

Morgan Stanley

Form ADV, Part 2A Brochure

Morgan Stanley Eaton Vance CLO Manager LLC and Eaton Vance CLO CM LLC

**522 FIFTH AVENUE
NEW YORK, NEW YORK 10036**

March 31, 2023

This brochure (the “Brochure”) provides information about the qualifications and business practices of Morgan Stanley Eaton Vance CLO Manager LLC, formerly known as MS 522 CLO Manager LLC (the “Adviser”) and Morgan Stanley Eaton Vance CLO CM LLC, formerly known as MS 522 CLO CM LLC, which was formerly known as Assurant CLO Management (the “Relying Adviser”). If you have any questions about the contents of this Brochure, please contact us at (212) 537-2352. 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 the Adviser and the Relying Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This Brochure is dated March 31, 2023 and represents our annual updating Brochure. The following is a list of material updates made to this Brochure since the annual amendment to this Brochure, dated March 31, 2022.:

- Item 8 Methods of Analysis, Investment Strategies and Summary of Risk – risk factor disclosures were updated to reflect more recent developments, including, among others, the ongoing transition to a new reference rate in connection with the elimination of LIBOR and government intervention with regard to interest rates.
- Item 10 Other Financial Industry Activities and Affiliations – disclosures were updated regarding investments by separate investment departments.

In addition to the material changes listed above, other enhancements have been made throughout this Brochure.

Important Note about this Brochure

This Brochure is not:

- An offer or agreement to provide advisory services to any person;
- An offer to sell interests (or a solicitation of an offer to purchase interests) in any collateralized loan obligation issuer or warehouse investment vehicle (each a “CLO”), or
- A complete discussion of the features, risks or conflicts associated with any CLO or advisory service we offer.

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), we provide this Brochure to current and prospective clients and make it available to the public by filing it on the SEC’s Investment Adviser Public Disclosure website. Although this publicly available Brochure describes our investment advisory services and products, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about our advisory business as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure differs from information provided in other relevant documents applicable thereto including but not limited to a client’s organizational documents and a client’s offering documents and related transaction documents (“CLO Documents”). More complete information about each client and each CLO is included in the CLO Documents, certain of which will be provided to current and eligible prospective investors only by the CLO or persons authorized to communicate with current or potential eligible investors by the CLO or on its behalf. To the extent that there is any conflict between discussions herein and similar or related discussions in any such CLO Documents, such CLO Documents shall govern and control.

No offer or solicitation for an investment in the offered securities of a CLO we advise will be made before the delivery of the CLO’s offering memorandum to potential investors who should read the offering memorandum carefully and consult with their tax, legal and financial advisors before making any investment decision.

Throughout this Brochure, “Clients” refers to CLOs to which we provide discretionary or non-discretionary investment advisory services and “investors” refers to underlying investors in such CLOs.

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Item 4 Advisory Business

Morgan Stanley | Eaton Vance CLO Manager LLC (formerly “MS 522 CLO Manager LLC”), a Delaware limited liability company organized in 2020, is an indirect, wholly-owned subsidiary of Morgan Stanley, a publicly held company (“Morgan Stanley”). Morgan Stanley | Eaton Vance CLO CM LLC (formerly MS 522 CLO CM LLC, which was formerly “Assurant CLO Management, LLC”), a “relying adviser” of the Adviser, was organized in 2017 by Assurant, Inc. (“Assurant”). In 2020, Morgan Stanley acquired and, as of the date of this Brochure, indirectly owns all of the voting interests in the Relying Adviser. Assurant, the former owner of the Relying Adviser, continues to indirectly own other interests in the Relying Adviser. The Adviser and the Relying Adviser share common personnel, policies and procedures. Except where stated or where the context requires otherwise: (i) references to ‘we’ or ‘us’ throughout this Brochure apply to the Adviser and the Relying Adviser collectively and (ii) references to “affiliates” throughout do not include Assurant entities that might be deemed to be affiliated with the Relying Adviser based on continued ownership by Assurant of certain indirect, non-voting interests in the Relying Adviser.

Certain affiliates of Morgan Stanley, including Morgan Stanley Investment Management Inc. (“MSIM Inc.”), Eaton Vance Management (“EVM”) and its advisory affiliates (which represent the investment management division of Morgan Stanley), provide us with personnel, facilities and resources and perform certain back-office, credit analysis and reporting functions, among other services, which we require in order to carry out our business.

Overview

We act as collateral manager (whether on an advisory or sub-advisory basis) to issuers of collateralized loan obligation securities and to special purpose vehicles entering into short-term and long-term warehouse, repurchase or other credit facilities to finance the preliminary accumulation and “ramp-up” of loans comprising all or a portion of the initial pool of collateral for any such issuer (each a “CLO” or “Client”). Each CLO invests substantially all of its assets in, and its loans, notes and other securities, as applicable, are backed by, loans and other assets permitted to be held by the CLO under the applicable CLO Documents (collectively, “Assets”). In general, after its warehouse phase, a CLO is a pooled investment vehicle that has a tiered capital structure, issuing senior and mezzanine notes that are rated by one or more rating agencies (the “Rated Notes”) and unrated subordinated notes or other economic equity interests (the “Equity” and, together with the Rated Notes, the “CLO Securities”).

