such CLO Client other than in accordance with the EU Risk Retention Rules, if applicable.

Participation or Interest in Personal Trading – Client Recommendations and Client Trading

Although individuals generally cannot purchase bank loans or CLO Securities, individual PPMLM employees may purchase other securities of an Underlying Obligor creating a potential conflict of interest. PPMLM employees regularly share information, perceptions, advice and recommendations about market trends, the valuations of individual securities, and investment strategies, except where prohibited by ethical walls established by PPMLM or by applicable law or regulation. A portfolio manager's management of personal accounts may give rise to potential conflicts of interest, including conflicts of interest related to the knowledge and timing and potential market impact of trades placed on behalf of CLO Clients, as well as current or potential investment opportunities under consideration. As noted under "Code of Ethics" above, PPMLM has adopted a Code of Ethics, as well as other policies and procedures, which seek to address potential conflicts involving personal trading by PPMLM's access persons.

Item 12 - BROKERAGE PRACTICES

Broker-Dealer Selection

PPMLM relies on PPMA to select which Broker Dealer will effect PPMLM client transactions, including such Broker Dealer's applicable commission rates. PPMA maintains lists of Broker Dealers, futures commission merchants and derivatives and repurchase agreement counterparties that have been reviewed and approved pursuant to PPMA's Best Execution Policies and Procedures. Traders generally have discretion to effect transactions with any Broker Dealer on the approved lists.

PPMA generally seeks to obtain best execution for client transactions with brokers or dealers (collectively, "Broker Dealers"), that is, to obtain not necessarily the lowest commission cost or best price, but the best overall qualitative execution under the circumstances. Factors that influence the manner in which PPMA selects Broker Dealers for trade execution include: the quality of trade execution, including the accuracy and timely execution of trades, clearance and cooperation by the Broker Dealer in resolving errors and disputes; the reputation, financial strength and creditworthiness of the Broker Dealer; block trading by the Broker Dealer and its block positioning capabilities; the reliability of the Broker Dealer, both historically and currently; the willingness of the Broker Dealer to execute difficult transactions; the willingness of the Broker Dealer to execute a transaction in combination with another transaction or transactions which, in the aggregate, provide net benefit to PPM's client; the willingness and ability of the Broker Dealer to commit capital; access provided by the Broker Dealer to PPM and its clients to underwritten offerings, including new issues of fixed income securities; overall costs of

trades placed, that is, the net price paid or proceeds received, including commissions, mark-ups, mark-downs, spreads, other transaction costs and opportunity costs; the nature of the security or instrument being traded; the size of the transaction; the desired timing of the trade; the activity existing and anticipated in the market for the particular security or instrument; confidentiality concerns; the research, products and other services provided for the benefit of PPMA and its clients; and other factors.

PPMA will determine the overall reasonableness of the brokerage commissions and other transaction costs on client transactions by taking into account various factors, including, but not limited to, the following: current market conditions; size and timing of the order; depth of the market; per share price; difficulty of execution; the time taken to conclude the transaction; the extent of the broker-dealer's commitment, if any, of its own capital; and the amount involved in the transaction. In light of the lack of market data for the fixed income and bank loan markets, best execution is not evaluated by PPMA on a transaction-by-transaction basis, but on an overall basis over time.

Research and Other Soft Dollar Benefits

While PPMA selects Broker Dealers primarily on the basis of their execution capabilities, in exchange for certain research and brokerage services, PPMA may cause a client (including a PPMLM client) to pay a higher commission to a Broker Dealer for effecting a transaction for that client than another Broker Dealer would have otherwise charged for the same transaction. Although the use of client brokerage commissions to obtain research or other products or services inherently benefits PPMA because it does not have to produce or pay for the research, products, or services, this is only done when PPMA has determined in good faith that the commission is reasonable in relation to the value of the execution, brokerage and/or research services ("soft dollar benefits") provided by the Broker Dealer. PPMA's receipt of research services from Broker Dealers may create conflicts of interests, in that PPMA has an incentive to choose a Broker Dealer that provides research services, instead of one that charges a lower commission rate but does not provide any research. PPMA does not allocate the relative costs or benefits of research received from Broker Dealers among particular clients (including PPMLM clients) because we believe that the research received by PPMA is, in the aggregate, of assistance in fulfilling our overall responsibilities to our clients (including PPMLM clients). The research may be used in connection with the management of accounts other than those for which trades are executed by the Broker Dealers providing the research. Soft dollar benefits provided to PPMA by Broker Dealers are reviewed to ensure that they meet the standards of Section 28(e) of the Securities Exchange Act of 1934, as amended. PPMA periodically reviews the general level of brokerage allocated to various firms and the services provided by such Broker Dealers.

PPMA may pay more than the lowest available commission rate in accordance with the "safe harbor" provision of Section 28(e) of the Securities Exchange Act of 1934 in its selection of Broker Dealers as noted above; however, PPMA generally does not enter into contractual arrangements for the receipt of research or other services to be paid with soft dollar transactions.

