



This ADV brochure, dated April 28, 2020, provides information about the qualifications and business practices of:

**Invesco Loan Manager, LLC (“ILM”)**  
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New York, New York 10036

*This brochure provides information about the qualifications and business practices of Invesco Loan Manager, LLC (“ILM”) and its relying adviser, Invesco CLO Equity Fund 3 L.P. (“ICE 3”, and together with ILM, the “Advisers”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer Tara McAleer at (212) 652-4274 or by email at [Tara.McAleer@invesco.com](mailto:Tara.McAleer@invesco.com). Additional information about the Advisers is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the Securities and Exchange Commission does not imply a certain level of skill or training on the part of the Advisers.*

## **Item 2 - Material Changes**

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There are no material changes because this is an initial brochure.

## Item 3 - Table of Contents

<b>Item 2 - Material Changes .....</b>	<b>ii</b>
<b>Item 4 - Advisory Business .....</b>	<b>1</b>
Firm Description.....	1
Types of Advisory Services.....	1
Client Restrictions .....	1
Assets Under Management .....	2
<b>Item 5 - Fees and Compensation .....</b>	<b>2</b>
Other Fees.....	2
<b>Item 6 - Performance-Based Fees.....</b>	<b>3</b>
<b>Item 7 - Types of Clients .....</b>	<b>4</b>
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>4</b>
Methods of Analysis.....	4
Investment Strategies .....	5
Risk of Loss .....	5
<b>Item 9 - Disciplinary Information.....</b>	<b>17</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations.....</b>	<b>17</b>
Relying Investment Advisers.....	19
<b>Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>20</b>
<b>Item 12 - Brokerage Practices .....</b>	<b>23</b>
<b>Item 13 - Review of Accounts.....</b>	<b>24</b>
Periodic Reviews .....	24
Reports .....	24
<b>Item 14 - Client Referrals and Other Compensation.....</b>	<b>24</b>
Solicitors .....	24
<b>Item 15 - Custody .....</b>	<b>25</b>
<b>Item 16 - Investment Discretion .....</b>	<b>25</b>
Discretionary Authority for Trading.....	23
Aggregation of Orders.....	25
Investment Allocations .....	26

Cross and Principal Transactions .....	26
<b>Item 17 - Voting Client Securities.....</b>	<b>27</b>
<b>Item 18 - Financial Information .....</b>	<b>27</b>

## **Item 4 - Advisory Business**

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### **Firm Description**

Invesco Loan Manager, LLC (“ILM”), a Delaware limited liability company, was formed in October 2019 to act as an investment adviser to certain privately-placed investment funds (“Funds”) which will themselves act as collateral managers to collateralized loan obligations (“CLOs”) and the warehouse financing facility established to ramp up investments in a particular CLO (a “Warehouse Facility,” together with, Funds and CLOs, “Clients”). Invesco Senior Secured Management, Inc. (“ISSM”), an SEC-registered investment adviser, is the sole member of ILM. ISSM is directly owned by Invesco Advisers, Inc., which is wholly owned by Invesco Group Services, Inc. Invesco Ltd. (“Invesco”) is the ultimate parent company. Invesco Ltd. is a publicly owned company whose shares are listed on the New York Stock Exchange under the symbol, “IVZ”. Invesco Ltd. is a leading independent global investment management firm dedicated to helping investors worldwide achieve their financial objectives.

Invesco CLO Equity Fund 3 L.P. (“ICE 3”), a Delaware limited partnership, is an affiliated entity and relying adviser of ILM. ICE 3 was formed on October 4, 2019 by ISSM to invest in CLO transactions for which ICE 3 or an affiliate thereof will act as collateral manager (each, an “Invesco Managed CLO”) and, to the extent applicable, to enable ISSM to comply with the European Union risk retention requirements (the “EU Risk Retention Requirements”) and, as applicable, the U.S. risk retention requirements (collectively, the “Risk Retention Rules”) with respect to such Invesco Managed CLOs. ISSM, as the sole member of the general partner of ICE 3, oversees the operations of ICE 3.

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### **Types of Advisory Services**

ILM has been appointed as investment adviser to ICE 3, and in such capacity will be responsible for the investment activities of ICE 3. ICE 3’s services will generally consist of (i) acting as a CLO manager of CLO transactions and related Warehouse Facilities; (ii) facilitating compliance with applicable Risk Retention Rules; and (iii) providing first-loss in connection with warehouse facilities entered into by ICE 3. The Clients will invest in private debt instruments, primarily floating rate corporate loans.

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### **Client Restrictions**

The Advisers provide Investment advice directly to their respective Clients and not individually to the investors in the Clients. Each of ILM and ICE 3 manages each of its Clients in accordance with the Client’s investment objectives, strategies, restrictions and guidelines, and does not tailor its management to the individualized needs of any particular investor in such Client. Therefore, investors in a Fund and/or CLO must

consider whether the Fund or CLO meets their investment objectives and risk tolerance prior to investing. Each of the Clients for which the Advisers provide investment advisory services may impose limitations on the types of instruments in which the Client may invest. In particular, each CLO for which ICE 3 provides investment advisory services is governed by an indenture that places significant restrictions on the types of instruments that may be purchased on behalf of the CLO. Information about each Client advised by the Advisers is contained in the organizational or offering documents relating to the Client, as well as in the advisory agreements and/or side letter agreements negotiated with investors (such documents collectively, a Client's "Organizational Documents").

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### **Assets Under Management**

As of December 31, 2019, the Advisers did not manage any regulatory assets on a discretionary or non-discretionary basis.

## **Item 5 - Fees and Compensation**

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ICE 3 or its affiliates generally will receive a fee from a CLO that consists of two components – a base management fee and a performance fee. The rates, calculation method, and payment method for ICE 3's fees will be set forth in the applicable CLO's Organizational Documents.