Each Client is described in, governed by and/or otherwise subject to a variety of documents (collectively, the “CLO Documents”), including: (i) the Client’s organizational documents; (ii) during the warehouse phase, the relevant warehouse collateral management agreement, credit and security agreement, securities account control agreement and other warehouse transaction documents; and (iii) upon the issuance of its CLO Securities, an offering circular, indenture, collateral management agreement, collateral administration agreement, conditional sale agreement, purchase agreement, subscription agreements, and other transaction documents. The CLO Documents describe the roles of various persons involved in the Client, establish our authority to perform certain investment management functions, including, without limitation, supervise and direct the investment and reinvestment of the collateral obligations and eligible investments and perform administrative and advisory functions as the collateral manager on behalf of the Client in accordance with the applicable provisions under the collateral management agreement, collateral administration agreement and indenture and set forth detailed eligibility criteria, specifications and requirements regarding the types of investments and describe the overall composition of the Client’s portfolio (including by imposing, as applicable, diversification, ratings and concentration tests). While, in many cases, certain prospective investors in the CLO Securities will influence the investment criteria, guidelines, and other terms set forth in the final CLO Documents, it is generally the case that our investment advice to each CLO will primarily be limited to selecting and managing loans.

Our affiliates, and certain private funds and portfolios that our affiliates advise, can hold interests in our Clients, including in risk retention, other Equity or first loss positions, or in any tranche of a Client’s Rated Notes. Any such investments will result in our affiliates’ clients bearing certain expenses and create conflicts of interest. See Item 5, Fees and

Compensation, and Item 11, Code of Ethics, Participation or Interests in Client Transactions and Personal Trading, below, for further discussion.

Assets Under Management

As of December 31, 2022, we had \$5,034,963,393 in assets under management, all on a discretionary basis.

Item 5 Fees and Compensation

Management Fees

As compensation for our services as a collateral manager of a CLO after its warehouse phase, we generally are entitled to receive a senior collateral management fee and a subordinated collateral management fee (collectively, the “Collateral Management Fees”), each as described in detail in the relevant Client’s CLO Documents. The senior collateral management fee has a higher priority in a CLO’s priority of payment waterfall than the subordinated collateral management fee and any incentive fee. The senior collateral management fee and subordinated collateral management fee are typically paid quarterly in arrears, in accordance with the Client’s CLO Documents. Please consult the Client’s CLO Documents for additional information regarding such Collateral Management Fees and Item 6, Performance-Based Fees and Side-by-Side Management, below, for a discussion of conflicts associated with performance-based fees. We can choose to defer or waive Collateral Management Fees and, at our option, we can rebate or discount fees for certain investors in one or more of our Clients. When we negotiate, rebate or waive fees for one Client or investor, we are not required to inform, or offer similar arrangements to any other Client or investor, except as agreed with such persons or as required by applicable law.

Performance Fees

We also can receive incentive fees if and as set forth in a Client’s CLO Documents. Incentive fees are generally payable only to the extent that funds are available for such purpose under the priority of payment waterfall in the Client’s CLO documents and provided that certain performance hurdles relating to the internal rate of return of the Equity investors are met on each payment date.

In lieu of incentive fees, or in addition thereto, we could receive a profits interest (in the form of “Performance Notes” issued by the CLO) that entitles us to receive a stream of income if the Equity investors in the CLO achieve a specified internal rate of return.

Incentive fees and Performance Notes are typically payable quarterly in arrears and dependent on certain performance hurdles and other cash distribution constraints set forth in the Client’s CLO Documents.

CLO Warehouses

CLOs during their warehouse phase generally do not pay any collateral management fees or performance fees to us as the collateral manager except as negotiated on a deal-by-deal basis and described in the CLO Documents relating to the warehouse facility.

Other Fees and Expenses

In addition to the Collateral Management Fees, incentive fees or CLO warehouse fees, if any, described above and in accordance with the terms of the applicable CLO Documents, each CLO will generally reimburse us from time to time for certain out-of-pocket expenses related to the services we or a third-party provide to such CLO although in connection with certain CLO warehouses, at our option, we could agree to pay such expenses without reimbursement. Additionally, except as otherwise agreed by us in the applicable CLO Documents, each CLO will bear a variety of fees and expenses, as described generally below, that are paid to us, our affiliates or third parties.

Organizational Expenses. Each CLO will typically pay or otherwise bear all fees, costs, expenses, and other liabilities incurred in connection with its formation and organization, including all out-of-pocket legal, accounting, filing, capital raising, placement agent, rating agency, printing, electronic database, travel, accommodations, meals and other similar fees, costs and expenses (collectively, the “Organizational Expenses”) relating to the organization of the CLO, the negotiation, preparation and execution of the CLO Documents and issuance of the CLO Securities and any other fees, costs, expenses and other liabilities incidental thereto. In some cases, the treatment of fees, costs and expenses are consistent from CLO to CLO while in other cases these will be specific to a particular CLO. As a result, investors should

review the applicable CLO Documents for further information and the discussion herein is intended as a general overview and, as such, is qualified in whole by such CLO Documents.

