

BSP CLO MANAGEMENT L.L.C.

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Part 2A of Form ADV: Firm Brochure
March 30, 2023

This brochure provides information about the qualifications and business practices of BSP CLO Management L.L.C. If you have any questions about the contents of this brochure, please contact us at 212-588-6770. 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 BSP CLO Management L.L.C. also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

This brochure dated March 30, 2023, serves as an update to the Adviser's (as defined in Item 4) brochure dated December 5, 2022. The following paragraphs present a summary of any material changes the Adviser made to this brochure since the last annual amendment dated March 2022.

On November 1, 2022, Franklin Resources Inc., acquired Alcentra NY, LLC ("Alcentra NY") and Alcentra Limited ("Alcentra Ltd."), both of whom are investment advisers registered with the SEC and are now advisory affiliates of the Adviser.

The Adviser has made certain updates to the brochure to reflect the affiliation and related advisory activities with Alcentra NY, including the following: (a) providing information regarding the acquisition and relationship between the Adviser and these advisory affiliates in Item 4; (b) updating the list of advisory affiliates in Item 10; (c) updating the discussion of advisory affiliates, investment allocations and conflicts of interest in Item 11; and (d) updating the discussion of client referrals in Item 14.

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Item 4. Advisory Business

For purposes of this brochure, “Adviser” means BSP CLO Management L.L.C., a Delaware limited liability company established in 2019, when it was founded to serve as the investment adviser and collateral manager to one or more CLOs (as defined below).

Background

The Adviser is a related adviser under rule 203A-2(b) under common control with an investment adviser registered with the SEC and shares its principal office with such investment adviser.

The Adviser is indirectly controlled by Benefit Street Partners (“BSP”), a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as “Franklin Templeton”).

The Adviser shares employees and a unified compliance program with BSP. Please see Item 11 of this brochure for more information with respect to BSP’s compliance program.

On November 1, 2022, Franklin Resources Inc. acquired Alcentra NY, LLC (“Alcentra NY”) and Alcentra Limited (“Alcentra Ltd.”). The acquisition has resulted in certain organizational and operational changes impacting BSP directly, and the Adviser indirectly. For example, BSP and Alcentra NY have integrated certain of their advisory activities, and expect to integrate all of their advisory activities, which includes overlapping trading and investment strategies with the Adviser, and have combined and are operating under a single compliance program together with the Adviser. The Adviser and Alcentra Ltd. will remain separate but closely-affiliated advisers (under common control of Franklin Templeton), with certain combined operations and some overlap in trading and investment strategies, but will operate under separate and independent compliance programs. The acquisition and various integrated activities between BSP, the Adviser, Alcentra NY and Alcentra Ltd., as well as certain other advisory affiliates of the Adviser, raises conflicts of interest. Please see Item 11 and Item 12 below for information regarding how such conflicts of interest are generally addressed by the Adviser through implementation of related policies and procedures.

The Adviser provides investment management, collateral administration and supervisory services to the CLOs on a discretionary basis.

The CLOs are neither registered under the Securities Act of 1933, as amended, nor registered under the Investment Company Act of 1940, as amended (“Investment Company Act”). Accordingly, interests in the CLOs are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States (“U.S.”) or in offshore transactions. No offer to sell interests in these CLOs is made by the descriptions in this brochure. Please see Item 7 of this brochure for more information with respect to the Adviser’s clients.

Services

The Adviser provides investment advisory services to investment vehicles, including to one or

more collateralized loan obligation vehicles (“CLOs”), which predominantly acquire below investment grade leveraged loans. The Adviser generally expects to provide investment advisory services to CLOs under the terms of an investment management agreement, collateral management agreement and/or an indenture. Each such agreement may impose significant limitations on the types of securities and other investments that may be acquired by the relevant CLOs.

As of December 31, 2022, the Adviser managed \$3,555,370,895 of client assets on a discretionary basis.

Item 5. Fees and Compensation

The Adviser or its affiliates generally receive management fees (the “Advisory Fees”) and may receive Incentive Allocations (as defined below) from each CLO. Further details about certain common fees and expenses are set forth below.

Management Fees

In respect of each CLO, the Adviser is typically paid a quarterly management fee, which is paid either in advance or in arrears, in accordance with each such CLO’s organizational and issuing documents by such CLO. The fee is typically comprised of two components, both payable out of cash flow proceeds distributed by each CLO on such quarterly basis. The first, a senior management fee, is paid near the top of the cash flow proceeds distribution by the CLO, generally ahead of investors in the CLO, based upon the specifics of each CLO’s organizational and issuing documents. The second, a subordinated management fee, is paid lower in the distribution, based upon the specifics of each CLO’s organizational and issuing documents.

The precise amount of, and the manner and calculation of, the management fees for each CLO, if any, is disclosed in the organizational and offering documents of such CLO at the time each investor invests in the CLO, or the relevant advisory agreements.

Such management fees may be subject to waiver or reduction by the Adviser for certain investors within a CLO. For example, the Adviser, its affiliates, certain of its principals and employees, and their family members and related vehicles may invest in certain of the CLOs, and management fees assessed on such investments are typically substantially reduced or waived entirely. Certain large or strategic investors may also be eligible for a reduction or waiver of their fees.

Other Fees and Expenses

CLO investors and prospective investors in CLOs should refer to the offering documents of the respective CLO for detailed information with respect to the fees associated with such CLO. The information contained herein is intended as a summary of such offering documents and is qualified in its entirety by such documents.

Item 6. Performance-Based Fees and Side-By-Side Management

Certain of the CLOs and clients of the Adviser’s affiliates (“Affiliate Funds”) may pay incentive

or performance-based allocations or fees or carried interest to the Adviser or its affiliates (each, an “Incentive Allocation”). The Incentive Allocation paid by a CLO is indirectly borne by investors in the CLO. The Incentive Allocations received by such related persons of the Adviser conform with the requirements as set forth in Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

The precise amount of, and the manner and calculation of, the Incentive Allocation for each CLO, if any, is disclosed in the organizational and offering documents of each CLO or in a side letter thereto. The Incentive Allocation provisions may be subject to waiver or reduction by the general partner or the Adviser, as applicable. For example, the Adviser, its affiliates, certain of its principals and employees, and their family members and related vehicles may invest in the CLOs or Affiliate Funds, and the Incentive Allocation assessed on such investments will typically be substantially reduced or waived entirely. In addition, all or a portion of such persons’ capital subscription may be made through reductions in or waiver of the Incentive Allocation payable to the general partner by such CLO or Affiliate Fund in lieu of capital contributions. Certain large or strategic investors may also be eligible for a reduction or waiver of their Incentive Allocation.

The payment by some, but not all, CLOs and Affiliate Funds of the Incentive Allocation, and the payment of the Incentive Allocation at varying rates by CLOs and Affiliate Funds that pay an Incentive Allocation, creates an incentive for the Adviser and its affiliates to disproportionately allocate time, services or functions to CLOs and Affiliate Funds paying the Incentive Allocation or paying the Incentive Allocation at a higher rate. Generally, this conflict is mitigated by the Adviser and its affiliates’ allocation procedures. Subject to applicable investment objectives, guidelines and other factors, as discussed in more detail in Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading,” the Adviser and its affiliates generally allocate investment opportunities on a pro-rata basis among eligible CLOs, Affiliate Funds and clients based upon the current available capital of such investment vehicle, or in some other manner that the Adviser determines is fair and equitable. Any alternative investment vehicle will generally contain terms and conditions substantially similar to those of the CLO with respect to which it is formed, and profits and losses of an alternative investment vehicle generally will be aggregated with those of such CLO for purposes of determining distributions by the CLO and the Alternative Investment Vehicle (except as may be advisable because of legal, regulatory or tax constraints).

The payment by the CLOs of the Incentive Allocation may create an incentive for the Adviser to seek to maximize the yield on the collateral obligations relative to investments of higher creditworthiness. Managing the CLOs with the objective of increasing yield, even though the Adviser is constrained by certain investment restrictions described in the CLOs’ organizational and issuing documents, could result in an increase in defaults or volatility and could contribute to a decline in the aggregate market value of the CLOs’ collateral obligations.

Please see Item 11 below for information regarding the allocation of investment opportunities and how conflicts of interest are generally addressed by the Adviser. Please also see Item 12 below regarding trade aggregation.

Item 7. Types of Clients

The Adviser provides investment advisory services to the CLOs.

The minimum investment commitments for CLOs is generally at least \$250,000.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Adviser sources investment opportunities through both its substantial network and relationships with various industry participants, issuers, and sponsors and its data driven joint industry and sector reviews, which focuses on set priorities and price targets of debt opportunities. This two-tiered approach leads to a comprehensive and complementary strategy for identifying potential new issue and secondary market investment candidates. Generally, once a potential investment is identified, The Adviser, using its data driven methods will, analyze whether a potential opportunity is worth the investment by the Adviser through, among other factors, its maintained list of potential investment targets and issuers.

The Adviser's Investment Committee will then build a model portfolio from the identified potential primary and secondary opportunities based on the investment's availability, issuer and macro views, and various metrics of the target portfolio. The Adviser will ensure this model portfolio meets its credit view and current pricing supports inclusion, updating the model portfolio when necessary until target metrics are met. The Adviser will review the model portfolio daily to ensure investment priorities are met and will adjusting the portfolio to meet such priorities.

As part of the investment process, the Adviser will determine the market value of the CLOs, generally, through the bid price determined by a nationally recognized pricing service (e.g., Loan Pricing Corporation, Markit Group Limited, Bloomberg Valuation Service). If this method is unavailable the Adviser will determine the market value through other methods, including but not limited to: (1) average of the bid price from three active independent broker-dealers trading such asset; (2) the lower of two bid prices from three actively independent broker-dealers trading such asset.

Every position is evaluated with respect to its expected return and the probability of loss and trading liquidity. As various scenarios unfold, the Adviser monitors the relationship between executable exit value (where one exists) and a proprietary assessment of intrinsic value, derived as part of the Adviser's investment process.

The Adviser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the CLOs, managing and monitoring the performance of such investments and disposing of such investments. Where CLOs acquire an influential position, the Adviser may be in a position to exercise influence over and add value to such investments. The CLOs may make investments in both publicly-listed and privately-held companies.

Except with respect to a CLO's organizational and issuing documents, the Adviser's investment strategy is generally not subject to specific restrictions regarding the exposure of a CLO's overall portfolio or investments in a single issuer or a single industry. However, the Adviser may, from time to time, adopt internal guidelines regarding its exposure and such investments.

From time to time the Adviser may cause the CLOs to invest cash held by the CLOs in temporary investments on a short-term basis, pending investment, distribution to investors or payments of expenses or other obligations of the CLOs. Such temporary investments shall comply with the investment restrictions described in the CLOs' organizational and issuing documents.