Fees charged with respect to a CLO will be negotiated with the CLO's investors, prior to any investment in such CLO. The amount of such fees will be calculated and billed by the trustee or administrator of the CLO. Full disclosure of these fees will be found in the applicable CLO's Organizational Documents, which may include side letter agreements, if any, and may vary among CLOs. ICE 3 will not receive a fee from any Warehouse Facility.

ILM will receive all net management and performance fees received by ICE 3 from an Invesco Managed CLO (after payment of expenses incurred under the Servicing Agreement). Except as provided in the previous sentence, ILM will not receive any fees from ICE 3.

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### **Other Fees**

ICE 3's advisory fees will not represent all the fees and expenses that CLOs (and, indirectly, investors) may pay. The other fees and/or expenses that Clients may possibly pay will typically fall into three general categories: (1) organizational expenses in connection with establishing and organizing a Client; (2) operational expenses, which include ongoing costs and expenses in connection with operating a Client, including those that are transactional and regulatory in nature; and (3)

investment-related expenses in connection with the pursuit or sourcing of particular investments and ongoing investment costs. The operational expenses Clients will be responsible for paying include custodial fees, brokerage commissions, and/or other commission equivalents related to transactions in their advisory accounts.

The Organizational Documents for a CLO may set forth specific expenses that will (or will not) be borne by the Client, and the provisions of the Organizational Documents will supersede this Brochure to the extent of any direct conflict.

Certain expenses may be incurred on behalf of multiple Clients, and on occasion, an expense may be incurred on behalf of ICE 3 or an affiliate of ICE 3 as well as one or more Clients. To address the potential conflicts of interest associated with the allocation of such expenses, ICE 3 will make any such allocation determination on a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. ICE 3 has adopted an Expense Processing Allocation Policy designed to ensure equitable allocation of expenses among Clients and, as applicable, ICE 3.

## **Item 6 - Performance-Based Fees**

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ICE 3 or its affiliates generally will receive a performance fee from the CLOs. The rates, calculation method, and payment method for ICE 3's performance fees will be set forth in the applicable CLO's Organizational Documents. Performance-based fees may create an incentive for ICE 3 to make investments that are riskier or more speculative than those that might have been made in the absence of such fees.

In order to manage these potential conflicts, ICE 3 has adopted an Aggregation & Allocation of Investment Opportunities Policy. The policy requires ICE 3 to treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits ICE 3 from favoring any particular account because of the ownership or economic interests of ICE 3, its affiliates or employees. The policy seeks to ensure that the allocation of investment opportunities across accounts is fair and equitable over time, and is consistent with applicable laws, rules, and regulations that may apply to ICE 3 based on the nature of its clients. Under these policies and procedures, and consistent with its fiduciary obligations, ICE 3 will allocate investment opportunities among Client accounts based upon a number of factors that may include, but are not limited to, investment objectives and guidelines, restrictions, investment strategy, risk tolerance, availability of other investment opportunities and cash available for investment.

Please see Items 10 and 11 below for additional information relating to how conflicts of interest will generally be addressed by ICE 3.

## **Item 7 - Types of Clients**

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ILM's Clients include ICE 3, an affiliated entity and relying adviser of ILM.

ICE 3 will provide investment advisory services to pooled investment vehicles that are structured as CLOs and investments in these vehicles generally will be available only to institutional investors and certain high net worth investors that are "qualified institutional buyers" and "qualified purchasers" or non- "U.S. persons" or, in the case of employees, "accredited investors" and "knowledgeable employees", within the meaning of the Securities Act and the Investment Company Act of 1940 (the "1940 Act"), as applicable. These CLOs typically will be excepted from registration with the SEC as investment companies pursuant to Section 3(c)(1) or Section 3(c)(7) of the 1940 Act. The terms and conditions of each Client account may vary from Client to Client depending on the type of services provided or the type of client, and these terms and conditions will be negotiated by ICE 3 in each case.

ICE 3 also will provide investment advisory services to Warehouse Facilities.

Certain Clients, such as CLO vehicles, generally impose certain terms and conditions on their investors as described in more detail in the Organizational Documents.

Please note that this Brochure should not be deemed to be a general solicitation and does not constitute an offer to sell or a solicitation of an offer to buy any type of interest in any entity advised by the Advisers. Investors and other recipients should be aware that while this Brochure may include information about a Client, as necessary or appropriate, it is not a complete discussion of the features, risks or conflicts associated with the fund or vehicle. The Organizational Documents for each Client will contain more complete information about the fund or vehicle, and such offering documents may be provided to current and eligible prospective investors only by the Advisers or another authorized party. This Brochure is designed solely to provide information about the Advisers for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in offering documents for a fund or vehicle. To the extent that there is any conflict between discussions herein and similar or related discussions in any applicable Organizational Document, the Organizational Documents shall govern.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

ICE 3 will employ fundamental bottom-up credit analysis that evaluates default risk and recovery value based upon factors such as management, cash flow, industry



position and dynamics, sponsors and arrangers, capital structure, asset quality and divisibility, recovery and loan-to-value.

We will use a proprietary rating which incorporates the probability of default and recovery in the event of default. Credit selection and portfolio construction seek to balance the relative value against the specified investment objective of each managed fund.

ICE 3 also will use research from third-party vendors such as Markit, Bloomberg, Moody's, S&P, and Thomson Reuters. Additionally, expert networks may be used to facilitate discussion with industry professionals. All third-party research providers will be paid in cash.

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### **Investment Strategies**

ICE 3 will invest in private debt instruments, primarily floating rate corporate loans.

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### **Risk of Loss**

Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. While the Advisers will seek to mitigate risks so that they are appropriate to the return potential for the Client or strategy, it is usually not possible or desirable to fully mitigate risks. Prospective investors should carefully consider the following risks, along with those risk factors described in the applicable governing documents. There can be no assurance that investment strategies will be carried out successfully. Investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

The risk factors briefly summarized below may not be applicable to all Clients. This summary does not purport to be a complete list or explanation of the risks involved in an investment. The Organizational Documents of each Client typically will include a more detailed summary of material risks applicable to that Client's investment strategy and structure and should be read in conjunction with the risks below. Investments made by the Clients involve a number of material risks, including, but not limited to the following:

**Business Risk** - These risks are associated with a particular industry or a particular company within an industry.

**Financial Risk** - Excessive borrowing to finance a business' operations increases the risk of unprofitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Market Risk** - The price of a security, bond, or fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors

independent of an investment's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Liquidity Risk - Liquidity is the ability to readily convert an investment into cash.