Operating Expenses. In addition, each CLO, subject to its CLO Documents, will typically pay or otherwise bear all of the direct and indirect fees, costs, expenses and other liabilities or obligations resulting from or arising in connection with its operations (collectively, the “Operating Expenses”). The Operating Expenses of a particular CLO are set forth in its CLO Documents and can include, without limitation, fees, costs, expenses and other liabilities related to, arising from or incurred in connection with the following:

- i. legal advisers, consultants, rating agencies, accountants, placement agents (whether acting as initial note purchasers or otherwise), brokers and other professionals we, our affiliate(s) or the CLO retain or employ in connection with the CLO and/or the issuance of CLO Securities;
- ii. asset pricing and asset rating services, independent review party services, appraisal services, hedging services, custodial, trustee, transfer agent and recordkeeping services, collateral management services, collateral administration services, compliance services and software, and accounting, programming and data entry services directly related to the CLO and/or the management of the Assets of the CLO;
- iii. all taxes, regulatory and governmental charges (not based on our income) and insurance premiums, insurance retention amounts or expenses;
- iv. the acquisition or disposition of investments on behalf of the CLO (whether or not actually consummated), including where such acquisitions or dispositions are effectuated through an affiliate,
- v. the management of the CLO’s Assets, including attorneys’ fees and disbursements and hedging fees and expenses;
- vi. preparing reports as required under the CLO Documents or as requested;
- vii. reasonable travel expenses (including without limitation airfare, meals, lodging and other transportation) undertaken in connection with the performance of duties pursuant to the CLO Documents;
- viii. risk management assessments and analysis of such CLO’s Assets;
- ix. expenses and costs in connection with any investor conferences;
- x. any broker or brokers (including an affiliated broker) in consideration of brokerage services in connection with the sale or purchase of any Assets of the CLO or of any subsidiary thereof or received in connection with any such Assets;
- xi. bookkeeping, accounting or recordkeeping and reporting services obtained or maintained with respect to the CLO;
- xii. software programs licensed from a third party that are used in connection with servicing the Assets of the CLO;
- xiii. obtaining the market value of the Assets of the CLO (including without limitation fees payable to any pricing service);
- xiv. audit costs incurred in connection with any consolidation review;
- xv. any costs and expenses in connection with compliance with any applicable risk retention regime; and
- xvi. maintaining such CLO and any of its subsidiary entities, including fees, costs and expenses incurred in the organization and restructuring of such subsidiary entities;
- xvii. insurance allocated to such CLO (including our group insurance policy, general partner’s, directors’ and officers’ liability or other similar insurance policies, errors and omissions insurance, financial institution bond insurance and any other insurance for coverage of liabilities to any person that are incurred in connection with activities of such CLO, litigation expenses, (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation) and other extraordinary expenses (including fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles);

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- xviii. such CLO's indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with the applicable CLO Documents, and advancing fees, costs and expenses incurred by any such covered persons in defense or settlement of any claim subject to a right of indemnification under the applicable CLO Documents);
 - xix. any amendments, modifications, revisions or restatements to the CLO Documents of such CLO;
 - xx. the dissolution, winding up and termination of such CLO; and
 - xxi. any other fees, costs and expenses as set forth or reflected in the CLO Documents.

The foregoing categories of fees, costs, expenses and other liabilities shall be Organizational Expenses and Operating Expenses, respectively, regardless of whether the person or entity providing or performing the service or output giving rise to such fees, costs and expenses is us, any of our affiliates or a third party, and including allocated portions of fees, costs and expenses, including overhead, incurred in connection with services performed by our personnel or employees or by personnel or employees of our affiliates; provided that, if such service or output is provided or performed by us or by one of our affiliates and not a third party, then, unless otherwise approved if and as required by the relevant CLO Documents, the applicable fees, costs and expenses shall reflect those that would be payable pursuant to an arm's-length agreement for the provision or performance of similar services or outputs.

Any person or entity associated with the CLO including, without limitation, the CLO's board of directors (or similar governing body), us, any of our respective affiliates, or any third party, in such person's or entity's respective capacities under the CLO Documents, is entitled to reimbursement from such CLO for any Operating Expenses or Organizational Expenses paid and/or incurred by us or by them, as applicable, on behalf of such CLO. We have discretion to seek reimbursement for Organizational Expenses and Operating Expenses but might choose not to seek reimbursement from certain CLOs for certain expenses. In circumstances where we retain, or an affiliate retains, the Equity in a CLO, we or such affiliate, as applicable, could pay for the portion of expenses that would otherwise be allocated to such CLO notwithstanding that other portions of such expense have been allocated to, and will be borne by, one or more other CLOs.

All fees, costs and expenses incurred by our personnel for travel, accommodations, meals, events, entertainment and other similar fees, costs and expenses will be subject to our then standard practices with respect to travel and expense reimbursement.