Risks

Investing in securities involves a substantial degree of risk. A CLO may lose all or a substantial portion of its investments, and investors in the CLOs must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the CLOs in connection with those strategies and methods, include the following:

General Economic and Market Conditions

The success of a CLO's activities is affected by general economic and market conditions, including, among others, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, currency exchange controls, natural disasters, disease outbreaks or pandemics (such as the recent outbreak of COVID-19), changes in laws (including laws relating to taxation of a CLO's investments) and trade barriers, and national and international political, environmental and socio-economic circumstances (including wars, terrorist acts or security operations). In addition, the current U.S. political environment and the resulting uncertainties regarding actual and potential shifts in U.S. foreign investment, trade, taxation, economic, environmental and other policies under the current Administration, as well as the impact of geopolitical tension, such as a deterioration in the bilateral relationship between the U.S. and China or an escalation in conflict between Russia and Ukraine, could lead to disruption, instability and volatility in the global markets. Unfavorable economic conditions also would be expected to increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit.

These factors may affect the level and volatility of prices and the liquidity of a CLO's investments. In addition, a general economic slowdown, or business disruptions, such as due to pandemics or natural disasters, could lead to a delay or slowing of economic activity generally or in specific areas, and could adversely impact a CLO's ability to find attractive opportunities, lead to an increase in refinancings or borrower defaults, or an increase in borrowers seek to negotiate more advantageous terms. In addition, particular borrowers or collateral may be more likely to be adversely impacted by certain types of events. For example, governments have sought to limit travel or large gatherings, borrowers in the travel, hotel or similar industries have been particularly adversely impacted. Certain other industries, such as certain retailers may also be adversely impacted. Certain events, such as natural disasters may have regional impacts on borrowers located in such areas. Furthermore, while borrower revenue may be adversely impacted, such events could adversely impact borrowers and their ability to repay loans to the CLO in other ways, such as impacting their workforce availability, cause closures, impact supply chains, or increase health care costs or other costs and expenses. Prolonged uncertainty may decrease demand in the longer terms and economic uncertainty or slowing can adversely impact a

CLO's returns. Volatility or illiquidity could impair a CLO's profitability or result in losses. These factors also may affect the availability or cost of leverage, which may result in lower returns. To the extent any of these events occur, a CLO's performance results could be adversely affected.

Additionally, the ongoing market volatility and uncertainty could also adversely affect a CLO's operations. A counterparty to a CLO or to a company in which a CLO has invested may be relieved of its obligations under certain contracts to which it is a party, or, if it is determined not to have occurred, a CLO and its investments may be required to meet their contractual obligations, despite potential constraints on their operations, liquidity and/or financial stability. Market volatility and uncertainty could also increase the risk of investors defaulting on their commitments or increase the number of investors requesting to transfer their interests to third parties. Since COVID-19 is present in jurisdictions in which the Adviser has offices or other operations or investments, it could affect the ability of the Adviser to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the CLOs' investment strategy and objectives including, for example, conducting in-person due diligence on potential investments. In addition, in response to the COVID-19 outbreak, several industry conference sponsors and venues have suspended or cancelled events due to concerns over the spread of COVID-19. Events have also been impacted by the implementation of U.S. federal and state and non-U.S. governmental actions, as well as voluntary and involuntary travel restrictions. Attendance by the Adviser, its employees and affiliates at industry conferences and events is a component of the Adviser's investment-sourcing and monitoring strategy and for CLOs in fundraising for raising capital. Private and governmental efforts to prevent the further spread of COVID-19 through travel restrictions and cancellation or suspension of industry events may adversely affect the Adviser's ability to source potential investment opportunities for the CLOs and to gain meaningful insights in order to properly evaluate the risk/reward potential of investing or continuing to hold an investment in a particular industry sector or market and to raise additional funds. In addition, the Adviser's personnel and personnel of critical service providers to the Adviser or the CLOs may be directly impacted by the spread of COVID-19, both through direct exposure and exposure to family members, which could impair the Adviser's ability to satisfy its obligations to the CLOs, the investors, and pursuant to applicable law. The potential spread of COVID-19 among the Adviser's personnel could significantly affect the Adviser's ability to properly oversee the affairs of the CLOs (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), resulting in the possibility of temporary or permanent suspension of the CLOs' investment activities or operations.

Market Risk

The value of a CLO's investments could be affected by factors affecting the economy and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for certain markets or corporate earnings, interest rates, announcements of political information or adverse investor sentiment generally. The market values of a CLO's investments may decline for a number of reasons, including increases in defaults resulting from changes in overall economic conditions and widening of credit spreads. Unfavorable market conditions may also increase funding costs, limit access to the capital markets or result in credit terms changing or credit becoming unavailable.

These events could have an adverse effect on a CLO's investments and a CLO's overall performance.

Events such as war, terrorism and related geopolitical risks or political instability have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers and securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to a CLO's investments.

Continuing market uncertainty may have a significant impact on the business of a CLO. Among other things, the level of investment opportunities may decline from the Adviser's current expectations. One possible consequence is that a CLO may take a longer than anticipated period to invest capital and/or a CLO may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns (if any) realized by investors may be substantially adversely affected by the unfavorable performance of a small number of these investments. Although the Adviser believes that recent market dislocations will result in attractive investment opportunities, a CLO may not be able to time the acquisition or disposition of its investments correctly, which could result in further depreciation in values.

Confidential Information

The Adviser may, as a holder of loans or through its or its affiliates' management of other clients, may be entitled to receive material, non-public information regarding borrowers that may limit the ability of a CLO, under applicable securities laws or contracts, to trade in the public securities of such borrowers. To avoid some of these restrictions, the Adviser may elect not to receive such non-public information. As a result, a CLO, at times, may receive less information than is available to the other investors in such borrower's loan. As a result of existing portfolio investments or activities on behalf of certain clients, such persons affiliated with the Adviser may from time to time acquire confidential information that they will not be able to use for the benefit of a CLO and that may restrict the ability of a CLO to acquire or dispose of investments.

Non-U.S. Investments Risks

Certain non-U.S. investments involve risks and special considerations not typically associated with U.S. investments, and investing outside the U.S. may involve greater risks than investing in the U.S. These risks include, but are not limited to: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws; (iv) different accounting, auditing and financial reporting standards, practices and requirements compared to those applicable to U.S. companies; (v) fluctuations in currency exchange rates; (vi) the risk of nationalization or expropriation of assets or confiscatory taxation; (vii) social, economic and political uncertainty, including war and revolution; (viii) dependence on exports and the corresponding importance of international trade; (ix) greater price fluctuations and market volatility; (x) less liquidity and smaller capitalization of securities markets; (xi) higher rates of inflation; (xii) controls on, and changes in controls on, non-U.S. investment and limitations on repatriation of invested capital and on the CLO's ability to exchange local

currencies for U.S. dollars; (xiii) less extensive regulation of the securities markets; (xiv) longer settlement periods for securities transactions; and (xv) less developed corporate laws regarding fiduciary duties and the protection of investors. Non-U.S. markets may be smaller, less liquid, and subject to greater influence by adverse events generally affecting the market. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the U.S. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties.

Non-U.S. Currency and Exchange Risks

To the extent that a CLO directly or indirectly holds assets in local currencies in countries outside the U.S., the CLO will be exposed to a degree of currency risk that may adversely affect performance. The investments of a CLO that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of a CLO's assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency.

A CLO is generally not obligated to engage in any currency hedging operations, and there can be no assurance as to the success of any hedging operations that a CLO may implement. To the extent a CLO enters into currency hedging operations, a CLO may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter contexts, including futures, forwards, swaps, options and other instruments.

Lack of Diversification

A CLO may not be highly diversified. The organizational and issuing documents of each CLO will identify the ability to, and restrictions on, diversification in the CLO's investments. The CLOs are fully invested in the credit markets with most of the exposure coming from the leveraged loan market. As such, the CLOs have a high concentration of their respective portfolios invested in a single asset class. Lack of diversification would expose a CLO to losses disproportionate to market declines in general or to the negative consequences of a single corporate, economic, political or regulatory event if there were disproportionately greater adverse price movements in the particular investments held by a CLO.

Nature of Investments

The CLOs invest in collateral obligations consisting at the time of acquisition of predominantly bank loans and other debt instruments, all of which have greater credit and liquidity risk than investment grade sovereign or corporate bonds or loans. Such collateral is subject to credit, liquidity and interest rate risks. The lower rating of below investment grade collateral reflects a

greater possibility that adverse changes in the financial condition of an issuer or borrower or in general economic conditions or both may impair the ability of the relevant borrower or issuer, as the case may be, to make payments of principal or interest.

Valuation of Illiquid Assets

The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a CLO's assets.

Counterparty Risk

In general, CLOs typically have little counterparty risk as a result of their structures. However, a CLO is subject to the risk of the inability of any counterparty (including custodians) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Custodial Risk

One or more banks or broker-dealers may act as custodians for certain assets of a CLO. Custodians could provide certain clearing, including prime brokerage, margin financing or other financing facilities in addition to custodial functions. If a custodian were to become insolvent, a CLO would, in respect of financial assets credited to securities accounts and held in street name, have only rights in common with other customers of the custodian and would not have ownership of, or rights with respect to, any specific financial assets maintained by the custodian. If any custodian has insufficient financial assets to satisfy all of its customers and its secured creditors, a CLO could suffer losses. Furthermore, if a CLO uses a broker-dealer as custodian (or prime broker), the bankruptcy of such custodian might have a greater adverse effect on a CLO than would be the case if the CLO used a bank as custodian. This is because, subject to certain limitations, a broker generally has the ability to loan, pledge, and rehypothecate the securities in its customers' accounts, as is typical market practice, and therefore may have insufficient assets to meet all of its obligations to "customers" in the event of insolvency of the broker-dealer. Even if a custodian has sufficient assets to meet all "customer" claims, there may be a substantial delay in proceedings against a custodian and the assets of a CLO could become substantially impaired during such proceedings. With respect to assets held with custodians outside of the U.S., a CLO's assets could be subject to laws and regulations that are less favorable to a CLO than those of the U.S. (including with respect to the priority of any claims that a CLO may have upon a bankruptcy, insolvency or liquidation of any custodian, which may result in a CLO being an unsecured creditor of such custodian rather than having a priority "customer" claim). Placement of a custodian in bankruptcy or similar proceeding outside of the U.S. could result in a great deal of uncertainty as to the status of assets or the ultimate recovery, if any, of such assets held by such custodian.

SEC rules require the prime brokers to maintain physical possession and control of fully paid securities held in a CLO's account and to establish certain reserves for the benefit of customers.

In order to manage the risks associated with prime broker insolvency, a CLO may establish relationships with multiple prime brokers. However, a CLO may not be able to identify potential

solvency concerns with respect to a CLO's prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner.

A CLO may change the brokerage arrangements described above at any time without notice. There are likely to be operational and other delays associated with changes in prime brokerage arrangements.

Credit Risk

A CLO's investments will generally be subject to credit risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument, in which case a CLO may lose some or all of its investment in that instrument, subject a CLO to loss. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. A significant downturn in the economy or a particular economic sector could have a significant impact on the business prospects of the companies to which a CLO is invested and their ability to comply with their loan repayment obligations, or their ability to refinance such obligations.

Primarily all of the assets owned by the CLOs are rated below investment grade. Obligors of below investment grade debt obligations may be highly leveraged and may not have available to them more traditional methods of financing or may not be able to refinance their debt obligations. Leveraged loans have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on the collateral obligations, and an increase in default levels could adversely affect the performance of the CLO, and thus, the return to investors in the CLO.