Reinvestment Risk - The risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate).

Credit and Interest-Rate Risk –Credit risk refers to the likelihood that a borrower will default in the payment of principal and/or interest. Financial strength and solvency of a borrower are the primary factors influencing credit risk. In addition, the lack or inadequacy of collateral or credit enhancement for an instrument may affect its credit risk. Credit risk may change over the life of a loan, and instruments that are rated by rating agencies may be downgraded. Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Inflation Risk - When any type of inflation is present, purchasing power is eroding at the rate of inflation.

Currency Risk - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk. Although Client accounts generally will be denominated in U.S. dollars, certain portfolio funds may be denominated in a foreign currency, which may subject those Client accounts to currency risk.

Side Letters - ICE 3 may enter into side letters with specific investors supplementing or altering the terms, rights, or provisions of, the applicable governing documents of a privately-placed pooled investment fund, including, but not limited to, economic terms, fee structures, information rights, and liquidity or transfer rights. ICE 3 has no obligation to offer all such additional rights, terms or conditions to any other investor in such privately-placed pooled investment fund.

Leverage Risk - Leverage is the use of borrowed capital to increase the potential return of an investment. Levered portfolio investments have increased exposure to risks, including adverse fluctuations in interest rates, downturns in the economy and the inability to refinance debt as it matures.

Cybersecurity Risk – The Advisers, the Clients' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Clients and their investors, despite the efforts of the Advisers and the Clients' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Client and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or

prevent access to these systems of the Advisers, the Clients' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Advisers' systems to disclose sensitive information in order to gain access to ICE 3's data or that of the Clients' investors. A successful penetration or circumvention of the security of the Advisers' systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Clients, the Advisers or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Advisers may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation. Similar types of operational and technology risks are also present for the companies in which the Clients invest, which could have material adverse consequences for such companies, and may cause the Clients' investments to lose value.

#### *Certain Risks Related to the Collateral*

The assets (the "Collateral") to be held by Clients will include senior secured, leveraged loans to primarily U.S. corporate borrowers and other assets, in each case, to the extent permitted under the eligibility criteria set forth in the Organizational Documents.

#### *Credit Rating Uncertainties*

Credit ratings of assets represent the rating agencies' opinions regarding the credit quality of those assets and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any Collateral is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such Collateral. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Further, rating agencies may change credit rating methodology in response to recent legislative and regulatory initiatives. Consequently, credit ratings of any Collateral should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon a

Client's investment assets. It is possible that many credit ratings of assets included in or similar to the Collateral will be subject to significant or severe adjustments downward.

*Below investment-grade Collateral*

The Collateral will consist primarily of non-investment grade loans or interests in non-investment grade loans, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that the Collateral generally will be subject to greater risks than investment grade corporate obligations.

These risks could be exacerbated to the extent that any portfolio is concentrated in one or more particular types of Collateral. While a limited amount of concentration of certain Collateral with respect to any particular obligor, region or industry may exist at the time a particular investment is made, redemptions of Collateral and the disposition of Collateral and any subsequent reinvestment in other Collateral may result in a greater concentration in any one obligor, region or industry, and such concentration could subject the related investment to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration in any one industry or region could subject the related investment to a greater degree of risk with respect to economic downturns relating to such industry or region.

Any reinvestment by an underlying issuer with amounts from the redemption or disposition of Collateral would also expose such issuer to the market conditions prevailing at the time of such sale and reinvestment and could result in adverse changes in characteristics and quality of the Collateral. Prices of the Collateral may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Collateral. The current uncertainty affecting the United States economy and the economies of other countries in which obligors of Collateral are domiciled and the possibility of increased volatility in financial markets could adversely affect the value and performance of the Collateral.

Obligors of below investment-grade assets may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest rates, or a period of fluctuating exchange rates (in respect of those obligors located in non-U.S. countries), such obligors may be more likely to experience financial stress and may be unable to meet their debt obligations due to the obligors' inability to meet specific projected business forecasts or the unavailability of financing. All risks associated with the underlying issuers' investment in such Collateral will be borne by ICE 3 as a holder of the Investments.

Most of the Collateral will have only a limited trading market. The illiquidity of such Collateral may restrict the underlying issuers' ability to dispose of such Collateral in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities. Prices of the Collateral may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Collateral. In particular, the market for non-investment grade loans has experienced periods of severe price volatility and reduced liquidity. Additionally, loans and interests in loans have significant liquidity and market value risks because they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately-negotiated and customized, loans are not purchased or sold as easily as publicly-traded securities. In addition, historically the trading volume in the loan market has been small relative to the high-yield debt securities market.

#### *Leveraged Loans*

A non-investment grade loan or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted asset for a variety of reasons. Upon any Collateral Asset becoming a defaulted asset, such defaulted asset may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted asset. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted asset. The liquidity for defaulted assets may be limited, and to the extent that defaulted assets are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon.

#### *Covenant-Lite Loans*

A significant portion of the Collateral may be composed of loans that are considered "covenant-lite." Generally, such loans either do not require the borrower to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the borrower to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. As a result, the underlying issuers' exposure to losses may be increased, which could result in an adverse impact on the issuers' ability to repay the Investments. In addition, in the current economic environment, the market prices of such loans may be depressed.

### *Unsecured Loans*

Unsecured loans are unsecured obligations of the applicable obligor, may be subordinated to other obligations of the obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Depending upon market conditions, there may be a very limited market for unsecured loans. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of an obligor of any unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor and will have fewer rights than secured creditors of the obligor.