We can select or recommend that certain service providers (including accountants, administrators, lenders, bankers, brokers, agents, attorneys, consultants, and investment or commercial banking firms) and/or their affiliates perform services for the CLOs, the cost of which generally will be borne by the CLOs. These service providers, in some cases, also provide goods or services to or have business, personal, political, financial or other relationships with us or our affiliates. Such service providers could be our affiliates, investors in a fund or account advised by one of our affiliates, sources of investment opportunities or co-investors. These other services and relationships have the potential to influence us in deciding whether to select or recommend such a service provider to perform services for clients. In certain circumstances, service providers, or their affiliates charge different rates or have different arrangements for services provided to us or our affiliates as compared to services provided to the CLOs, which could result in more favorable rates or arrangements for us or our affiliates than those payable by the CLOs.

Allocation of Expenses. We and our affiliates from time to time incur fees, costs and expenses on behalf of more than one CLO or on behalf of CLOs and other accounts advised by us or our affiliates. To the extent such fees, costs and expenses are incurred for the account or benefit of more than one such account, our relevant CLO(s) will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the participation in the activity, the use of a service or item or the size of its investment in the entity to which the expense relates (subject to the terms of each CLO's applicable CLO Documents). We endeavor to allocate such fees, costs and expenses in a manner that we consider to be fair and equitable under the circumstances. However, due to differing pecuniary interests in the CLOs or other accounts, Morgan Stanley's different interests in the Adviser, the Relying Adviser or their respective clients, or

circumstances where a Client's CLO Documents or another account's governing documents prohibit the CLO or other account (as applicable) from bearing an expense, we face a conflict of interest in making allocation decisions, especially if there is an overlap in investment amongst active CLOs or other accounts. For example, where we or an affiliate incurs an expense on behalf of multiple accounts, not all of which allow reimbursement of the expense, we have an incentive to allocate the expense to those accounts which are permitted to bear the expense to avoid incomplete reimbursement. Where the fee, cost or expense involves an overlapping investment, we generally seek to allocate such fees, costs and expenses in proportion to the size of the investment in the Asset or entity to which the expense relates; however, in some cases, we will apply a non pro-rata or a per-transaction basis allocation, or allocate in a manner that we otherwise consider fair and equitable under the circumstances.

In addition, investments held by our Clients could also be held by an affiliate or its clients. To the extent that the we, our Client, an affiliate or a client of an affiliate incur fees, costs and expenses related to a commonly held investment, and we elect to allocate a portion of such expenses to one or more CLOs, such costs and expenses will be allocated pro rata based on hold size in the investment (or alternatively on a non pro-rata per-transaction basis in a manner that we otherwise consider fair and equitable under the circumstances) between the CLOs, on the one hand, and the other accounts holding the investment, as appropriate, on the other hand.

Services from Morgan Stanley. Entities within Morgan Stanley expect to provide services to us and the CLOs, including: (i) providing assistance with portfolio management and underwriting, research, assessments and other information on potential investment opportunities; (ii) passing along information that was provided from third parties with respect to potential investment opportunities; (iii) providing physical space, back-office and other administrative services including, but not limited to, supporting legal, tax, accounting, compliance and risk functions; and (iv) providing advice and expertise related to the financing strategies we employ and granting permission to use their contacts at various institutions to help identify potential/prospective investors. We will bear fees, costs or expenses in connection with these services. In consideration for providing such services, certain entities within Morgan Stanley will be entitled to service fees pursuant to service agreements with us and will be entitled to reimbursement from our Clients for certain costs and expenses pursuant to such service agreements. In addition, we expect that from time to time entities within Morgan Stanley will act as warehouse lender, placement agent, trustee and in other capacities in connection with one or more CLOs for which they will be entitled to receive from the applicable Client fees for services and reimbursement of various costs and expenses as specified in the related CLO Documents. The CLOs can execute purchases and sales of Assets through a variety of intermediaries, including a Morgan Stanley affiliate, and will bear the customary costs of such transactions, including spreads. Clients utilizing services from Morgan Stanley will also agree to undertake certain other obligations and to bear certain liabilities relating thereto as set forth in such CLO Documents which will benefit one or more Morgan Stanley entities.

Fees Retained by Adviser Affiliates

One hundred percent of all (i) investment banking, structuring, placement agent and underwriting fees, (ii) banking, trustee and custodial fees, (iii) loan arranging, loan agent and loan administrative fees of any nature, (iv) warehouse lending fees as well as interest and principal with respect to any warehouse loan and any other fees to be paid to the lender or any loan agent or other service provider in connection with any warehouse loan, (v) fees with respect to transactions in Assets (including spreads), and (vi) any similar fees, whether in cash or in kind, in connection with any CLO or in connection with any CLO's actual or contemplated investments paid to any of our affiliates with respect to any actual or potential CLO or investment by any CLO will be retained by such affiliates and will not reduce or offset the amount of any fees otherwise payable to such entities in accordance with the terms of the relevant agreement providing for such fees.

CLOs generally are not required to pay fees, costs or expenses in advance. In addition, neither our personnel nor personnel of our affiliates receives compensation in connection with the sale of interests (including, without limitation, CLO Securities) in CLOs.

Item 12, Brokerage Practices, below further describes our trading practices, including the factors that we consider in selecting or recommending intermediaries for client transactions and determining the reasonableness of their compensation.

Item 6 Performance-based Fees and Side-by-Side Management

As discussed above, we generally are eligible to receive performance-based compensation in the form of incentive fees and/or Performance Notes from the CLOs if and as provided in the CLO Documents. Performance-based compensation arrangements create an incentive to recommend or select investments that are riskier or more speculative than those that might be recommended under a different fee arrangement.