A non-investment grade loan or other debt obligation is generally considered speculative in nature and may go into default. Such a defaulted obligation may become subject to either substantial work out 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 obligation. 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 obligation. The liquidity for defaulted obligations may be limited, and to the extent that defaulted obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon.

It is expected that many of the CLO's investments will be loans that do not have financial covenants. The lack of inclusion of financial covenants binding upon the borrowers of such investments may impact the liquidity, price volatility and ability to restructure these loans, which could ultimately result in an increase in default levels that could adversely affect the performance of the CLO, and thus, the return to investors in the CLO.

Credit Market Risks

A CLO's investments will entail normal credit risks and market risks (e.g., the risk that certain

market factors will cause the value of the instrument to decline).

To the extent that a CLO invests in bank loans and other debt instruments, the value of a CLO may fluctuate less significantly as a result of interest rate changes than would a portfolio of fixed-rate obligations. A CLO that invests in bank loans may still be subject to fluctuations due to changes in an issuer's credit quality. In addition, because interest rates on bank loans only reset periodically and may not perfectly correlate with prevailing interest rates, during such time as the interest rate of a loan is fixed, such loan may be subject to the same fluctuations due to interest rate changes as fixed-rate obligations of similar duration. Also, a default on a loan that is held by a CLO or a sudden and extreme increase in prevailing interest rates may cause a decline in the value of a CLO's assets.

Conditions in the credit markets may have a significant impact on the business of the CLOs. The credit markets in the U.S. have experienced a variety of difficulties and changed economic conditions in recent years that have adversely affected the performance and market value of many securities and financial instruments. There can be no assurance that a CLO will not suffer material adverse effects from broad and rapid changes in market conditions in the future. Among other things, the level of investment opportunities may decline from current expectations. As a result, fewer investment opportunities may be available to a CLO, although if credit markets remain constrained, a CLO may have the opportunity to take larger positions in potential transactions. One possible consequence is that a CLO may take a larger than anticipated period to invest capital, as a result of which, at least for some period of time, the CLO may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns realized may be substantially adversely affected by the unfavorable performance of a small number of these investments.

Furthermore, market conditions may unfavorably impact a CLO's ability to secure leverage on terms as favorable as more established borrowers in the market, or to obtain any leverage on commercially feasible terms. To the extent a CLO is able to secure financing for investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit the CLO's ability to structure and consummate its investments. Although the Adviser believes that the continued unfolding of the credit cycle will result in attractive investment opportunities, it may not be able to manage the timing of a CLO's investments in the most advantageous manner, which could result in further depreciation in values. Furthermore, market conditions could deteriorate further, and a CLO may be limited in its ability to realize investments it has already made due to difficulties in buyers' ability to obtain financing on favorable terms, or to secure financing at all.

Collateral Obligation Performance Risk

Negative economic trends either globally, nationally as well as in specific geographic areas of the U.S. could result in an increase in loan defaults and delinquencies. There is a material possibility that economic activity in the future will be volatile or will slow, and some obligors may be significantly and negatively impacted by negative economic trends. Such effects may include an inability for obligors to obtain refinancing of their debt obligations. A decreased ability of obligors to obtain refinancing (particularly as high levels of required refinancing approach) may

result in economic decline or otherwise increase market volatility that could delay future economic recoveries and cause deterioration in loan performance generally.

To the extent that certain enumerated events occur under a CLO's organizational and issuing documents, the CLO's investments may be liquidated more rapidly than would otherwise be desirable. This may cause the CLO to incur losses that might not otherwise have occurred but for the timing and nature of such liquidation.

The CLO's investments are expected to primarily consist of loans that are either balloon loans or bullet loans. Balloon and bullet loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the obligor to make a large final payment upon the maturity of the loan. The ability of such borrower to make this final payment upon the maturity of the loan typically depends upon its ability either to refinance loan prior to maturity or to generate sufficient cash flow to repay the loan at maturity. The ability of any 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 loan, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such borrower may not have the ability to repay the loan at maturity, and the CLO could lose all or most of the principal of the loan.

Prepayment Risk

Some of the terms of loans acquired by a CLO may be subject to early prepayment options or similar provisions which, in each case, could result in a CLO realizing such loans earlier than expected, sometimes with no or a nominal prepayment premium. This typically happens when there is a decline in interest rates, when the portfolio company's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt or when the general credit market conditions improve. In the event a CLO receives proceeds from an investment earlier than it had anticipated, a CLO is often permitted to reinvest such proceeds, but there is no assurance that a CLO will be able to reinvest such proceeds even where they are received during such CLO's reinvestment period. On occasion, a CLO's inability to reinvest such proceeds will materially affect the performance of a CLO.

Reinvestment Risk

Subject to certain limitations, each CLO may generally reinvest any proceeds from its investments for a certain period following the closing date of such CLO. The objective of such reinvestment capability is to provide ongoing additional capital to potentially increase the total return from the investments to such CLO's investors. However, if the proceeds of a CLO's investments are reinvested, its investors' capital will continue to be subject to the risk of loss for a longer period of time. If reinvested proceeds are lost, such loss would offset at least a portion of any gains that may have been realized from prior investments of such CLO, and it is possible that any such loss could exceed any such prior gains, thereby resulting in a possible loss of at least a portion of the amounts invested in the CLO by its investors.

Widening of Credit Spreads Risk

For reasons not necessarily attributable to any of the risks set forth herein, the prices of the securities and other financial assets in which a CLO invests may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the investments held by a CLO. Instability in the securities markets will also likely increase the risks inherent in a CLO’s investments. There is no guarantee that ordinary and prudent precautions for natural and other disasters will provide an effective connection between the Adviser and markets in the event of large-scale disruptions in the U.S. or, alternatively, in the countries where the Adviser executes trades.

Lack of Liquidity in Markets

The markets for many securities and other investments in which a CLO is invested may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage a CLO, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have the authority to suspend trading in a particular security without notice.

The lack of an established, liquid secondary market for certain investments made by a CLO may have an adverse effect on the market value of a CLO’s investments and on a CLO’s ability to dispose of them. Additionally, a CLO’s investments may be subject to certain transfer restrictions that would also contribute to illiquidity. Finally, CLO assets that are typically traded in a liquid market may become illiquid if the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason. Therefore, no assurance can be given that, if a CLO is determined to dispose of a particular investment held by the CLO, it could dispose of such investment at the prevailing market price or the current valuation. A portion of a CLO’s investments may consist of securities that are subject to restrictions on resale by the CLO because they were acquired in a “private placement” transaction or because the CLO is deemed to be an affiliate of the issuer of such securities. Generally, a CLO will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a CLO may be deemed to be an underwriter or possibly a controlling person with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act. In addition, a CLO may, from time to time, possess material, non-public information about a borrower or issuer or the CLO may be an affiliate of a borrower or an issuer. Such information or affiliation may limit the ability of the CLO to buy and sell investments.

Potential for Insufficient Investment Opportunities; Competition

The success of certain CLOs will depend, in part, on such CLO’s ability to make investments on advantageous terms. The business of investing in debt investments is highly competitive. Market competition for investment opportunities includes traditional lending institutions, including

commercial and investment banks, as well as a growing number of non-traditional participants, such as hedge funds, private equity funds, mezzanine funds, and other private investors, as well as business development companies (“BDCs”), and debt-focused competitors, such as issuers of CLOs and other structured loan funds. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time, access to larger research staff or other resources, or may have different return thresholds than a CLO, and thus these competitors may have advantages not shared by such CLO. In addition, competitors may have incurred, or may in the future incur, leverage to finance their debt investments at levels or on terms more favorable than those available to a CLO. Although the Adviser has been successful in locating investments in the past, a CLO may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or deploying all of its available capital. Increased competition for, or a diminishment in the available supply of, qualifying investments could result in lower returns on such investments.

Market Disruption and Geopolitical Risk

A CLO is subject to the risk that war, terrorism, pandemics and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a CLO’s investments. These events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a CLO’s investments.

Cash and Other Investments

A CLO may invest all or a portion of their assets in cash or cash items for investment purposes, pending other investments or as a provision of margin for derivatives contracts. These cash items must be of high quality at the time of investment and must comply with the CLO’s organizational and issuing documents. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by a CLO at the time of investment.

Interest Rate Risk

“Interest rate risk” refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument, and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. This risk will be greater for long-term securities than for short-term securities. The Adviser may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate

swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Adviser will be successful in fully mitigating the impact of interest rate changes. Furthermore, when interest rates rise, repayments of fixed income securities may occur more slowly than anticipated, extending the effective duration of these fixed income securities at below market interest rates and causing their market prices to decline. This may cause the values of securities held by a CLO to be more volatile.

LIBOR Discontinuance

Many financial instruments are tied to the London Interbank Offered Rate, or “LIBOR,” to determine payment obligations, financing terms, hedging strategies, or investment value. LIBOR is the offered rate for short-term Eurodollar deposits between major international banks. In 2017, the UK Financial Conduct Authority (“FCA”) announced the FCA’s intention to cease compelling banks to provide the quotations needed to sustain LIBOR from the end of 2021. On March 5, 2021, the FCA and LIBOR’s administrator, ICE Benchmark Administration (IBA), announced that most LIBOR settings will no longer be published after the end of 2021 and a majority of U.S. dollar LIBOR settings will no longer be published after June 30, 2023. It is possible that the FCA may compel the IBA to publish a subset of LIBOR settings after these dates on a “synthetic” basis, but any such publications would be considered non-representative of the underlying market. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. Various financial industry groups have been planning for transition away from LIBOR, but there are obstacles to converting certain securities and transactions to new reference rates. Markets are developing slowly and questions around liquidity in these rates and how to appropriately adjust these rates to mitigate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the CLOs. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by a CLO or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for a CLO.

Non-Disclosure of Positions

In an effort to protect the confidentiality of its positions, certain CLOs generally will not disclose all of their positions to their investors on an ongoing basis, although the Adviser, in its sole discretion, may permit such disclosure on a select basis to certain investors, if it determines that there are sufficient confidentiality agreements and procedures in place.

Business and Regulatory Risks of Private Investment Funds

Legal, tax and regulatory changes could occur during the term of a CLO that may adversely affect such CLO. The regulatory environment for private investment funds and their investment advisers is evolving, and changes in the regulation of private investment funds or their investment advisers may adversely affect the value of investments held by a CLO and the ability of a CLO to obtain the leverage it might otherwise obtain or to pursue its trading strategies. Additionally, changes in regulation may make it prudent to restructure one or more CLOs, and the CLOs will bear the cost of any such restructuring. In addition, the securities and futures markets are subject to

comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. In addition, regulators are increasingly considering the role of non-bank lenders. There is no guarantee that laws and regulations applicable to non-bank lenders will not change in a manner that adversely affects a CLO, including the ability of a CLO to originate loans or otherwise restrict a CLO's activities in this regard, or otherwise restrict or materially increase the cost of business to a CLO of pursuing all potential investment strategies and options.