Brokerage services received include access to electronic trading platforms, access to traders with greater familiarity with company trading and market makers, and performance of other functions incidental to the transaction (such as clearance or settlement). These and other types of brokerage and research services may be originated by the Broker Dealer performing execution services or by third parties that are paid by the Broker Dealer. For fixed income, bank loan, currency and derivative transactions, counterparties do not provide PPMA with third party research services. We believe that any proprietary research provided by fixed income, currency and derivative counterparties is incidental to their execution services.

From time to time, PPMA attends certain events sponsored by Broker Dealers where it is able to arrange meetings with senior management of corporate issuers. PPMA does not allocate trading or client commissions to Broker Dealers on the basis of providing such access, though may allocate client commission on the basis of other substantive research provided in relation to such an event (research reports, analyst meetings/presentations, etc.).

From time to time PPMA receives products or services that are used both as investment research and for administrative, marketing or other non-research purposes. In those cases, PPMA makes a good faith effort to determine the relative proportions of such products or services that constitute "research." PPMA has a conflict in making this decision. The portion of the cost of such products or services attributable to research may be paid, in whole or in part, by brokerage commissions on client transactions (including PPMLM clients). In any such instance, the costs not attributable to research will be paid by PPMA directly.

PPMA has not entered into any arrangements to direct client transactions to a particular Broker Dealer in return for soft dollar benefits it has received during the last fiscal year.

Brokerage for Client Referrals

When selecting Broker Dealers for trade execution on behalf of client accounts (including PPMLM CLO Clients), PPMA does not take into consideration any client referrals from a Broker Dealer or third party, either for itself or for a related person.

Directed Brokerage

PPMLM does not routinely recommend, request or require that a CLO Client direct it to execute (through PPMA) transactions through a specified Broker Dealer.

Aggregation of Trades

When possible, PPMLM and PPMA seek to purchase or sell the same securities or instruments for a number of clients simultaneously, including, PPMA clients which are mostly affiliated clients. When possible, orders for the same instrument are combined or batched to facilitate best execution and to reduce trading costs. PPMLM and PPMA effect batched transactions in a manner designed to ensure that no participating client is favored over any other client (including PPMA clients). Generally, each CLO Client that participates in a batched transaction will participate at the average price for all of PPMLM's and PPMA's client transactions for that order on that business day. Purchase and sale orders effected in batched transactions are generally allocated pro-rata to the participating clients in proportion to the size of the order placed for each client. Each client that participates in a batched transaction is assessed the pro rata costs associated with that transaction in proportion to size of the order completed for that account. PPMLM and PPMA will, however, increase or decrease the amount of bank loans or securities allocated to each client (including PPMA clients) if necessary to avoid holding odd-lot or small numbers of interests for clients. Additionally, if PPMLM is unable to fully execute a batched transaction and it determines that it would be impractical to allocate a small number of securities or other applicable instruments, including bank loans, among the clients participating in the transaction on a pro-rata basis, PPMLM will allocate such securities or other instruments in a manner determined in good faith to be fair and equitable over time. Transactions for each client will also be completed independently where aggregating orders is not possible or advisable.

Allocation of Investment Opportunities

PPMLM's Allocation Procedures for High Yield Bank Loans (the "Allocation Policy") seek to allocate bank loans to appropriate CLO Clients in a fair and equitable manner over time and to maintain a course of conduct that is in the best interests of its clients under the facts and circumstances of each transaction. To the extent that a potential investment falls within the investment parameters of more than one client, PPMLM and PPMA will typically seek to allocate each bank loan opportunity on a pro rata basis to such clients, based on the original amount requested by each client for that investment opportunity. In certain circumstances such pro rata allocation is not possible or practical. For example, certain client requests may fall below contractually mandated investment minimums as set forth in the underlying credit agreement. Additionally, PPMLM and PPMA may weight purchases and sales of bank loans to accommodate different cash positions of its various clients. PPMLM and PPMA may also weight bank loan purchases and sales towards CLO Clients that are in ramp-up or wind-down modes, such as CLO warehouse periods or liquidation following a redemption. Any such ramping period shall generally not exceed one year in length.

PPMLM and PPMA will consider many factors in determining the amount of a bank loan investment opportunity requested for each client and otherwise allocating bank loan investments and other instruments among clients, including the client's investment objectives, applicable restrictions, the type of investment, the number or amount of bank loans or other instruments purchased or sold, the size of the account, and the amount of available cash or the size of an existing position in an account. Clients are not assured of participating equally or at all in particular investment allocations. The nature of a client's investment style may exclude it from participating in many investment opportunities, even if the client is not strictly precluded from participation based on written investment restrictions.

PPMLM may allocate a potential transaction in a manner that differs from the Allocation Policy upon approval by the PPMLM Chief Compliance Officer of any such deviation. In order to ensure compliance, the PPMA Legal and Compliance team will review trade information and allocations to confirm they are reasonably consistent with the intent of the Allocation Policy.