### *Second Lien Loans*

The Collateral may include second lien loans, each of which will be secured by a pledge of collateral, but which is subordinated (with respect to liquidation preferences with respect to pledged collateral) to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan. Second lien loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, the holder of a second lien loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

### *Refinancing Risk*

A significant portion of the Collateral will consist of loans for which most or all of the principal is due at maturity. The ability of such obligor to make such a large payment upon maturity typically depends upon its ability either to refinance the Collateral prior to maturity or to generate sufficient cash flow to repay the Collateral at maturity. The ability of an obligor to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such Collateral, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such obligor may not have the ability to repay the Collateral at maturity and, unless it is able to refinance such debt, it could default in payment at maturity, which could result in losses to the related issuer.

Significant numbers of obligors on loans may face the need to refinance their debt over the next few years, and significant numbers of CLOs (historically an important

source of funding for loans) have reached or are close to reaching the end of their reinvestment periods or the final maturities of their own debt. As a result, there could be significant pressure on the ability of obligors on loans to refinance their debt over the next few years unless a significant volume of new collateralized loan obligation transactions or other sources of funding develop. If such sources of funding do not develop, significant defaults in Collateral could occur, and there could be downward pressure on the prices and markets for debt instruments, including Collateral.

#### *Loan Prepayments*

Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, principal proceeds received upon such a prepayment are subject to reinvestment risk. Any inability of the applicable issuer to reinvest payments or other proceeds in Collateral with comparable interest rates that satisfy the investment criteria set forth in the underlying instruments may adversely affect the timing and amount of payments received by ICE 3 and the distributions on the investments. There is no assurance that the applicable issuer will be able to reinvest proceeds in assets with comparable interest rates that satisfy its investment criteria or (if it is able to make such reinvestments) as to the length of any delays before such investments are made. The rate of prepayments, amortization and defaults may be influenced by various factors including:

- changes in obligor performance and requirements for capital;
- the level of interest rates;
- lack of credit being extended and/or the tightening of credit underwriting standards in the commercial lending industry; and
- the overall economic environment, including any fluctuations in the recovery from the current economic conditions.

#### *Loan Risks*

The underlying issuers may acquire interests in loans either directly (by way of assignment) or indirectly (by purchasing a participation interest). As described in more detail below, holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations in a portion of a loan typically result in a contractual relationship only with the selling institution, not with the borrower. In the case of a participation interest, the underlying issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments

from the borrower. By holding a participation interest in a loan, an issuer generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and such issuer may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, such issuer will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, such issuer, by owning a participation interest, may be treated as a general unsecured creditor of the selling institution, and may not benefit from any set off between the selling institution and the borrower. In addition, an issuer may purchase a participation from a selling institution that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When an issuer holds a participation interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters may have interests different from those of the applicable issuer and may fail to consider the interests of such issuer in connection with their votes.

The purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, an issuer generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement, and the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Assignments are, however, arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution.

Assignments and participations are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the applicable issuer will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower. Because of certain factors, including confidentiality provisions, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as are publicly-traded securities.



### *Insolvency*

Various laws enacted for the protection of creditors may apply to the Collateral. The information in this and the following paragraph is applicable with respect to U.S. issuers. Insolvency considerations will differ with respect to non-U.S. issuers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor of with respect to the Collateral, such as a trustee in bankruptcy, were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such Collateral and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer 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 determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of such obligor or to recover amounts previously paid by such obligor in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation or if the present fair salable value of its assets were then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was “insolvent” after giving effect to the incurrence of the indebtedness constituting the Collateral or that, regardless of the method of valuation, a court would not determine that the issuer was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of with respect to the Collateral, payments made on such Collateral 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 Federal bankruptcy law or even longer under state laws) before insolvency.

In general, if payments on Collateral are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured, either from the initial recipient (such as ICE 3) or from subsequent transferees of such payments (such as ICE 3). To the extent that any such payments are recaptured from the related issuer, the resulting loss will be borne by ICE 3. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from ICE 3 only to the extent that such court has jurisdiction over ICE 3 or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly if it has given value in exchange for its Investment, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the investments, there can be no assurance that ICE 3 will be able to avoid recapture on this or any other basis.

### *Bankruptcy*

There is a significant risk that one or more of the obligors may enter bankruptcy proceedings. Such proceedings may result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related Collateral. There are a number of significant risks inherent in the bankruptcy process. First, rulings in a bankruptcy case are the product of adversary proceedings determined by a court with equitable powers, and are beyond the control of specific creditors. Second, a bankruptcy filing may adversely and permanently affect the obligor making such filing. The obligor may lose its market position, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason, a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the obligor may not equal the liquidation value that was believed to exist at the time of purchase of the Collateral. Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately becomes effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. Fourth, the administrative costs of the debtor and official committees in connection with the bankruptcy case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to such administrative costs; a creditor's costs in monitoring and enforcing its investment also may substantially increase. Certain claims that have priority by law (for example, claims for taxes) also may be significant.

### *Liens*

Federal or state law may grant liens on the collateral (if any) securing the Collateral that have priority over the applicable trustee's or collateral agent's security interest. An example of a lien arising under federal or state law is a tax or other government lien on property of an obligor. A tax lien may have priority over the applicable trustee's or collateral agent's security interest in such collateral. To the extent a lien having priority over the applicable trustee's or collateral agent's security interest exists with respect to the collateral related to any Collateral, the applicable trustee's or collateral agent's security interest in the asset will be subordinate to such lien. If the creditor holding such lien exercises its remedies, it is possible that, after such creditor is repaid, sufficient cash proceeds from the underlying collateral will not be available to pay the outstanding principal amount of such Collateral.

### *Uninvested Cash Balances*

To the extent an issuer maintains cash balances invested in short term investments instead of higher yielding loans, portfolio income will be reduced which will result in reduced amounts available for distributions on the related Investment. The extent to which cash balances remain uninvested will be subject to a variety of factors, including future market conditions and is difficult to predict.