Cybersecurity Risks

The Adviser, the CLOs' 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 CLOs and their investors, despite the efforts of the Adviser and the CLOs' 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 CLO and its investors. For example, systems used by the Adviser or a CLO's service providers may be vulnerable to damage or interruption from malware, network failures, computer or telecommunication failures, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Additionally, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser, the CLOs' 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 Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the CLOs' investors. A successful penetration or circumvention of the security of the Adviser's 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 a CLO, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance and remediation costs or financial loss. In addition, the Adviser or a CLO 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 CLOs invests, which could have material adverse consequences for such companies, and may cause the CLOs' investments to lose value.

Risks Resulting from the United Kingdom's Exit from European Union ("Brexit")

The United Kingdom ("UK") left the European Union ("EU") on January 31, 2020 (commonly referred to as "Brexit"). During an 11-month transition period, the UK and the EU agreed to a

Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the EU and the UK from January 1, 2021. The Trade and Cooperation Agreement does not provide the UK with the same level of rights or access to all goods and services in the EU as the UK previously maintained as a member of the EU and during the transition period. In particular, the Trade and Cooperation Agreement does not include an agreement on financial services which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the UK and the EU.

From January 1, 2021, EU laws ceased to apply in the UK. However, many EU laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the EU and the UK on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on a CLO and its investments. Such changes could be materially detrimental to investors.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the UK, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the UK or the EU, including companies or assets held or considered for prospective investment by a CLO.

The future application of EU -based legislation to the private fund industry in the UK and the EU will ultimately depend on how the UK renegotiates the regulation of the provision of financial services within and to persons in the EU. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on a CLO and its investments, including the ability of a CLO to achieve its investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of the Adviser and its affiliates to manage, operate and invest a CLO and increased legal, regulatory or compliance burden for the Adviser, its affiliates and/or a CLO, each of which may have a negative impact on the operations, financial condition, returns or prospects of a CLO.

Areas where the uncertainty created by the UK's withdrawal from the EU is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within EU countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of a CLO's investments and the ability to achieve the investment objective of a CLO.

EU and UK Risk Retention Requirements

Risk retention and due diligence requirements (the “EU and UK Risk Retention Rules”) apply to various types of investor regulated in the EU and UK, including credit institutions and investment firms (and certain consolidated affiliates of such credit institutions and investment firms), alternative investment fund managers that manage or market alternative investment funds in the EU or the UK, insurance and reinsurance undertakings, undertakings for collective investment in transferable securities (UCITS) and, where relevant, their management companies and certain occupational pension schemes or their authorized fund managers (together, “Affected Investors”). The EU and UK Risk Retention Rules are contained in Regulation (EU) 2017/2402 (the “EU Securitisation Regulation”) and the EU Securitisation Regulation, as it forms part of UK domestic law by virtue of the EU (Withdrawal) Act 2018 (as amended), subject to amendments made by the Securitisation (Amendment) (EU Exit) Regulations 2019 (SI 2019/660), (the “UK Securitisation Regulation”, and, together with the EU Securitisation Regulation, the “Securitisation Regulations”).

Amongst other things, such requirements restrict an investor who is subject to the EU and UK Risk Retention Rules from investing in securitizations, unless the investor has verified: (i) in the case of certain originators and original lenders, the credit-granting criteria of the originator or original lender in respect of the relevant securitization; (ii) that the originator, sponsor or original lender in respect of the relevant securitization (the “Risk Retention Holder”) retains, on an ongoing basis, a material net economic interest of not less than 5% in respect of certain specified credit risk tranches or securitized exposures and has disclosed such risk retention to investors; and (iii) generally speaking, that the originator, sponsor or securitization special purpose entity (or issuer) has made available certain information to investors. The investor must also be able to demonstrate that it has undertaken certain due diligence in respect of various matters including but not limited to (a) its note position, (b) the underlying assets, and (c) the structural features of the securitization that can materially impact the performance of the note position. Risk Retention Holders must hold the retained material net economic interest throughout the life of the securitization and may not enter into any arrangement designed to mitigate the credit risk in relation thereto.

Investments by a CLO which involve the tranching of credit risk associated with an exposure or pool of exposures are likely to be treated as “securitizations” under the EU and UK Risk Retention Rules. The originator, sponsor or original lender of the transaction (which could be a CLO or the Advisor), if such investments involve Affected Investors or where the originator, sponsor or original lender is established in the EU or UK, may be required to act as the Risk Retention Holder. This could increase the costs of such investments for a CLO and, where it acts as the Risk Retention Holder, reduce the CLO’s liquidity and prevent the CLO from entering into any credit risk mitigation in respect of such investments.

The Securitisation Regulations impose a direct retention obligation on originators, sponsors and original lenders of securitizations. Failure by the originator, sponsor or original lender to comply with this retention obligation under the EU Securitisation Regulation could result in criminal sanctions and fines of up to 10% of total annual turnover (calculated on a consolidated basis). Any contravention of an applicable requirement of the UK Securitisation Regulation may be addressed by the relevant regulator exercising its general enforcement powers, which are wide-ranging and may include public censure and/or the imposition of financial penalties. The Securitisation Regulations do not explicitly provide for sanctions for failure by an Affected Investor to comply with the due diligence requirements, although sanctions or other adverse

implications, including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge, may apply under the relevant sectoral EU and UK legislation governing the Affected Investor. Prospective investors should be aware that the range of investment strategies and investments that a CLO is able to pursue may be limited by the Securitisation Regulations, and that there may be other adverse consequences for investors and their capital investments in a CLO as a result of the EU and UK Risk Retention Rules, which apply under the Securitisation Regulations.

U.S. Federal Income Tax Reform

Major tax reform legislation has been passed by Congress commonly known as the Tax Cuts and Jobs Act (the “Tax Reform Act”), and President Trump has signed the Tax Reform Act into law. Among the numerous changes included in the Tax Reform Act are (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) a new maximum tax rate for individuals receiving certain business income from “pass-through” entities, (iv) a partial shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with a transitional rule which taxes certain historic accumulated earnings and rules which prevent tax planning strategies which shift profits to low-tax jurisdictions) and (v) the suspension of certain miscellaneous itemized deductions, including deductions for investment fees and expenses, until 2026. The impact of the Tax Reform Act on an investment in the CLO is uncertain. Prospective investors should consult their own tax advisors regarding potential changes in tax laws.

Projections

A CLO may rely upon projections, forecasts or estimates developed by the Adviser and its affiliates or a company in which a CLO is invested concerning the company’s future performance and cash flow. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond a CLO’s control. Actual events may differ from those assumed. Some important factors which could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates; loan pricing; leverage levels; loan structures; credit agreement terms; prepayment rates; timing of acquiring additional assets for a CLO; exchange rates or default or recovery rates or timing; mismatches between the timing of accrual and receipt of proceeds from a CLO’s assets; domestic and foreign business, market, financial or legal conditions; differences in the actual allocation of a CLO’s investments among asset groups from that described herein; the degree to which a CLO’s investments are hedged and the effectiveness of such hedges, among others. There can be no assurance that certain of the CLOs’ estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated therein.

None of the CLOs, the Adviser, their respective affiliates or any other person has any obligation to update or otherwise revise any projections, forecasts or estimates, including any revisions to reflect changes in economic conditions or other circumstances arising after the date of such projections, forecasts or estimates or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Reliance on Certain Third Parties

CLOs are dependent upon their service providers, such as the trustees, directors, custodians and administrators of the CLOs. Errors are inherent in the operations of any business (including the business of the CLOs), and although the Adviser has adopted measures to prevent and detect errors by, and misconduct of, service providers, and to transact with service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct by such service providers could have a material adverse effect on the CLOs.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment through a CLO. Prospective investors are recommended to review the applicable offering documents and/or investment management agreement of each CLO for a more complete discussion of the risk factors associated with an investment and consult with their own advisors before deciding whether to invest. In addition, as a CLO's investment program develops and changes over time, an investment in a CLO may be subject to additional and different risk factors.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a Client's (or investor's) or a prospective Client's (or investor's) evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

Item 10. Other Financial Industry Activities and Affiliations

Affiliated Advisers

The Adviser is affiliated with the investment advisers listed below.

- Benefit Street Partners L.L.C. ("BSP"): a U.S. registered investment adviser with the SEC.
- Franklin BSP Lending Adviser, L.L.C. ("FBSPL Adviser"): a U.S. registered investment adviser with the SEC.
- Franklin BSP Capital Adviser LLC ("Franklin BSP"): a U.S. registered investment adviser with the SEC.
- K2/D&S Management Co., L.L.C. ("K2/D&S"): a U.S. registered investment adviser with the SEC.
- Alcentra NY: a U.S. registered investment adviser with the SEC.
- Alcentra Ltd.: a non-U.S. registered investment adviser with the SEC and also regulated by the United Kingdom Financial Conduct Authority.

Clients of the Adviser may from time to time participate in transactions alongside other clients of the Adviser or clients of an affiliated adviser.

The Adviser is indirectly controlled by BSP, a subsidiary of Franklin Templeton. Franklin Templeton is operated and managed separately from the Adviser, and Franklin Templeton does not have any involvement in the day-to-day investment operations of the Adviser. The Adviser does not coordinate investment activities with Franklin Templeton but does consult with Franklin Templeton regarding certain compliance related policies and procedures. All recommendations

and allocations of investment opportunities are made by the Adviser independent of Franklin Templeton.

For a description of material conflicts of interest created by the relationship among the Adviser and the affiliated advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser's code of ethics ("Code of Ethics") requires each of the Adviser's employees to deal honestly and fairly with all persons with whom he or she has contact. The Code of Ethics is designed to comply with Rule 204A-1 of the Advisers Act. Employees at all times must place the interests of the CLOs and their investors first. Employees are required to conduct their personal trading so as to avoid any actual or potential conflicts of interest or any abuse of a position of trust or responsibility. Moreover, employees may not take inappropriate advantage of their positions. The Code of Ethics includes policies regarding personal trading by the Adviser's employees and members of their immediate families. These policies limit personal trading by employees in a wide range of securities, including common and preferred stock, debt instruments, securities that are convertible or exchangeable for equity or debt securities, derivative instruments, and shares of closed-end investment companies registered under the Investment Company Act and business development companies. Employees must report every account in which they have a direct or indirect beneficial interest, other than personal savings or checking accounts that are not able to hold securities of any type, and have copies of periodic account statements sent by their broker(s) to the Adviser's compliance department. In addition, if they directly or indirectly influence or control trading in the account, they must pre-clear covered securities transactions with the Adviser's compliance department.

A copy of the Code of Ethics is available to any client or prospective client upon request by calling Alexander H. McMillan at 212-588-6712 or by writing to Mr. McMillan, Chief Compliance Officer, BSP CLO Management L.L.C., 9 West 57th Street, Suite 4920, New York, New York 10019 or by contacting Mr. McMillan via email at a.mcmillan@benefitstreetpartners.com.

Restricted List

Whenever the Adviser comes into possession of material non-public information ("MNPI"), or otherwise has any type of relationship or other basis upon which the Adviser could come into possession of MNPI or otherwise have access to MNPI, the Adviser will make a determination as to whether to place the issuer, borrower, security or instrument on the Adviser's Restricted Trading/Securities List (the "Restricted List"). The Restricted List may include, but is not necessarily limited to: companies with publicly registered, publicly traded or otherwise outstanding securities or instruments in which the Adviser, or certain advisory affiliates have a strategic or ownership interest or other similar relationship; where an employee of the Adviser or certain advisory affiliates sits on the board of directors; where the Adviser or certain advisory affiliates have access to material non-public information concerning the company or its affiliates;

or, where the Adviser has private-side information on certain outstanding loans.