Our portfolio managers and other investment professionals often manage assets either on behalf of Morgan Stanley affiliates' proprietary accounts or in their capacity as a portfolio manager or other investment professional with an affiliate on behalf of such affiliate's clients, pooled investment vehicles and/or other accounts (including, without limitation, accounts of institutional clients and pension plans). Such other accounts will have different fee schedules and can create an incentive for us, our affiliates and our shared personnel to favor higher paying clients or accounts with a performance-based fee (or a comparatively higher performance-based fee) or in which we or they otherwise have a greater pecuniary interest. In addition, our affiliates are expected to, and certain of our personnel could have, personal or proprietary investments in certain accounts, including certain of the CLOs, and our affiliates, portfolio managers or other investment personnel could have investments in certain accounts, and certain accounts could be investment options in relevant employee benefits and/or deferred compensation plans. Finally, the timing for realizing fees can vary; for example, we often do not receive fees from CLO Warehouses or ramping CLOs or such fees might be less than those of other CLOs. Even where these factors do not impact individual compensation, there is an incentive to favor accounts in which we, our affiliates or such personnel have a greater pecuniary interest. For example, the possibility of greater fees from accounts that pay performance-based fees or accounts in which we have greater pecuniary interests or a desire to increase or accelerate realization of fees gives us an incentive to allocate time, resources and investment opportunities to certain accounts over others.

To address these types of conflicts, we have adopted various policies and procedures designed to ensure that all client accounts are treated equitably and that no account receives favorable treatment. For example, we have adopted procedures governing the allocation of securities transactions among clients.

For additional information on conflicts related to allocations and our practices, please refer to Item 12, Brokerage Practices, below.

Item 7 Types of Clients

Clients will generally be organized as exempted companies incorporated with limited liability under the laws of the Cayman Islands. The CLOs are expected to be excepted from the definition of an “investment company” pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”), and the securities issued by Clients are expected to be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Regulation D and/or Regulation S thereunder, although other exceptions could be relied on in certain circumstances.

It is expected that each Client’s CLO Securities will be offered and sold in private placement transactions only to investors that are either (i) non-U.S. Persons in offshore transactions in reliance on Regulation S or (ii) both “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) and “qualified purchasers” (as defined in Section 2(a)(51) of the 1940 Act), provided that certain CLO Securities are permitted to be issued to persons or entities that are both “accredited investors” as defined in Section 501(a) of Regulation D under the Securities Act and either qualified purchasers or “knowledgeable employees” within the meaning of Rule 3c-5 under the 1940 Act.

Additional details concerning applicable investor criteria will be provided in each Client’s CLO Documents. In most cases, CLO Securities issued by Clients are expected to be issued in minimum denominations of \$250,000, but these minimums can be waived in certain circumstances.

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

This Item 8 describes certain material risks that are generally applicable to the CLOs, their investment strategies and the methods of analysis that we use in managing the CLOs. However, investors and prospective investors in a CLO should also consider the disclosures in the relevant CLO Documents for a more complete discussion of the investment strategies of, and the risks and conflicts of interest associated with an investment in, that CLO.

Uncertainty Risks

Clients and investors should be aware that political, social and economic uncertainty creates and exacerbates risks and could impact our investment strategies, processes and methods of analysis. Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which CLOs and their investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. For example, local or regional armed conflicts have led to significant sanctions against certain countries and persons and companies connected with certain countries by the United States, Europe and other countries. Such armed conflicts and sanctions and other local or regional developments can exacerbate global supply and pricing issues, particularly those related to oil and gas, and result in other adverse developments and circumstances, as well as increased general uncertainty, for markets, economies, obligors, businesses and societies globally. Any such events or conditions can impact the global economy and, therefore, represent a risk for the CLOs, even if the CLOs do not have direct exposure to the specific geographies, markets, countries or persons involved in an armed conflict or subject to sanctions.

Uncertainty can result in or coincide with, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit and currency; a decrease in the reliability of market prices and difficulty in valuing assets (including the Assets in which the CLOs invest); greater fluctuations in spreads on debt investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

The COVID-19 outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) government imposition of various forms of “stay at home” orders and the closing of “non-essential” businesses, resulting in significant disruption to the businesses of many borrowers, including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and disruption of these markets including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions

by local, state and federal governments to address problems being experienced by the markets and by businesses and the economy in general, which will not necessarily adequately address the problems facing the loan market and businesses broadly. This outbreak has, and could continue to have an adverse impact on the markets and the economy in general, which could have a material adverse impact on, among other things, the ability of lenders to originate loans, the volume and type of loans originated, and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by CLOs and returns to CLOs. New variants of the virus that causes COVID-19 continue to evolve and, in some cases, have (i) increased the rate at which the virus spreads and, in some cases, the severity of infections and (ii) impacted the efficacy of vaccines that have been developed, prolonging and in some cases increasing economic disruption. As a result, it continues to be difficult to predict: the scope of this outbreak or any future outbreaks; how long any such outbreak, market disruption or uncertainties will last; the effect any governmental actions will have; or the full potential impact on us, obligors and CLOs.