Trade Errors

PPMA has adopted policies and procedures for correcting trade errors, including those trade errors affecting PPMLM CLO Clients. Errors can result from a variety of situations involving portfolio management (e.g., inadvertent violation of investment restrictions) and trading (e.g., miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.). The policies and procedures require that all errors affecting a CLO Client be resolved promptly and fairly. Under certain circumstances, the policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. The intent of the policy is to restore a CLO Client to the appropriate financial position considering all relevant circumstances surrounding the error.

Item 13 - REVIEW OF ACCOUNTS

The Bank Loan Team regularly monitors the CLO Clients' portfolios and formally reviews each portfolio as frequently as deemed appropriate for such account (which may be daily, monthly or quarterly as applicable), consistent with and as a part of the PPMA review process. Specifically, they review client investment objectives, asset diversification, account performance, market activity, and any relevant compliance tests contained in any applicable CLO Offering Materials. PPMA's senior investment and risk officers meet periodically with portfolio managers, including the Bank Loan Team, to review, among other things, investment selections and opportunities, market developments, asset allocations and asset liability statistics, including those applicable to PPMLM CLO Clients.

In addition to the PPMA oversight of the CLO business, on a monthly basis, each CLO Client (via the CLO trustee) will prepare a monthly report detailing certain information about the CLO Client's assets for the immediately preceding month. The monthly report will include certain information regarding loss and delinquency applicable to the CLO Client's assets and the measurement and results of certain investment criteria and other tests included in the CLO Offering Materials. On each of the CLO Client's payment dates, the trustee will prepare a distribution report containing all the information contained in a monthly report as well as details regarding the distributions being made on such payment date and the fees to be paid to PPMLM and the CLO Client's trustee. The quarterly distribution report is reviewed

by an independent public accountant before any funds are distributed. Neither such information nor any other financial information furnished to CLO Client investors will be audited by an independent public accountant.

Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

PPMLM does not receive an economic benefit from any third party for providing investment advice or other advisory services to any of PPMLM's CLO Clients.

Although the CLO Clients will engage a placement agent in order to place the CLO Securities with various investors, neither PPMLM nor PPMA currently compensates unrelated third parties for client referrals. If PPMLM or PPMA determine to pay such compensation in the future, either will do so in accordance with the then-current regulatory requirements (currently Rule 206(4)-3 under the Advisers Act).

Item 15 - CUSTODY

Neither PPMLM nor its affiliates (including PPMA) will maintain physical possession of PPMLM's CLO Clients' assets. Physical custody of the assets of a CLO Client will be maintained with a qualified custodian selected by the applicable CLO Client in conjunction with PPMLM.

Item 16 - INVESTMENT DISCRETION

PPMLM generally accepts discretionary authority to manage the CLO Clients' portfolios pursuant to investment guidelines and restrictions established by the CLO client. Prior to assuming this authority, PPMLM will enter into a Collateral Management Agreement, which either includes or incorporates by reference the CLO Client's specific investment objective(s), restrictions, and/or guidelines. The applicable agreement will also allow PPMLM to delegate the authority to conduct client transactions to PPMA pursuant to the Services Agreement.

Item 17 – VOTING CLIENT SECURITIES

PPMLM will have the authority to consent to amendments, waivers or modifications of the terms and conditions of loan agreements and related assignments for the Collateral Obligations. PPMLM will delegate any such authority to PPMA, pursuant to the Services Agreement. Any amendment, waiver or modification of an investment could defer the maturity, adjust the outstanding balance of any investment, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. Any such amendment could postpone the receipt of payments in respect of such investment and/or reduce distributions to CLO investors. Because the issues involved in bank loan amendments are unique to each Underlying Obligor and to the relevant facts and circumstances giving rise to the amendment, PPMLM does not maintain voting policy guidelines regarding categories of issues that may arise in the manner it does for equity securities. All such votes related to bank loan amendments are considered on a case-by-case basis and determined by the Bank Loan Team with the client's best financial interest in mind. Because of the familiarity of its staff with issues upon which it votes client debt securities, PPMLM does not retain the services of a qualified independent third party (such as ISS, which is defined below) to provide guidance on such matters.

Additionally, in certain limited circumstances, a CLO may own an equity security, usually received as part of a Workout, for which a proxy vote is required. As required by Rule 206(4)-6 under the Advisers Act, PPMLM has jointly adopted, with PPMA, written policies and procedures in connection with voting proxies for those CLO Clients for whom it exercises proxy voting authority. Copies of PPMLM's and PPMA's proxy voting policies and procedures are available by request. CLO Clients may also request copies of voting records for their proxies. All proxy votes for PPMLM CLO Clients are facilitated by PPMA pursuant to the Services Agreement.

Item 18 - FINANCIAL INFORMATION

All fees owed to PPMLM are paid in arrears, and PPMLM does not require or solicit prepayment of more than \$1,200 in fees per CLO Client six months or more in advance and therefore has not included a balance sheet of its most recent fiscal year. Also, PPMLM is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to CLO Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.