The Adviser has implemented a single Restricted List covering the advisory and trading activities of the Adviser, BSP, Alcentra NY and Alcentra Ltd. As such, an issuer, borrower, security or instrument may be placed on the Restricted List when any of the Adviser, BSP, Alcentra NY or Alcentra Ltd. comes into possession of MNPI. When an issuer, borrower, security or instrument is placed on the Restricted List, the Adviser, BSP, Alcentra NY, Alcentra Ltd. and their respective employees are prohibited from trading in any such issuer, borrower, security or instrument without prior approval (i) on behalf of a CLO; (ii) on behalf of a client of BSP, Alcentra NY or Alcentra Ltd., or (iii) for personal trading by employees. Once an issuer, borrower, security or instrument has been placed on the Restricted List, any trading of an existing position for a CLO or a client of BSP, Alcentra NY or Alcentra Ltd. is prohibited without prior approval or until the issuer, borrower, security or instrument is removed from the Restricted List.

If an issuer's securities are in a CLO and subsequently that issuer's securities are placed on the Restricted List, absent an exception, the Adviser will not be permitted to trade that issuer's securities in the CLO until those securities are removed from the Restricted List. CLOs may therefore be restricted from trading because the Adviser, BSP, Alcentra NY or Alcentra Ltd. possesses MNPI and may bear the risk of loss during the period any such securities are on the Restricted List. Accordingly, the placement of securities on the Restricted List has the potential to affect the Adviser's ability to exercise investment discretion in a CLO and the performance of such impacted CLO.

Alternatively, to prevent the potential misuse of MNPI, we, BSP, Alcentra NY and Alcentra Limited have the ability to implement, and may in the future implement, information barriers separating their respective investment and portfolio management teams from the rest of the business. Alcentra, Alcentra Limited and BSP have, and may in the future, on a limited basis, establish information barriers around individuals, investment teams and portfolio managers, or a select group or division. In this case, those persons falling within the information barriers would be subject to the securities trading prohibition and except for need-to-know communications to others within the information barrier (or, based on the information transmission, will now be within the wall), the communication prohibition as discussed above. The breadth of the information barriers and the persons included within it are determined on a case-by-case basis.

Participation or Interest in Client Transactions

The Adviser, its affiliates, certain of its principals and employees, and/or their family members and related vehicles invest in and alongside certain of the CLOs, and/or in one or more classes of CLO securities and additional subordinated notes issued by the CLOs, either through a general partner of a CLO, as direct investors in a CLO or otherwise. Advisory Fees and Incentive Allocations assessed on such investments are typically substantially reduced or waived entirely by the Adviser, a CLO or its general partner, as applicable. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" below.

Investor Due Diligence Information

Due in part to the fact that potential investors in a CLO (including a potential purchaser of an

interest in a secondary transaction) may ask different questions and request different information, the Adviser provides certain information to one or more prospective investors that it does not provide to all of the prospective or current investors of the CLO. In addition, certain investors in the CLOs are strategic investors directly or indirectly into the Adviser, which results in such investors receiving greater or different information regarding the Adviser.

Conflicts of Interest

The Adviser and its affiliates engage in a broad range of activities, including investment activities for their own account and for the account of the CLOs and other clients. In the ordinary course of conducting its activities, the interests of a CLO may conflict with the interests of the Adviser, other CLOs or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below. The discussion below does not describe all conflicts that may arise.

Resolution of Conflicts

In the case of conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable CLOs with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A CLO will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the applicable CLO.
- (2) Conflicts of interest will generally be resolved by set procedures contained in the relevant offering and organizational and issuing documents of a CLO, if applicable.
- (3) The Adviser and certain of its affiliates have adopted written policies establishing information "walls" designed to limit communication between business units investing in equity securities and debt securities of companies. These policies restrict the transfer of confidential information between these business units, subject to certain exceptions provided in the policies. These policies establish procedures for communications among employees of different business units to guard against unlawful and inappropriate disclosure of material, nonpublic information.
- (4) On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith judgment.

In addition, certain provisions of a CLO's organizational and issuing documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some conflicts of interest may be resolved in a manner adverse to a CLO and its ability to achieve its investment objectives.

Potential Conflicts

The potential material conflicts of interest encountered by a CLO include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a CLO. Other conflicts may be disclosed throughout this brochure, and the brochure should be read in its entirety for other conflicts.

Principal Transactions

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Very generally, if an adviser (or an affiliate) purchases a security from or sells a security to a client, the adviser must disclose the terms of the transaction to the client and obtain the informed consent of the client prior to engaging in the principal transaction. In connection with the Adviser's management of certain of the CLOs, and to the extent permitted by law and the Adviser's or an applicable CLO's compliance policies and procedures, the Adviser and its affiliates may engage in principal transactions, but will not directly or indirectly receive any commission or other transaction-based compensation for effecting such transaction. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act and the Investment Company Act as they relate to principal transactions, including, among other things, that disclosures required by Section 206 be made to the applicable CLO regarding any proposed principal transactions and that any required prior consent is received before executing a principal transaction.

Cross Transactions

A cross transaction generally refers to a transaction where one client account managed by the Adviser or its affiliates seeks to acquire an investment that another client account of the Adviser seeks to sell. Cross transactions may create conflicts of interest because a CLO is on both sides of the transaction. The Adviser on occasion, and to the extent permitted by applicable law, including the Investment Company Act, and the Adviser's or an applicable CLO's compliance policies and procedures, purchases a security or asset for one CLO at the same time as a sale of the same security or asset for another CLO or effects cross transactions between CLOs or potentially with clients of the Adviser's affiliates. Such transactions may, for example, be effected to rebalance the positions held by the CLOs with a view towards achieving uniform results among certain clients in light of differing cash flows due to subscriptions and redemptions. The valuation of investments transferred between CLOs may involve conflicts of interest.

Conflicts Related to Purchases and Sales

The Adviser, its affiliates, and officers, principals or employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to clients. In addition, such officers, principals or employees may buy securities in transactions offered to but rejected by clients. Such transactions are subject to the policies and procedures adopted by the Adviser from time to time. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Adviser's other clients or clients of its affiliates. The Adviser, its affiliates, certain of its principals and employees, and their relatives may invest in and alongside the CLOs either through a general partner of a CLO, as direct investors in a CLO

or otherwise, and therefore may have additional conflicting interests in connection with these investments.

The Adviser, its affiliates, and their employees are prohibited from “front running” (i.e., purchasing a security for a personal account while knowing that a CLO is about to purchase the same security, and then selling the security at a profit upon the rise in the market price following the purchase by the CLO). They are similarly prohibited from engaging in short selling when they have access to confidential information that a CLO is about to sell a particular security. In addition, they are prohibited from “intermarket front running” (e.g., trading in an option for a personal account when a CLO is trading in the underlying security and vice versa). Nevertheless, if the Adviser, its affiliates, and their employees have made large capital investments in or alongside the CLOs, such persons may have conflicting interests from such CLOs with respect to these investments (for example, with respect to the availability and timing of liquidity).

A particular investment may be bought or sold for only one CLO or in different amounts and at different times for one (or more than one) CLO, even though it could have been bought or sold for other CLOs at the same time. Likewise, a particular investment may be bought for one or more CLOs when one or more other CLOs are selling the investment. Conflicts also may arise when a CLO makes investments in conjunction with an investment being made by other CLOs or a client of the Adviser’s affiliates, or in a transaction where another CLO or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for CLOs and/or clients of the Adviser’s affiliates at the same time, at different or overlapping levels of a portfolio company’s capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, whether or not or in what manner to exercise a voting or consent right, and the terms of any work out or restructuring may raise conflicts of interest, particularly in CLOs and clients of the Adviser’s affiliates that have invested in different securities within the same portfolio company.

Certain clients of the Adviser and its affiliates invest in bank debt, loans and securities of or other investments in companies in which other clients of the Adviser or its affiliates hold securities, loans or other investments, including equity securities, which may include a controlling position. In the event that such investments are made by a CLO, the interests of such CLO may be in conflict with the interest of such other CLO or client of the Adviser’s affiliates, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels, or in different levels of the debt structure of an issuer, could cause conflicts of interest. In certain circumstances, decisions made with respect to investments held by one CLO or client of the Adviser’s affiliates could adversely affect the investments of another CLO or another client of the Adviser’s affiliates. The involvement of such persons at multiple levels of the capital structure could also inhibit strategic information exchanges among fellow creditors. In certain circumstances, CLOs or the clients of the Adviser’s affiliates may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities,

the CLOs may or may not provide such additional capital, and if provided each CLO will supply such additional capital in such amounts, if any, as determined by the Adviser. The Adviser and its affiliates seek to address these conflicts by adopting policies and procedures, which may include limiting investments by a CLO which produce such conflicts, limiting voting or roles on creditors' committees, procedures designed to ensure that the teams managing the investments make independent decisions through the enforcement of information barriers and similar procedures, or other procedures in the judgment of the Adviser.

Investments by more than one client of the Adviser or its affiliates in a portfolio company may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates.

The Adviser and its affiliates will attempt to resolve any such conflicts in good faith, but there can be no assurance that such conflicts of interest or actions taken by the Adviser or its affiliates in respect of other CLOs will not have an adverse effect on the investments made by a CLO. There can be no assurance that the return of a CLO participating in a transaction would be equal to and not less than another CLO participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. Conflicts of interest related to investments by other CLOs or funds managed by the Adviser's affiliates may result in a CLO limiting its participation in certain attractive investment opportunities.

Allocations

Each CLO may pursue investment opportunities similar to those pursued by another CLO or by clients of the Adviser's affiliates. The Adviser and its affiliates currently advise and manage, and expect that they will in the future advise and manage, other CLOs which are additional investment accounts and pooled investment funds, including hedge funds, private equity funds, single investor funds, sector specific, asset class specific or geographic specific private investment funds, including registered investment companies or business development companies, for which an investment to be made by the CLO is also appropriate.

To the extent a particular investment opportunity is suitable for more than one CLO, such investment will be allocated among the applicable CLOs as determined by the Adviser in its good faith judgment and in accordance with the organizational and issuing documents of the relevant CLOs, the investment allocation policies and procedures of the Adviser, and subject to applicable legal, tax, regulatory and other considerations. Allocation decisions can raise conflicts, for example, if certain CLOs or a client of the Adviser's affiliates have different fee structures, or because certain legal and regulatory restrictions under the Advisers Act may prevent a CLO from receiving allocations of investment opportunities also held by or allocable to registered investment companies or business development companies advised or managed by the Adviser or its affiliates. Furthermore, the Adviser, its affiliates, certain of its principals and employees, and their relatives may invest in and alongside the CLOs, either through a general partner of a CLO, as direct investors in a CLO or otherwise, and may, therefore, participate indirectly in investments made by the CLOs in which they invest. Such interests will vary CLO by CLO and may create an incentive to allocate particularly attractive investment opportunities to the CLO in which such personnel hold a greater interest.