Although it is impossible to predict the precise nature and consequences of these (or similar) events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our Clients and their investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact Clients and borrowers and in many instances the impact will be adverse and profound. For example, companies in which CLOs invest are being significantly impacted by these emerging events and the uncertainty caused by these events. With respect to loans to such companies, CLOs will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments; (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently; and/or (iii) the value of loans held by the CLO decreases as a result of such events and the uncertainty they cause. There can be no assurance that such emerging events will not cause a CLO to suffer a loss of any or all of its investments or interest thereon. A CLO would also be negatively affected if our operations and effectiveness or those of our affiliates or an issuer, obligor, or borrower (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

As a result, each of the risks discussed in Item 8 of this Brochure (as well as similar discussions in CLO Documents) is subject to, and should be considered in light of, the foregoing risks and uncertainties.

Material Risks Relating to Methods of Investment Analysis

The CLOs primarily invest in, and are backed by, broadly syndicated, floating rate, below investment grade leveraged loans made to U.S. domiciled obligors. We aim to construct diversified portfolios that will be actively managed on the basis of a disciplined, bottom-up fundamental credit analysis that is designed to optimize risk and return.

We seek to conduct reasonable and appropriate due diligence and credit analysis based on the facts and circumstances applicable to each investment. The objective of the due diligence and credit analysis process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and credit analysis and making an assessment regarding an investment, we rely primarily on publicly available information and resources. The due diligence and credit analysis process includes subjective elements (such as, for example, with respect to newly organized companies for which only limited information is available). Accordingly, our due diligence investigations and credit analysis with respect to any investment opportunity cannot always reveal or highlight all relevant facts (including evidence of fraud) that are necessary or helpful in evaluating such investment opportunity. Due diligence investigations and credit analysis are no guarantee of the success of an investment or that the actual financial performance of an investment will achieve the results expected used when evaluating that investment.

The investment due diligence and credit analysis methods used for the CLOs cannot fully mitigate general economic, financial and obligor-specific conditions.

Sustainable Investing

The Adviser, as a part of MSIM, utilizes information provided by, and the expertise of, the research staff of the Adviser and/or certain of its affiliates in making investment decisions. As part of the research process, portfolio management can consider financially material environmental, social and governance (“ESG”) factors. Such factors, alongside other relevant factors, can be taken into account in the Adviser’s investment selection process.

While the approach applied with respect to different CLOs can vary, sustainability analysis is a factor the Adviser can consider as part of the credit research and analysis used by the Adviser in making investment decisions. ESG factors related to an obligor as an element of its credit research and analysis can relate to the risk and opportunity of a potential investment. However, the Adviser will not necessarily automatically screen investment opportunities based on ESG considerations or apply values, norms or sector based exclusions. As such, unless provided to the contrary in a CLO’s governing documents, the Adviser does not represent that any CLO or CLO Warehouse is or will comply with any ESG standards or assign any particular ESG scoring or factor(s) that would operate as a restriction on the CLO’s or CLO Warehouse’s ability to make or retain an investment. Rather, it is expected that the investment teams will deploy a variety of analytical and portfolio construction approaches, of which ESG is only a part.

The Adviser can obtain ESG-related research and information from a variety of sources including: (i) obligor disclosed information; (ii) information from third parties such as the media, industry data and research or data providers; (iii) engagement with obligor management; (iv) analyses of particular companies or industries and scoring from third-parties; (v) information sourced through bespoke due diligence; and (vi) research conducted by its affiliates. The investment team can rely on such information as it deems appropriate when weighing ESG considerations for a particular investment, but cannot guarantee the accuracy of any data or information received. Additionally, application and analysis of particular ESG factors is often subjective and can be more difficult if data about an obligor or market is limited.

ESG considerations are generally intended to help to inform the Adviser’s views about the potential financial performance of obligors – with positive ESG factors potentially increasing the attractiveness of an investment and negative ones potentially being viewed as increasing the risk of an investment. Nonetheless, where consistent with a CLO’s governing documents, there could be circumstances where the Adviser determines to make or increase an investment that it might not otherwise have made based on positive ESG factors or, conversely, divests of an existing investment or declines to make an investment that it otherwise would have made if not for the presence of negative ESG factors and which will not always reflect the overall risk presented by an investment. The particular ESG factors that the Adviser expects to consider when reviewing an investment will vary based on industry and can vary from investment-to-investment even within an industry. Not every investment will have any particular ESG characteristics and a CLO could hold loans to obligors that pose ESG risk or that operate in industries which pose ESG risk.

Material Risks Relating to Our Investment Strategies

Investing in a CLO involves risk of loss that an investor in a CLO should be prepared to bear. CLO Securities are offered to investors pursuant to disclosure documents that contain detailed information about the risks of investing in the particular CLO, including, among others, the risks relating to the CLO Securities and structure, as well as those relating to the underlying Assets held by such CLO. With respect to each CLO, the summary of investment risks in this Brochure is qualified in its entirety by the CLO Documents for the particular CLO. Investors should carefully review the offering documents for a CLO before investing in such CLO, evaluate the information and risks disclosed therein and consult with their legal, tax and accounting advisors regarding investment in the CLO Securities.