### *International Investing*

Certain of the Collateral may consist of obligations of obligors located in non-U.S. jurisdictions, including certain tax-advantaged jurisdictions described herein. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies.

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the Issuer are uninvested and no return is earned thereon. The inability of an issuer to make intended Collateral purchases due to settlement problems or the risk of intermediary counterparty failures could cause such issuer to miss investment opportunities. The inability to dispose of Collateral due to settlement problems could result either in losses to the related issuer due to subsequent declines in the value of such Collateral or, if such issuer has entered into a contract to sell the obligation, could result in possible liability to the purchaser. Transaction costs of buying and selling foreign obligations, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, foreign financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and obligations of many foreign companies are less liquid and their prices more volatile than obligations of comparable domestic companies.

The economies of individual non-U.S. countries also may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Collateral consisting of obligations of non-U.S. issuers may be subject to various laws enacted in their home countries for the protection of debtors or creditors, which could adversely affect the Issuer's ability to recover amounts owed. These insolvency considerations will differ depending on the country in which each issuer is located and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

### *Risks of Investing in CLO Warehouses*

There can be no assurance that a CLO's Warehouse Facility investments will be consummated. In the event a planned CLO is not consummated, the Warehouse Facility investors may be responsible for either holding or disposing of the warehoused assets. Because leverage is typically utilized in warehouses, the potential risk of loss will be increased for the Warehouse Facility investors. This could expose the Warehouse Facility investors to losses, including in some cases a complete loss of all capital invested in the Warehouse Facility investment. In the event the CLO related to such Warehouse Facility is not consummated, such Warehouse Facility investors will bear the risk of loss on the underlying assets of the Warehouse Facility. Warehouse Facility investments are generally illiquid.

*Coronavirus and Public Health Emergencies.* As of the date of this filing, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared constitutes a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. Measures taken by national and regional governments, states, districts and municipalities, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant impact on ISSM and its client accounts. The extent of the impact of COVID-19 or any other public health emergency on the operational and financial performance of ISSM's client accounts will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the investments held in any client accounts as well as the ability of the Advisers to source, manage and divest investments and achieve the investment objectives of its clients, all of which could result in significant losses to such clients. In addition, the operations of the Advisers and/or its affiliates may be significantly impacted, or even halted, either temporarily or on a long-term basis, as a result of government quarantine and curfew measures, voluntary and precautionary

restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

## **Item 9 - Disciplinary Information**

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The Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's evaluation of the Advisers' advisory business or the integrity of their management. There are no legal or disciplinary events to report involving the Advisers or any management person thereof that are material to our advisory business or to the management of a Client's account.

## **Item 10 - Other Financial Industry Activities and Affiliations**

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Each Adviser is required to disclose any material relationship or arrangement that it or any management person thereof has with any related financial industry participant, any material conflicts of interest that such relationships may create and how the Adviser addresses these conflicts.

Invesco CLO Equity 3 Associates LLC is the general partner of ICE 3 (the "General Partner") and the sole member of this General Partner is ISSM. The General Partner has delegated its authority to make all investment decisions for ICE 3 to ILM, which is also responsible for the implementation of ICE 3's investment strategy. ILM has overall responsibility for ICE 3's management, including deciding matters of general policy. Certain senior ISSM personnel provide services to ILM.

ILM intends to enter into a staffing agreement with ISSM that will allow ILM to utilize the platform of ISSM and its affiliates for various services and have access to resources, including (either through direct employment or secondment arrangements) the professionals employed by ISSM (including in connection with the due diligence of actual or potential investments, the execution of investment transactions, and certain loan services and administrative services).

In addition, ICE 3 intends to enter into a Servicing Agreement with ISSM under which ICE 3 may utilize the platform of ISSM and its affiliates for various services and access resources, including (either through direct employment or secondment arrangements) the professionals employed by ISSM (including in connection with the due diligence of actual or potential investments, the execution of investment transactions, and certain loan services and administrative services; including back-office and middle-office services). In consideration for the services provided under the Servicing Agreement, ICE 3 intends to pay a portion of the management fees it

receives in an amount equal to actual cost plus a percentage as agreed to from time to time. In addition, ISSM may charge ICE 3 for expenses incurred under the Servicing Agreement to the extent ISSM is able to seek reimbursement of such expenses pursuant to a Client's Organizational Documents.

ISSM is an SEC-registered investment adviser whose ultimate parent company is Invesco Ltd., a large global financial services firm that offers investment solutions to clients world-wide ("Invesco"). As such, ISSM and the Advisers are affiliated with many other entities within the Invesco structure, including broker-dealers, and registered/unregistered US and non-US investment advisers. The Advisers, their related persons and other entities within the Invesco business serve as sponsors or general partners of pooled investment vehicles, including, but not limited to, collateralized debt obligations and private equity funds.

The Advisers and their respective affiliates currently advise, and in the future will continue to advise, investors having investment guidelines substantially the same in whole or in part as those of the Advisers. The Advisers and their respective affiliates will allocate investment opportunities among such investors on an equitable basis in accordance with policies and procedures adopted by the Advisers designed for this purpose and subject to applicable investment guidelines.

The Advisers and ISSM follow the Code of Conduct, Code of Ethics (the "Code"), and Insider Trading Policy of Invesco Advisers, Inc., an affiliated registered investment adviser. The Advisers and their personnel are considered Access Persons under the Code. The Advisers and their personnel are subject to ISSM's compliance policies and procedures, including those addressing books and records maintenance.