Subject to applicable investment objectives and guidelines and the CLOs' governing documents and the investment portfolio construction objectives for each of the CLOs, respectively, as determined by the Adviser in its good faith discretion, the Adviser and its affiliates generally expect to allocate investment opportunities pro rata based on the available capital of each CLO, or in some other manner that the Adviser determines is fair and equitable. With respect to the CLOs, currently available capital may include, in the Adviser's discretion, anticipated target or available leverage, unsettled trades, unfunded commitments, and uncalled capital, the anticipated ultimate investment size or investment mandate of each CLO, and the structure, terms and life cycle of each CLO. Where consistent with the governing documents applicable to any affected CLO and with proper disclosure of all material risks and conflicts of interest as determined by the Adviser, the Adviser may also utilize participation interests to effect desired allocations of economic interests in investments where title to any such investment may not be held by one or more CLOs.

In addition, certain investment opportunities may be allocated on a non-pro-rata basis using certain factors such as risk factors or risk tolerances and/or diversification, CLO investment restrictions, currency or other exposures, current portfolio composition and investment portfolio construction objectives, whether a CLO has an existing investment in the portfolio company, as well as the CLO's structure, terms, and phase in its life cycle (for example, certain opportunities may be over-allocated or under-allocated to a CLO during the beginning or the end of its investment period, as described below), tax or regulatory restrictions applicable to the CLO, the supply or demand of an investment opportunity at a given price level, the level of transaction costs involved in making the investment relative to the amount of capital the CLO has available for the investment, issuer, sector and geographic diversification, and certain other factors. In particular, the Adviser has in the past and currently intends in the future in certain circumstances to over-allocate certain instruments, in particular, CLOs, during an initial period at the beginning of such CLOs' investment cycle. Such allocations may reduce the supply of such instruments available to other CLOs. Allocations based on the relative desired allocation for the applicable strategy may create an incentive for portfolio managers to seek excess allocations for certain limited opportunities.

To the extent that a CLO has multiple classes, series, tranches, or other divisions within its structure that have different investment mandates, investment return profiles, investment terms, investment periods, lifecycles or other different or disparate terms or provisions regarding investment opportunities (such as, by way of illustration, a CLO that has both a class of series with a fixed term and a class of series that is evergreen), each such class, series, tranche, or other division of such CLO shall be treated as a separate CLO for purposes of the allocation of investment opportunities.

Allocations of investment opportunities to CLOs will generally be made pro rata to each of the CLOs based upon each such CLOs stated Target Initial Par Amount, as such Target Initial Par Amount is set forth in each such CLOs constituent, governance and offering documents (the "CLO Documents"), subject at all times to (i) the other investment conditions and requirements set forth in such CLO Documents and (ii) the determinations of the Adviser to make allocations in its good faith judgment and in accordance with the organizational and offering documents of all CLOs, the general investment allocation policies and procedures of the Adviser, all applicable legal, tax, regulatory and other considerations, and all such other factors the Adviser deems appropriate with respect to such allocations of investment opportunities.

Notwithstanding the foregoing, in certain circumstances as determined by the Adviser in its sole discretion, a CLO that would otherwise receive an allocation under the policies and principles set forth above will not receive such allocation if it would result in an allocation of a de minimis amount to such CLO. Generally, the Adviser will not make an allocation of any investment opportunity to any CLO if such allocated amount, at the time of such allocation, would be less than Five Thousand Dollars (\$5,000) (the “De Minimis Threshold”). In the event that a CLO does not receive an allocation of an investment opportunity as a result of the application of the De Minimis Threshold (the “De Minimis Non-Allocation”), such CLO generally will be allocated an incremental excess amount of the next investment opportunity in the same strategy (or other closely related strategy as determined by the Adviser in its sole discretion) to which the De Minimis Non-Allocation relates in an amount necessary so that the percentage of its available capital that is invested is consistent with the provisions described herein.

The Adviser’s policy is to allocate investment opportunities prior to or at the trade date or closing of an investment. Particularly with respect to loans and certain other illiquid investments, it is not always possible or practical to determine the proper initial allocation of an investment opportunity prior to or at the closing of the investment. This delay may be due to, among other things, uncertainty of investment structure prior to closing, pending tax analysis, imminent first closings of new CLOs (or classes or series thereof) prior to or at the time of the closing of an investment, and/or a variety of other circumstances. In such an event, the Adviser may make the investment in one or more CLOs with the understanding that the Adviser will finally allocate the investment after closing (a “Final Allocation”). In these circumstances, the Adviser shall use its best efforts to determine the Final Allocation of an investment opportunity as quickly as reasonably practical after the closing of the investment. At all times, the Adviser will seek to make each Final Allocation within thirty (30) days of closing (the “Final Allocation Period”). So long as a Final Allocation is made within the Final Allocation Period, the Adviser will treat the Final Allocation as if made on the date of closing and shall not treat the Final Allocation as a cross transaction (or principal transaction) between or among CLOs. Cost of capital, however, shall always be taken into account so that one or more CLOs may, if deemed appropriate by the Adviser, reimburse one or more other CLOs for the cost of capital (in addition to its or their share of an initial capital outlay) dating back to the date such capital was provided by such CLO. In the event a Final Allocation is made outside of the Final Allocation Period, the Adviser shall treat the Final Allocation as a cross transaction (or principal transaction, as applicable) pursuant to its policies and procedures with respect to cross transactions and/or principal transactions, as applicable.

There can be no assurance that the application of the policies and procedures set out above will result in a CLO participating in all investment opportunities that fall within its investment objectives. Further, BSP, FBSPL Adviser, Franklin BSP and Alcentra NY, have integrated, and Alcentra NY is in the process of further integrating, certain of their advisory activities with the Adviser, including with respect to the allocation of investment opportunities for their respective clients, some of which clients have overlapping investment objectives with the CLOs. Moreover, K2/D&S and Alcentra Ltd. operate separately with respect to their advisory activities, such that investment opportunities that K2/D&S and Alcentra Ltd. source, respectively, are subject to its own separate allocation policies, procedures and obligations and not the allocation policies, procedures and obligations of the others.

From time to time, the Adviser may refer determinations regarding the allocation of certain investment opportunities to the Adviser's Allocation Committee (the "Allocation Committee"). The Allocation Committee reviews certain of the allocation of investment and disposition opportunities made among the Adviser's CLOs after such allocations have been made, including with respect to non-standard allocations of investment opportunities, with the intention of fostering fair and equitable allocation over time. The Allocation Committee consists of senior officers of appropriate departments of the Adviser.

The appropriate allocation between the CLOs of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith judgment.

In addition, to the extent the Adviser has discretion over approving a secondary transfer of interests in a CLO, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, and is permitted to take into account a variety of factors, including but not limited to its own interests including: (1) the Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; (2) the Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future CLOs and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment; (3) whether the potential purchaser would subject the Adviser, a CLO, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; (4) requirements in the applicable CLO's organizational and issuing documents; (5) a purchaser's potential investment into a CLO managed or advised by the Adviser (including any commitment to a future fund); and (6) such other facts as it deems appropriate under the circumstances in exercising such discretion.

Any intra-CLO allocations will be done in accordance with the organizational and issuing documents for such entities, including with respect to any CLO that has multiple classes, series, tranches or other divisions within its structure that have different investment mandates, investment return profiles, investment terms, investment periods, lifecycles or other different or disparate terms or provisions regarding investment opportunities. These allocations are generally expected to be made on a pro rata basis. Nevertheless, the Adviser and its affiliates furnish investment management and advisory services to numerous CLOs and accounts and the Adviser and its affiliates may, consistent with applicable law, make investment recommendations to other CLOs or accounts (including accounts which are private funds or separately managed accounts which have management fees and performance fees or allocations at higher or varying rates paid to the Adviser or one or more of its affiliates, or in which portfolio managers or other personnel of the Adviser have a personal interest in the receipt of such fees or have personal investments), which may be the same as or different from those made to a particular CLO and may cause conflicts of interest in the allocation of investment opportunities. In addition, conflicts of interest or legal or regulatory requirements, including those related to the Investment Company Act, applicable to certain CLOs, may result in the Adviser and its affiliates limiting a CLO's or client's participation (or the CLO or client being unable to participate) in certain attractive investment opportunities. See Item 6. "Performance-Based Fees" above.

Co-Investment Opportunities

From time to time in connection with a co-investment opportunity, the Adviser or its affiliates may facilitate such co-investment, and it or an affiliate may serve as the general partner or equivalent of a co-investment vehicle. The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the CLOs (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the CLOs or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable CLO), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such CLOs' organizational and issuing documents/side letter agreements.

The Adviser may, in its sole discretion, offer co-investment opportunities to one or more investors in a CLO or third parties. In general, (i) no investor will have a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons considering such factors as the Adviser may consider relevant, (iii) co-investment opportunities are typically offered to some and not to other investors in the CLOs, in the sole discretion of the Adviser or its related persons, which may include affiliates of or investors in the Adviser and its related persons, and investors may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than investors in the CLOs (e.g., third parties) rather than one or more investors in a CLO, may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the CLOs or may purchase their interests from the applicable CLOs after such CLOs have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer).

Notwithstanding the foregoing, the Adviser has entered into certain agreements to provide co-investment rights to certain investors in the CLOs and third parties. The Adviser will allocate available co-investment opportunities among any such other parties as it may in its sole discretion determine (including, without limitation, another CLO, affiliates of the Adviser (and/or their respective family members), and any person or entity who the Adviser believes will be of benefit to the co-investment, the CLO, or another CLO or who may provide a strategic, sourcing or similar benefit to the investment, CLO, another CLO, the Adviser, or one or more of their respective affiliates due to industry expertise or otherwise, including finders, senior advisors, originators and/or consultants of the CLO (and may also organize one or more entities to invest in the CLO or to co-invest alongside the CLO to facilitate personal investments by such persons or entities)). Co-investments may be committed and/or consummated before or after the time that the CLO makes its commitment or acquires the investment. In the event of a post-closing sell down, the CLO will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms. The CLO may, in certain circumstances, bear the entire amount of any break-up fee or other fees, costs and expenses related to such investment, hold a larger portion than expected in such investment, or may realize lower-than-expected returns from such investment. The CLO may also borrow to fund the portion of an investment that it intends to sell to co-investors. The CLO will also bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that may not reflect the then-current

value of such investment. In the case of a post-closing sell down, the Adviser may decide to charge (or may decide not to charge) a co-investor interest costs in addition to cost for the time period between the closing of the CLO's investment in a portfolio company and the date of the transfer of interests in such portfolio company to the applicable co-investor. In certain circumstances, the Adviser expects to receive compensation or other benefits from a third party for a co-investment opportunity, in which case the Adviser would have conflicts with respect to determinations as to when and to whom to make co-investment opportunities available. Additionally, non-binding acknowledgments of interest in co-investment opportunities are not investment allocation requirements and do not require the Adviser to notify the recipients of such acknowledgments if there is a co-investment opportunity.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the CLO, may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. As a general matter, no co-investor will bear dead deal costs or break-up fees until they are contractually committed to invest in the prospective investment and, furthermore, unless any co-investors otherwise agree, the applicable CLOs will bear the entire amount of any research, transaction, break-up fee or broken deal expense or other fees, costs and expenses related to an investment that is not consummated.