Risk of Loss

The following risk factors are those generally applicable to the CLOs we manage. The Assets in which the CLOs invest will consist primarily of below investment grade broadly syndicated leveraged loans made to U.S. domiciled obligors or participations therein which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that these loans generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular

types of loans. There can be no assurance as to the levels of defaults and/or recoveries that will be experienced on the loans in which a CLO invests and an increase in default levels and/or decrease in recoveries could materially adversely affect the economic returns to such CLO including, without limitation, payments on its CLO Securities.

The material risks involved in investing in these types of loans are discussed below. However, additional risk factors, including risk factors that are specific to a particular CLO's investment strategy, are described in the applicable CLO Documents.

No Assurance of Investment Returns. There can be no assurance that a CLO's investments in loans or other Assets will generate returns or that returns will be commensurate with the risks of investing in leveraged loans and other Assets that fall within a CLO's individual investment objectives and the parameters and restrictions set forth in its CLO Documents.

Business and Market Risks. Prices of the loans and other Assets in which a CLO invests can be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic, political or pandemic events, war (including regional armed conflict), developments or trends in any particular industry, and the financial condition of the obligors of the Assets. See also "*Uncertainty Risks*". The ongoing uncertainty due to COVID-19 affecting the United States economy and the economies of other countries and the current and possible future increase in volatility in financial markets could adversely affect the value and performance of the Assets. Additionally, loans and participations in loans have significant liquidity and market value risks (including the use of third party appraisals to value the underlying collateral of asset-based loans) since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the debt securities market. Investments in below investment grade loans involve a high degree of business and financial risk, which could result in substantial loss to a CLO.

Credit Risk. All of the loans and any other debt obligations in which a CLO invests (collectively, the "Debt Obligations") are exposed to credit risk, which is the possibility that the loan obligor or issuer of a Debt Obligation will default on its obligation to pay interest and/or principal or otherwise default, which could cause the CLO that owns such Debt Obligation not to recover its invested capital. A significant portion or all of a CLO's Assets will be below investment grade Debt Obligations. Debt Obligations with lower credit ratings generally pay a higher level of income to debt holders but carry a greater risk of default. Below investment grade Debt Obligations are considered to have significant credit risk. A below investment grade Debt Obligation, or a participation in a below investment grade Debt Obligation, is generally considered speculative in nature and could become a defaulted obligation for a variety of reasons. Upon any such Debt Obligation becoming a defaulted obligation, such defaulted obligation can become subject to either substantial workout negotiations or restructuring, which could 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 are sometimes quite extensive and protracted over time, and therefore can result in substantial uncertainty with respect to the ultimate recovery on such defaulted obligation. The liquidity for defaulted obligations is 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. Below investment grade Debt Obligations have historically experienced greater default rates than investment grade Debt Obligations. A CLO could suffer material losses as a result of defaulted Debt Obligations.

Interest Rate Risk. Most or all of the Debt Obligations are expected to bear interest at floating interest rates using either LIBOR or SOFR as a reference rate prior to the effective date of any transition from the LIBOR reference rate to an alternative reference rate that can be expected to occur in the future in accordance with the underlying Debt Obligation documents. To the extent interest rates continue to increase, periodic interest obligations owed by the related obligors will also increase. As prevailing interest rates increase, some obligors might not be able to make the increased interest payments on their Debt Obligations or refinance their balloon and bullet Debt Obligations, resulting in payment defaults

and defaulted obligations. Conversely if interest rates decline, obligors might refinance their Debt Obligations at lower interest rates which could shorten the average life of the CLO Securities and expose the CLO to reinvestment risk. See *"Reinvestment Risk"*.

LIBOR Discontinuance or Unavailability Risk. On March 5, 2021 the United Kingdom Financial Conduct Authority ("FCA") announced that all LIBOR settings will either cease to be provided by any administrator, or no longer be representative immediately after December 31, 2021 for all GBP, EUR, CHF and JPY LIBOR settings and one-week and two-month USD LIBOR settings, and immediately after June 30, 2023 for the remaining USD LIBOR settings, including one-month and three-month USD LIBOR (the "Announcement"). Since December 31, 2021, all GBP, EUR, CHF, and JPY LIBOR settings and the one-week and two-month USD LIBOR settings have ceased to be published on a representative basis and it is anticipated that after June 30, 2023, the overnight, one-month, three-month, six-month, and twelve-month USD LIBOR settings will cease to be published on a representative basis. Although some settings of USD LIBOR continue to be published, there is no assurance that LIBOR will continue to exist as a representative rate until June 30, 2023, or at anytime thereafter. Some regulators have prohibited the use of any LIBOR benchmarks in new contracts and have required that regulated entities transition existing contracts to another benchmark prior to June 30, 2023. Although settings of such LIBOR benchmarks may continue to be available, such prohibitions and requirements may adversely affect the value of floating-rate debt securities in our portfolio or issued by us.