The Advisers and ISSM have adopted policies and procedures designed to restrict and wall off certain information that govern their investment activities. These procedures include the establishment of a Restricted List where securities placed on the restricted list limit the Advisers and ISSM's and its employees' trading activity due to the receipt of material non-public information ("MNPI"). To the extent ISSM and the Advisers or its affiliates become privy to material non-public information ("MNPI"), ISSM and the Advisers may be restricted in their ability to make an investment in or withdraw on behalf of a Fund or other Client account from a particular portfolio fund or holding. Additionally, even though they may not be privy to any MNPI; other restrictions could be derived from contractual obligations and/or confidentiality obligations, applicable law and/or internal policies and procedures. ISSM, and indirectly the Advisers, have a material relationship with Invesco Asset Management Ltd. ("IAML"). While ISSM maintains autonomous investment processes, it leverages the resources and services of IAML for certain research and advisory recommendations, subject to the oversight by ISSM's Investment Committee. In addition, certain employees or officers of IAML are members of ISSM's Investment Committee with respect to European credits. IAML is authorized and regulated by the Financial Conduct Authority in the United Kingdom and is registered

with the United States Securities and Exchange Commission as a registered investment adviser.

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### **Relying Investment Advisers**

ICE 3 is a Relying Adviser of ILM. ISSM, as the sole member of the general partner of ICE 3 oversees the operations of ICE 3. In addition, certain senior ISSM personnel provide services to ICE 3. ICE 3 manages pooled investment vehicles including, but not limited to, CLOs. ICE 3 is compensated for its services on a fee-basis, as determined in cooperation with its investors in the privately-placed pooled investment vehicles and CLOs, prior to any investment in such pooled investment vehicle or CLO. The amount of such fees is calculated and billed by the trustee or administrator of the privately-placed pooled investment vehicle or CLO. Full disclosure of these fees is found in the applicable privately-placed pooled investment vehicle and CLO governing documents, which may include side letter agreements, if any, and may vary as between privately-placed pooled investment vehicles and CLOs.

Clients of ISSM and the Advisers invest in substantially similar assets classes and may, in some instances, invest in the same instruments. In addition to asset-based investment management fees, the Advisers may receive performance-based fees for certain privately-placed pooled investment vehicles and CLOs, which may be managed side-by-side according to the same investment strategy with other Client accounts that do not pay such fees. In order to mitigate potential conflicts of interest, ISSM follows the procedures described in Item 6 above for allocation of investments that are suitable for both ISSM and the Advisers Clients.

All management fees, except for fees paid to certain minority equity investors pursuant to side letter agreements, received by ICE 3 are paid to ISSM pursuant to the terms set forth in the Servicing Agreement and investment management agreement between the two entities.

The Advisers are subject to the Code (see Item 11 below) and its personnel are Access Persons of ISSM. the Advisers and its personnel are subject to ISSM's regulatory oversight and its compliance policies and procedures, including those addressing books and records maintenance.

As noted above, ISSM and the Advisers are subject to a restricted list to which all of their respective Clients are subject. As a consequence, ISSM may not be able to buy or sell a particular security or other instrument on behalf of its Clients because one or more personnel or teams of personnel of the Advisers possesses material, non-public information concerning the issuer or the market for the issuer's securities or other instruments, and vice versa. Similarly, in such circumstances, ISSM may not be able to dispose of a security or other instrument owned by a Client, even in a declining market, until the information becomes publicly available or immaterial and the trading in the issuer's securities or instruments is no longer restricted.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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The Advisers have a fiduciary relationship with their investment advisory Clients which requires that the Advisers and their personnel place the interests of Clients first and foremost. The Advisers and ISSM follow the Code of Conduct, Code of Ethics (the “Code”), and Insider Trading Policy of Invesco Advisers, Inc., an affiliated registered investment adviser.

While ISSM employees that are involved with the management of the Advisers are permitted to engage in personal securities transactions, the Advisers recognize that these transactions may raise potential conflicts of interest. As such, all personal securities transactions are required to be conducted in such a manner as to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility.

The Code is available for review by Clients and prospective Clients upon request.

The Advisers and their affiliates may recommend that Clients buy or sell interests in the same investment products in which the Advisers or their related persons have some financial interest, including ownership. The Advisers and/or their related persons may own, buy or sell for themselves the same securities that they may have recommended to Clients. Examples are described below. Our policies and procedures are intended to identify these and other potential conflicts and to ensure that in all instances Client interests come first.

### **Investment of the Advisers’ Capital**

The Advisers or their related persons may invest their own capital in securities or investment products in which Clients and underlying investors in Clients may also have made investments, such as CLOs, bank loans, credit default swaps, as well as liquid securities including, but not limited to, US Treasury securities and corporate debt obligations, equity, fixed income and/or derivative or other similar investments.

### **Conflicts**

The Advisers typically have discretionary authority to contract with any of the Advisers’ related persons to perform any services deemed necessary or appropriate in connection with the investment management services provided to its Clients. The Advisers may recommend the purchase or sale of a security in which the Advisers and their related persons, including its affiliates, also have a position or interest in the same security or various classes of the same security. The investors in these issuers could have different rights that may be in conflict with decisions made by the Advisers, related persons and affiliates in the event of a default or in a workout



situation. These situations could potentially raise or give the appearance of an unavoidable and irreconcilable division of interests and responsibilities with respect to multiple parties. The Advisers manage its Clients' accounts in accordance with guidelines established through the Client's governing documents.

ISSM, and in turn the Advisers through their relationship with Invesco, may also use the analytical capabilities of analysts throughout the Invesco organization but the cost of these services is not passed through to Clients and any potential conflicts of interest or breaches of proprietary information are monitored.

The Advisers and certain entities within Invesco, on behalf of their respective advisory clients, may make investments in different parts of the capital structure of the same company, in which case certain conflicts of interest, or the appearance of conflicts of interest, may arise. Such conflicts (or appearances thereof) are mitigated by the governance structures of the Advisers and Invesco and policies by which each engage in independent decision-making and information barriers.

Certain entities within Invesco, may be general partners or managers of investment-related entities, but the Advisers' Clients are not currently solicited to invest in those entities.

#### Board Membership

Personnel of the Advisers or their affiliates may serve on the boards of directors or on creditor committees of companies whose instruments are held by certain Clients. Serving in this capacity may give rise to conflicts to the extent that such personnel's fiduciary duties to a company as a director may conflict with the interests of a Client. The Advisers' personnel are required to obtain pre-approval from the Chief Compliance Officer before accepting any such position, as discussed in Item 11 below. Additionally, the Advisers evaluate any potential conflicts of interest that may arise in connection with such board service on an ongoing basis and in consultation with Compliance as appropriate.