Management of the CLOs

The Adviser manages several CLOs that have investment objectives similar to each other. Further, BSP also manages CLOs that may have investment objectives similar to those managed by the Adviser. The Adviser expects in the future to establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current CLOs. Allocation of available investment opportunities between the CLOs and any such investment fund could give rise to conflicts of interest. See "Allocations" above. Certain officers and employees of the Adviser who invest in or alongside the CLOs may have different interests from the CLO with respect to such investments (for example, with respect to the availability and timing of liquidity). The Adviser may give advice or take actions with respect to, the investments of one or more CLO that may not be given or taken with respect to other CLOs with similar investment programs, objectives or strategies. As a result, CLOs with similar strategies may not hold the same securities or achieve the same performance. In addition, a CLO may not be able to invest through the same investment vehicles or have access to similar credit or utilize similar investment strategies as another CLO. These differences may result in variations with respect to holdings of a CLO's and the price, leverage and associated costs of a particular investment opportunity and differences in a CLO's performance as compared to other CLOs with similar investment programs, objectives or strategies. In addition, it is expected that employees of the Adviser responsible for managing a particular CLO will have responsibilities with respect to other CLOs and funds managed by the Adviser's affiliates, including funds that it expects to establish in the future. Conflicts of interest may arise in allocating time, services or functions of these employees among CLOs and funds managed by the Adviser's affiliates. See also the Adviser's response to the section entitled "Other Potential Conflicts" below, which describes other activities undertaken by employees of the Adviser.

Commonly-Held Portfolio Investments

Where certain CLOs hold the same investment, the differing investment objectives of these CLOs, as well as other factors applicable to the specific situation (including the differing liquidity requirements of the CLOs), may result in a determination to dispose of, or retain, all or a portion of an investment on behalf of a CLO at different times as such investment or portion thereof is being disposed of, or retained, by such other CLOs. The Adviser may also recommend investments to certain other CLOs that may differ from investments recommended to another CLO, even though the investment objectives of these CLOs may be similar. Further, in some instances, certain CLOs may choose to coordinate their activities (such as timing dispositions in an orderly way in order to avoid affecting the market value of a class of investment in an unduly volatile manner) with respect to commonly held investments, when it would theoretically be possible for the Adviser to act unilaterally with respect to a CLO's holdings in such investment. Such coordination could have the effect of lowering returns on such investment relative to what might have been achieved absent such coordination. However, the Adviser is not obligated to engage in such coordination and in fact may elect not to do so in any particular circumstance.

Certain CLOs advised by the Adviser, are expected to hold overlapping positions, certain of which may be thinly traded or more illiquid. Accordingly, sales into the market of such positions, including to meet liquidity requirements with respect to one or more CLOs, could adversely impact the value of such positions held by another CLO. Such sales could be particularly adverse to a CLO where the CLOs hold the same or overlapping positions and a CLO provides investors the opportunity to withdraw or otherwise has a different liquidity profile relative to another CLO.

Follow-on Investments

An additional investment made by a CLO in an existing portfolio investment presents a conflict of interest, including the terms of any new financing as well as the allocation of the investment opportunities in the case of follow-on investments by a CLO in a portfolio investment in which another CLO or client of the Adviser or any of the Adviser's affiliates has previously invested. In addition, a CLO may participate in leveraging and recapitalization transactions involving a portfolio investment in which another CLO or client of the Adviser's affiliates has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Related Services

Certain affiliates of the Adviser may perform Related Services for, and receive fees from, actual or prospective portfolio companies, other investment vehicles of the CLOs, or the CLOs. Such fees will be in addition to the management fee and Incentive Allocation paid by such CLO to the Adviser. These fees may create a conflict of interest because the amounts of these fees may be substantial, and the CLOs and their investors may not have an interest in these fees. In many cases, with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement

with the portfolio company.

Diverse Membership

The investors in the CLOs include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the U.S. Such investors may have conflicting investment, tax and other interests with respect to their investments in a CLO. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a CLO, the structuring of the acquisition of investments and the timing of the disposition of investments, as well as the structure of a CLO and its associated parallel funds. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a CLO, the Adviser will consider the investment and tax objectives of the applicable CLO and the investors as a whole, not the investment, tax or other objectives of any investor individually.

Side Letter Agreements

The Adviser enters into side letter arrangements with certain investors in certain of the CLOs providing such investors with different or preferential rights or terms, including but not limited to (i) different or preferential information, (ii) fee structures, (iii) other preferential economic rights, (iv) information and reporting rights, (v) excuse or exclusion rights, (vi) waiver of certain confidentiality provisions, (vii) co-investment rights, (viii) liquidity or transfer rights, (ix) certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, (x) additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor and (xi) veto rights. Except as otherwise agreed with an investor, the Adviser (or applicable general partner) is not required to disclose the terms of side letter arrangements to other investors in the same CLO.

Investments by Employees

Subject to applicable regulatory restrictions, certain employees of the Adviser are permitted to invest directly or indirectly in certain CLOs. Such investors may be in possession of information relating to such CLOs that is not available to other CLO investors. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the other CLO investors. Investments by the senior management and key employees in certain CLOs could incentivize such employees to increase or decrease the risk profile of such CLO. The Adviser shall treat any CLO into which an employee is invested the same as all other CLOs as is required by the Adviser's fiduciary duty.

Advisory Affiliates

The Adviser is affiliated with BSP, K2/D&S, FBSPL Adviser, Franklin BSP, Alcentra NY and Alcentra Ltd., investment advisers registered with the SEC (collectively the "Affiliates"). Certain Affiliates and their relying advisers generally focus primarily on different investment strategies

than the Adviser. However, BSP, Alcentra NY and Alcentra Ltd. have overlapping trading and investment strategies with the Adviser and, with respect to BSP and Alcentra NY, have integrated, and are in the process of further integrating, their advisory activities with the Adviser. As such, clients of the Adviser and the Affiliates may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company. The Adviser and such Affiliates have implemented policies and procedures, and with respect to BSP and Alcentra NY have combined such policies and procedures under a single compliance program, to address their overlapping strategies and investments and integrated advisory activities. The overlapping strategies and investments and integrated advisory activities with these Affiliates raises conflicts of interest, which the Adviser addresses through various policies and procedures, including, but not limited to: (i) allocation of investment opportunities where the Adviser's CLOs and Affiliates' clients may have an interest in the same security; (ii) handling the receipt of material non-public information regarding a portfolio company, issuer or security, the receipt of which by the Adviser or an Affiliate may prevent the Adviser or an Affiliate from trading in such security; (iii) implementation of information barriers and restricting trading in certain securities by the Adviser and across some or all Affiliates; and (iv) aggregation of investments and trade orders between the Adviser and an Affiliate.

In the ordinary course of conducting its activities, interests of the Adviser's clients may, therefore, conflict with the interests of the Affiliates' clients. Please see the Adviser's response in the sections entitled "Conflicts Related to Purchases and Sales" and "Allocations" above for more information. Other than the Affiliates, the other investment adviser affiliates of the Adviser do not have their own clients.

The Adviser is a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as "Franklin Templeton"). Clients of the Adviser and/or Franklin Templeton may invest in the same CLOs, and Franklin Templeton has no obligation to inform the Adviser or the CLOs of any such investments or offer such investments to the CLOs. In the ordinary course of conducting the CLOs' activities, interests of the CLOs may, therefore, conflict with the interests of other clients of the Adviser and/or Franklin Templeton. In addition, as a diversified financial services organization, Franklin Templeton and its affiliates engage in a broad spectrum of activities including financial, advisory, investment and other activities where their interests may conflict with the interests of the CLOs. Certain CLOs authorize the advisory committee to resolve and give consent to certain transactions and conflicts of interest on behalf of the CLO, including certain transactions or conflicts requiring consent of a client of a registered investment adviser under the Advisers Act. Any such consent shall be binding on the CLOs. Franklin Templeton may provide investment advisory services and other services to clients and receive fees for such services in connection with transactions in which those clients may have interests that conflict with those of the CLOs. Franklin Templeton may also give advice to clients that may cause them to take actions adverse to the CLO's investments. In addition, Franklin Templeton may have relationships with clients seeking to invest in an existing portfolio company of the CLOs or clients that compete with an existing portfolio company of the CLOs. Further, although it is not expected, it is possible that Franklin Templeton could create investment vehicles in the future that may compete with the CLOs for investment opportunities. Franklin Templeton will have no obligation to forego or share such investment opportunities with the CLOs, and

investments made by Franklin Templeton in such opportunities could preclude the CLOs from investing in such opportunities.

In connection with its advisory business, Franklin Templeton may come into possession of information that could potentially limit the ability of the CLOs to engage in potential transactions. In order to avoid such limitation, the Adviser intends to control the flow of such information, such as by erecting information barriers to restrict the transfer of such information between the Adviser and Franklin Templeton. In the event that an information barrier designed to protect the CLOs is breached (including inadvertently), changed or removed, the CLOs will likely face the same restrictions on its investment activities as it would have faced had the information barrier not been established in the first place or face restrictions resulting from such changes to the information barrier, as the case may be. The Adviser will generally not rely on the expertise of Franklin Templeton and its investment professionals and will not share such investment professionals in managing and/or advising the CLO.

Conflicts Relating to Related Persons and the Adviser

The Adviser generally may, in its discretion, contract with any related person of the Adviser to perform services for the Adviser in connection with its provision of services to the CLOs. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a CLO that it contracts for services with (i) a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or a member of their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Conflicts Related to Fee Structure

Because the CLOs' management fee may be based upon the value of investor's capital accounts or net asset value, to the extent that the valuation of such assets is determined or influenced by the Adviser or its affiliates, this may create a conflict of interest.

The fact that the Incentive Allocation received by the Adviser or its affiliates from certain of the CLOs is based on the performance of the CLOs also creates an incentive for the Adviser to cause the CLOs to make investments that are more speculative than would be the case in the absence of performance-based compensation. However, this incentive is tempered somewhat by loss carry forward provisions with respect to the Adviser's receipt of Incentive Allocation from certain of the CLOs.

Transactions with Affiliates

Conflicts may also arise in connection with loans or other assets originated by one CLO and sold

to another CLO. To the extent a CLO purchases loans or other assets and subsequently sells a portion thereof to another CLO, such CLO will bear the risk of changes in the value of such loans or other assets during the period it holds such loans or other amounts and the amount of capital available to such CLO to pursue other investment opportunities may be reduced. It may be difficult to determine the value of the loans or other assets transferred to the buying CLO and hence the consideration due to the selling CLO whenever the buying CLO may buy the loans or other assets. The valuation of loans or other assets that may be transferred between CLOs involves inherent conflicts of interest for the Adviser and there is no guarantee that the Adviser will resolve these conflicts in a manner that will not have an adverse effect on a CLO. Additionally, a selling CLO may not offer all originated loans to a buying CLO and a buying CLO may not accept all such loans that are offered.

Additional conflicts could also arise with respect to the investment of an Adviser-affiliated client in CLOs or financing vehicles formed by the Adviser or its affiliates. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts, including that the Adviser may have an interest in causing a CLO to provide financing to support its business or financial interests in causing the formation or closing of a CLO. Furthermore, CLO investors should not expect the Adviser to have better information with respect to Adviser-affiliated investments than other investors have. Even if the Adviser has such information, it may not be permitted to act upon it in a manner that disadvantages the other investors in such CLOs. Other clients, or employees of the Adviser or its affiliates may be invested in different tranches or the same tranches of such CLOs as an Adviser-affiliated client or may invest in financing arrangements or “warehouses” with respect to such a CLO investment or vice versa. Such arrangements would cause conflicts related to a CLO’s investment. Please see Item 8 above for more information.

Other Potential Conflicts

The organizational and issuing documents of a CLO establish complex arrangements among the CLOs, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties’ rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the organizational and issuing documents of a CLO, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a CLO or its investors.

The Adviser, its affiliates and the CLOs will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the CLOs may be investors in a CLO or other funds managed by the Adviser’s affiliates and may also represent one or more portfolio companies or investors in a CLO or fund managed by the Adviser’s affiliates. In the event of a significant dispute or divergence of interest between CLOs and the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates. Moreover, in litigation and certain other circumstances separate representation may be required.

The Adviser, its affiliates and the CLOs and portfolio companies may engage other common service providers. The Adviser, its affiliates and the CLOs and portfolio companies may be charged varying amounts for such services or may have different fee arrangements for different types of services provided. For instance, fees for various types of work in certain circumstances depend on the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the CLOs and/or their portfolio companies, the Adviser and its affiliates could pay different rates and fees than those paid by the CLOs and/or their portfolio companies. Nevertheless, a conflict of interest could still arise between the Adviser, on the one hand, and the CLOs and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the CLOs and/or the portfolio companies.

In addition, certain portfolio companies and certain affiliates of a CLO could engage in activities that could adversely affect a CLO, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a CLO being used to satisfy the obligations or liabilities of another CLO, or a fund or portfolio companies of a fund managed by an affiliate of the Adviser.

If a CLO purchases in the secondary market at a discount debt securities of a company in which a CLO has, for example, a substantial equity interest, (a) a court might require a CLO to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a CLO might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt.

The effect of these transactions will vary from jurisdiction to jurisdiction.

The Adviser, in its discretion, has in the past and may cause the CLOs to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser or the Adviser's affiliates. The CLOs bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the CLOs in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person. Investors may be introduced to the Adviser, or may be brought into a CLO, by a third-party service provider from which the Adviser or an affiliate purchase products or services to which the Adviser or an affiliate may make payments.

The Adviser has in the past and may, from time to time in the future, cause one or more CLOs to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of

insurance brokers) for insurance to insure the applicable CLOs, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the CLOs. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more CLOs and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more CLOs, and/or the Adviser on a fair and reasonable basis and consistent with the CLOs’ governing documents. A different allocation could result in a CLO bearing lower (or greater) premiums, fees, costs and expenses for insurance policies.

Item 12. Brokerage Practices

The Adviser generally has the discretion to determine the broker or dealer to be used and the commission rates to be paid in instances where a broker or dealer is used.

Investment advisers, like the Adviser, with the authority to direct client trades are under a duty to obtain “best execution,” with respect to publicly traded securities which the SEC generally describes as a duty to execute securities transactions so that a client’s total costs or proceeds in each transaction are the most favorable under the circumstances. This duty generally begins with a requirement that the Adviser obtain the best price available for publicly traded securities in each transaction. However, in determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser need not always pay the lowest possible commission or markup or markdown, but can take into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including,

- price,
- the size of the transaction,
- the nature of the market for the security,
- the amount of the commission,
- the timing of the transaction taking into account market prices and trends,
- the reputation, experience and financial stability of the broker or dealer,
- the broker’s reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities,
- the broker’s willingness to commit capital,
- its access to a particular trading market,
- its availability of securities to borrow or short sales,
- the value of research it provides, and
- the quality of service rendered by the broker or dealer in other transactions.

The Adviser may pay a broker a higher commission rate than another broker might charge if the Adviser determines, after considering the circumstances of the transaction, that the difference in cost is reasonably justified by the quality of the service offered. For accounts over which the Adviser exercises investment discretion, the Adviser may cause the account to pay a higher commission (“pay up”) in recognition of the value of “research services” received by the Adviser from or at the expense of the broker, to the extent such research services assist the Adviser in

making investment decisions for discretionary client accounts. Any such soft dollar arrangements will be consistent with Section 28(e) of the Exchange Act, which permits the use of soft dollars in certain circumstances. Where research services also assist the Adviser in performing noninvestment decision-making functions (such as accounting, record keeping or administrative services), the Adviser will make a reasonable allocation of the cost of the service according to its use and use brokerage commissions to pay only for the research related component. Services that assist the Adviser solely in its performance of non-research related functions will be paid exclusively by the Adviser.

In order to monitor best execution, the Adviser, as well as the Adviser's compliance group, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each CLO.

The Adviser does not have any directed brokerage arrangements.

Aggregation of Trades

The Adviser and certain of its affiliates, from time to time, subject to applicable law and the Adviser's, the affiliates' or an applicable CLO's or affiliates' client's compliance policies and procedures, aggregates (or bunches) the orders of more than one CLO and/or affiliates' client, for the purchase or sale of the same security. The Adviser, and certain of its affiliates, often employs this practice because larger transactions can enable the Adviser and its affiliates to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and certain of its affiliates may combine orders on behalf of CLOs with orders for other funds or clients for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally allocate the publicly traded securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants on a pro rata basis.

When orders for securities are not entirely filled, allocation shall be made based upon the Adviser's and affiliates' (if applicable) procedures for allocation of investment opportunities. Where aggregate trades have been filled during the course of the trading day at different prices, the execution price of the securities to each client will, to the extent possible, be the average price of all executions of purchases or sales, as the case may be, for all clients executing such transaction during that day. See the Adviser's response to Item 11 above for more information regarding conflicts of interest related to investment and trading discretion.

Item 13. Review of Accounts

The Adviser performs periodic reviews of client accounts. In no circumstances are client accounts reviewed less than quarterly and when necessary. Senior members of the back office staff in the Operations, Compliance, Finance, and Trading Departments review the client accounts.

A review of a client's account may be triggered by any suspicious or unusual activity or special circumstances.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

The Adviser from time to time engages one or more persons to act as a placement agent for a CLO or strategies managed by the Adviser, in connection with the offer and sale of interests to certain prospective investors. Such persons generally will receive a fee in an amount equal to a percentage of the interests sold in a CLO. Such fees will be negotiated individually between the Adviser and such person. Any such engagements will be structured and disclosed to relevant parties in accordance with requirements under Rule 206(4)-1 under the Advisers Act.

Item 15. Custody

The Adviser is not deemed, under federal securities laws, to have custody of the assets of its CLOs by virtue of its status as an investment manager or collateral manager. The Adviser does not have actual physical custody of any CLO assets; the CLO's assets are held in the custody of their respective trustees.

Item 16. Investment Discretion

The Adviser generally has the discretion to determine, without consent of the CLOs or the investors in the CLOs, the particular securities or instruments to be bought and sold in accordance with the terms and conditions of the applicable organizational and issuing documents of and investment advisory agreement with each CLO. The Adviser will provide investment advice to the CLOs, subject to certain limitations and restrictions on the CLOs as to diversification and type of permitted investments.

Item 17. Voting Client Securities

From time to time, an issuer of an equity security that is owned by a CLO will conduct a proxy solicitation of its shareholders to vote on various matters. The Adviser has adopted the following proxy voting policies and procedures to address the instances where such voting is required.

Where authority to vote proxies has been delegated to the Adviser, it is the Adviser's fiduciary duty to vote proxies and consents in the best interests of the CLOs and the overriding principle of the Adviser's proxy voting is to maximize the financial interests of the CLOs. It is the policy of the Adviser in voting proxies to consider and vote or consent to each proposal with the objective of maximizing investment returns for the CLOs.

The Adviser has established guidelines regarding the voting of proxies on routine, non-routine, corporate governance and social issues. In the event of a conflict, the portfolio manager for each account will advocate in the best interest of the specific client account. In the event the portfolio manager manages conflicting accounts, a designee will be assigned to resolve the conflict between the conflicting accounts. The Adviser may, however, vote or consent in a manner that is contrary to the general guidelines if it believes that it would be in a CLO's best interest to do so, and the Adviser makes such determinations on a CLO-by-CLO basis.

All proxies, unless voted in accordance with the Adviser's general guidelines on routine, non-routine, corporate governance and social issues, will require a mandatory conflicts of interest review, which will include consideration of whether (i) the Adviser, (ii) any investment professional or other person recommending how to vote (iii) and/or the Adviser's affiliates and their clients have an interest in how the proxy is voted that may present a conflict of interest. The Adviser is not required to vote a proxy if the cost of voting a particular proxy due to special translation, delivery or other requirements would outweigh the benefit of voting for the CLO. Though not common, situations may arise in which more than one CLO invests in the same company or in which a single CLO may invest in the same company but through multiple accounts. In those situations, two or more CLOs, or one CLO with different accounts, may be invested in strategies having different investment objectives, investment styles or portfolio managers. As a result, the Adviser may cast different votes on behalf of different CLOs or on behalf of the same CLO with different accounts. In each case, the Adviser will determine the vote or consent that the Adviser believes in the best interests of each CLO, without regard to the interests of any other CLO.

In resolving conflicts, or otherwise determining how to vote and/or consent with respect to a particular matter, the Adviser may from time to time utilize separate deal teams, implement information barriers and internal screens, retain separate outside counsel and/or seek input from unaffiliated third parties, including without limitation independent directors, advisory committees, independent fiduciaries, consultants and other professionals.

The Adviser is not required to vote a proxy (or similar matter) if the cost of voting due to special translation, delivery or other requirements would outweigh the benefit of voting.

The Adviser will retain all books and records relating to its proxy and other voting activities on behalf of client accounts in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act. Copies of the Adviser's proxy voting policies and procedures and relevant proxy logs are available to any client or prospective client by calling Mr. Alexander McMillan at 212-588-6712 or by writing to Mr. McMillan, Chief Compliance Officer, BSP CLO Management L.L.C., 9 West 57th Street, Suite 4920, New York, New York 10019.

To the extent that it is granted such authority by clients, the Adviser may deal with class action claims on a case-by-case basis. Upon receipt of a claim the Chief Compliance Officer in conjunction with the Chief Operating Officer will determine whether the Adviser should join or otherwise participate in such class action or litigation in light of the relative costs and benefits of doing so. Any proceeds from a class action suit will be allocated among the CLOs and any CLO investors currently existing at the time of recovery of such proceeds.

Item 18. Financial Information

The Adviser does not require or solicit the prepayment of any fees and does not have any adverse financial condition that is reasonably likely to impair the Adviser's ability to continuously meet its contractual commitments. The Adviser has not been the subject of a bankruptcy proceeding.

Item 19. Requirements for State-Registered Advisers

The Adviser is not required to register with a state and therefore has nothing to report or disclose in this section.