Please see the relevant Organizational Documents for your investment for a more detailed discussion of conflicts of interest.

The Advisers and their related persons, including their affiliates, may recommend investments to Clients at or about the same time that they buy or sell the same securities for other Clients.

The Advisers and ISSM may conduct any other business including any business with respect to securities. Without limiting the generality of the foregoing, any of the Advisers, ISSM their affiliates and/or the principals and directors of the Advisers and ISSM may act as advisers for others, may manage funds or capital for others, may have, make and maintain investments in their own names or through other entities, may serve as consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms and may act as directors, officers

and/or employees of any bank or corporation, trustees of any trust, executors or administrators of any estate, or administrative officials of any other business entity.

CLOs may invest in different loan investments issued by the same company. In some circumstances, the interests of Clients that invest in a company may not be aligned with the interests of other Clients that invest in a different loan investment issued by the same company, which could create actual or potential conflicts of interest or the appearance of such conflicts. In that regard, certain actions may be taken by the Advisers on behalf of a Client that are adverse to the interests of other Clients. The interests of Clients investing in different parts of the capital structure of a company are particularly likely to conflict in the case of financial distress of the company. For example, a Client holding senior loans or debt securities of a company may take actions to protect its own rights as a creditor that are detrimental to the rights of another Client that holds more junior debt issued by the same company. In addition, it is possible that, in a bankruptcy proceeding, a Client's interests may be subordinated or otherwise adversely affected by virtue of the Advisers' involvement and actions relating to an investment made on behalf of another Client. This may result in a loss or substantial dilution of one Client's investment, while another Client receives a full or partial recovery on its investment.

While the possibility of conflicts in such circumstances can never be fully mitigated, prior to making any new investment in a company on behalf of a Client, the Advisers will consider whether the interests of other Clients invested in the capital structure of the company may impair its ability to act in the best interest of the Client. When the Advisers are required to take action with respect to a loan investment held by a Client, it is the Advisers' policy to act in the best interest of the holder of the investment with respect to which action is being taken, even though such actions may be to the detriment of other Clients invested in the company's capital structure. Similar conflicts may arise when the Advisers or its affiliates investments in different parts of the capital structure of the same company.

In connection with the launch of a new CLO, ICE 3 may acquire investments in the primary market or in the secondary market from third parties which are intended to form part of the CLO (each, an "Originator Asset"). To facilitate compliance with the Originator requirement of EU Risk Retention, ICE 3 and the CLO Issuer may enter into a conditional sale agreement on or around the pricing date of the respective CLO. Under this agreement, ICE 3 will identify certain assets it has selected for purchase by the new CLO, and the aggregate principal amount of such identified assets shall equal at least 5% of par amount of the assets held by the new CLO. ICE 3 shall be obligated to purchase such asset from the CLO issuer if such identified asset becomes ineligible for purchase by the CLO between the CLO pricing date and the CLO closing date. Any such purchase by ICE 3 from the CLO issuer shall be at the prices at which the new CLO committed to acquire such asset, provided that, ICE 3 only has an obligation to purchase such assets up to the CLO closing date.

Pursuant to the Code, all the Advisers personnel are required to report to the Compliance Department the names of all personal brokerage accounts in which they have a direct or indirect beneficial ownership interest. Compliance uses an automated system in the daily monitoring of compliance with the Code.

The Advisers have adopted an insider trading policy in order to contain material, nonpublic information within the Advisers, prevent the misuse of insider information, and prevent the coordination of investment decisions among the investment advisory affiliates by restricting the flow of issuer-specific information. The Advisers believe this separation of information is in the best interests of Clients as it permits the Advisers to pursue the investment objectives of its Clients without reference to limitations resulting from investment activities of advisory affiliates. In the event such information is shared, appropriate controls are in place around the information in order to limit any potential conflicts of interest.

In addition, the Advisers have adopted monitoring procedures that have been developed and designed to reasonably ensure compliance with federal securities laws. The Advisers have adopted policies and procedures designed to restrict and wall off certain information that govern its investment activities. These procedures include the establishment of a Restricted List where securities placed on the Restricted List limit the Advisers' and their employees' trading activity due to the receipt of material non-public information ("MNPI").

The Code is administered by the Compliance Department. The Compliance Department is responsible for interpreting the provisions of the Code, for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations of the Code or of any such rules or procedures have occurred

There will be occasions when the Advisers may encounter other conflicts or potential conflicts of interest between or among Clients. Although the Advisers have adopted policies and procedures designed to mitigate any conflict or potential conflicts of interest and that such conflicts are disclosed to Clients, there can be no assurance that the Advisers will resolve any conflict in a manner that is favorable to all Clients or to any particular Client.

## **Item 12 - Brokerage Practices**

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The Advisers have the authority and responsibility to select brokers to execute Client account transactions. With respect to CLOs, discretionary authority to purchase or sell loan investments in Client accounts may be limited by the terms of the applicable indentures and other governing agreements which may impose quality, liquidity, concentration, diversification and other requirements. The Advisers select brokers based on their ability to provide best execution. In seeking best execution, the Advisers consider the brokers' reliability, execution capability, financial strength and

the difficulty of executing specific transactions. The Advisers weigh such factors in selecting brokers that the Advisers believe are most capable of delivering the best execution.

The Advisers currently do not have any soft dollar or directed brokerage arrangements. the Advisers does not select or recommend broker-dealers based upon to receive Client or investor referrals received from any broker.

## **Item 13 - Review of Accounts**

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### **Periodic Reviews**

The Advisers' portfolio managers perform periodic reviews of portfolio composition for compliance with investment guidelines and to manage cash positions. All cash positions are managed against individual account strategies, which are updated quarterly.

In the event of an error in a Client account, the Advisers attempt to identify, research, and correct the error as soon as practicable. The Client is made whole for any losses resulting from an error by the Advisers, while any gains realized would remain in the Client account.

### **Reports**

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On a monthly basis, ICE 3 will reconcile portfolio reports with the CLOs' respective Trustees.

## **Item 14 - Client Referrals and Other Compensation**

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### **Solicitors**

The Advisers normally do not pay fees to persons for Client referrals; however, in the event such fees are paid, the Advisers would pay the fee to the solicitor in accordance with Rule 206(4)-3 under the Investment Advisers Act. This rule requires a written agreement between the investment adviser and the person soliciting clients on its behalf. The rule also requires that the soliciting person provide a disclosure document to the potential client at the time that the solicitation is made. As required by the rule, we will not engage another person to solicit Clients on our behalf if that person has been subject to securities regulatory or criminal action within the preceding ten years. The compensation paid to any such entity would typically consist of a cash payment stated as a percentage of the advisory fee, but may include cash payments determined in other ways. The Advisers will not charge the referred investor a higher fee to compensate for the fee it pays to the solicitor.

The Advisers may pay a portion of its management fees received from a Client to placement agents in connection with the sale of units or interests in a Fund client.

## **Item 15 - Custody**

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The Advisers do not have direct custody of Client funds or securities. All Client accounts are maintained at qualified custodians, such as banks or broker-dealers that are chosen by the Client. Clients receive account statements directly from their bank, broker dealer, or other qualified custodian. Clients should carefully review such statements and compare those records to the account statements that we may provide to you. All funds and instruments owned by CLOs are maintained by qualified trustees.

In certain cases, ISSM may be deemed to have indirect custody due to ISSM or its affiliate's role as a general partner or managing member to an investment vehicle. In such a case, we provide investors in the fund or vehicle with audited financial statements within 120 days from the end of each fiscal year. Investors should carefully review those statements.

## **Item 16 - Investment Discretion**

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### **Discretionary Authority for Trading**

The applicable indentures for each of the CLOs place restrictions on ICE 3's ability to buy and sell loans on behalf of the CLO. Subject to the terms of these indentures, ICE 3 has discretionary authority over such Client accounts. CLO indentures generally restrict ICE 3 from selling loans unless such loans have experienced specified credit deterioration, ratings downgrades, events of default, or are credit improved assets. ICE 3 is also permitted by the terms of each CLO indenture to trade a portion of the assets of the CLO on a discretionary basis.

### **Aggregation of Orders**

The Advisers may in their sole discretion aggregate orders for Client accounts. Depending upon certain market conditions, the aggregation of certain orders may result in a higher or lower price paid or received by a particular Client. Aggregated orders are allocated among Clients in a manner which the Advisers believe is fair and equitable, in order to construct a well-diversified, fully-invested portfolio. Due to the nature of the market for CLO securities as well as specific Client guidelines, pro rata allocation of trade opportunities is not always practicable. Therefore, allocations are largely driven by Client investment guidelines as well as by the Advisers' strategies.

The Advisers' strategies are based on a variety of factors, including its overall view of the credit and the Client's portfolio, the nature and size of existing holdings and cash positions as well as performance. Accordingly, the Advisers may seek to affect Client performance through its allocation decisions and certain Clients may not participate in gains or losses that were made by other Clients with similar objectives. Likewise, the fact that certain Client accounts generate a performance fee or have different management fee structures could create a financial incentive for the Advisers to favor certain accounts over others.

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## **Investment Allocations**

In discharging its fiduciary duty to reasonably ensure that all Client accounts are treated fairly and equitably so that no one Client account is favored, the Advisers have adopted allocation procedures to guide both new and existing investment opportunities across its Client base.

The allocation of investments across Clients' accounts is largely driven by thresholds established by ISSM's Investment Committee ("Committee") acting on behalf of the Advisers. The Committee reviews analysts' recommendations for the potential purchase of new issues. It must also decide the suitability of each investment opportunity and on a global exposure limit for (i) aggregate exposure across all portfolios, (ii) types of portfolios (e.g., leveraged, non-leveraged, etc.), and (iii) individual portfolios that may supersede broader fund type strategies.

The Aggregation and Allocation of Investment Opportunities Policy is available for review by Clients and prospective Clients upon request.

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## **Cross and Principal Transactions**

Cross trades among Client accounts and principal transactions between an adviser and a Client are subject to procedural restrictions and prohibition by various laws and regulations. Cross transactions are defined as the purchase or sale of a security directly between Clients of the Advisers or an affiliate, coordinated by the Advisers or an affiliate. Principal transactions are defined as transactions where a proprietary account of the Advisers or an affiliate thereof purchases loans from a Client or sells loans to a Client. Such principal trades and cross transactions could create various conflicts of interest for the Advisers, in that it might have an incentive to favor one Client account over another or to favor an account in which it or its related persons have a financial interest over the Client account.

The Advisers have various policies and procedures setting forth the terms under which it may engage in principal trades and cross transactions. These policies are designed to ensure that all cross and principal transactions are effected in the best interests of

all Clients involved, are consistent with the Advisers' duty to obtain best execution and are in compliance with applicable laws and regulations.

## **Item 17 - Voting Client Securities**

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The Advisers do not generally vote proxies on behalf of its Clients' accounts, as proxy voting is not applicable to the bank loan asset class. However, we may occasionally participate in a loan workout or creditor committee. In that context the Advisers will represent their Clients' long-term best economic interests without regard for its own interests.

In the event the Advisers are ever required to vote a proxy on behalf of a Client account due to a spin-off of securities received from a re-organization or a bankruptcy, the Advisers have adopted a proxy voting policy specifying that it will vote all proxies in accordance with its policy of seeking its Clients' best long-term economic interests. A copy of the proxy voting policy and information as to how the Advisers effected any proxy votes is available upon request.

## **Item 18 - Financial Information**

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Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. The Advisers do not have any financial impairment that will preclude either of them from meeting contractual commitments to Clients.

A balance sheet is not required to be provided because the Advisers do not serve as a custodian for client funds or securities, and do not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.