Concurrent with the Announcement, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation released a statement that (i) encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, (ii) indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than U.S. dollar LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after the discontinuation of U.S. dollar LIBOR and (iii) explained that extending the publication of certain U.S. dollar LIBOR tenors until June 30, 2023 would allow most legacy U.S. dollar LIBOR contracts to mature before LIBOR begins experiencing disruptions. As a result of the transition from LIBOR, it is likely that the reference rate used for the floating rate CLO Securities will differ from the reference rate used in the Debt Obligations held by each CLO for a period of time. Such a basis rate mismatch could have a material and adverse effect on the CLOs and the floating rate CLO Securities. When LIBOR is discontinued as a benchmark rate, it could cause one or more of the following to occur: (i) increase the volatility of LIBOR and SOFR prior to the consummation of any such change, (ii) increase pricing volatility, (iii) decrease the likelihood that we can effectively hedge interest rate risks or (iv) negatively impact the liquidity of the CLO Securities.

Information Related to Term SOFR. Historically, the reference rate with respect to the floating rate securities issued in CLO transactions was based upon LIBOR, and such floating rate securities will remain based on LIBOR until a new reference rate is selected in accordance with the applicable CLO Documents. It is anticipated that the transition from LIBOR to one or more alternative reference rates will be completed in connection with the discontinuance of published USD LIBOR settings after June 30, 2023. The floating rate securities in most U.S. CLO transactions issued in 2022 has been Term SOFR. Term SOFR is the forward-looking term rate based on SOFR for the applicable tenor published by CME Group Benchmark Administration Limited (or a successor administrator of the Term SOFR). There is no guarantee that CME Group Benchmark Administration Limited will continue to publish SOFR, or that the rates calculated and reported by CME Group Benchmark Administration Limited reflect rates applied in actual transactions.

While SOFR is a secured, risk-free rate, LIBOR is an unsecured rate reflecting counterparty risk. The Federal Reserve Bank of New York ("FRBNY") started publishing SOFR in April 2018. The FRBNY has also started publishing historical indicative SOFR dating back to 2014, although such historical indicative data inherently involves assumptions, estimates and approximations. On July 29, 2021, the Alternative Reference Rate Committee announced that it recommended Term SOFR, a similar forward-looking term rate which is based on SOFR, for business loans. Since the initial publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR may bear little or no relation to the historical actual or historical indicative data.

Lack of Liquidity of Investments. Debt Obligations purchased by a CLO will have only a limited trading market (or none). A CLO's investment in illiquid loans can restrict its ability to dispose of such investments in a timely fashion and

for a fair price, as well as its ability to take advantage of market opportunities. Illiquid loans could trade at a discount from comparable, more liquid investments and could negatively impact the expected return of investors in CLO Securities.

A CLO's portfolio investments are expected to consist primarily of below investment grade leveraged loans, including, but not limited to, senior secured loans, and can include unsecured loans, second lien loans, debtor-in-possession financings, delayed drawdown loans, revolving loans and other types of loans permitted by the applicable CLO Documents. Such loans are not generally traded on organized exchange markets but rather would typically be traded by banks and other institutional investors engaged in loan syndications. The liquidity of a CLO's loans will therefore depend primarily on the liquidity of the leveraged loan market. Trading in such loans is subject to delays as transfers typically require extensive and customized documentation, the payment of significant fees and the consent of the agent bank and/or underlying obligor. In addition, trading in certain loans will be subject to legal or contractual restrictions or requirements of the applicable CLO Documents that limit the CLO's ability to acquire or dispose of particular loans at a particular time or at all. Additionally, recent regulatory interpretations by the SEC under Rule 15c2-11 of the Exchange Act could further restrict the ability of brokers and dealers to publish quotations on certain securities (including the CLO Securities) on any interdealer quotation system or other quotation medium after January 4, 2025. To the extent any market exists for the CLO Securities in the future, significant delays could occur in the actual sale of CLO Securities. The resulting illiquidity of these investments could make it difficult for a CLO to sell such loans if the need arises. If a CLO needs to sell all or a portion of its portfolio over a short period of time, it could realize significantly less value than the value at which it had previously recorded those investments due to then current market conditions and any conditions relevant to such a sale of such investments. There can be no assurance that CLOs will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of loans described herein. As noted above, there is a possibility of partial or total loss of capital as a result of such constraints.

In addition, adverse developments in the primary market for leveraged loans could reduce opportunities for CLOs to purchase new loans. More particularly, the ability of private equity sponsors and leveraged loan arrangers to effectuate new leveraged buy-outs and the ability of CLOs to purchase such assets could be partially or significantly limited. The COVID-19 pandemic has introduced volatility to the leveraged loan market. There can be no assurance that the primary leveraged loan market will return to its previous levels and there is no way to know how it will be affected, or how long it will be affected, by the COVID-19 pandemic. The impact of the COVID-19 crisis or any other crises on the global credit markets could adversely affect our ability to purchase and sell assets on behalf of CLOs and otherwise manage the CLO portfolios and, ultimately, the returns on such portfolios to such CLOs.

Risks of Investing in Senior Secured Bank Loans. The substantial majority of each CLO's investments will be senior secured bank loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks, financial institutions and other investors. The loans will typically be to obligors that have below investment grade ratings and will generally be highly leveraged companies. Such loans generally are subject to greater risks than investment grade corporate obligations. These risks include illiquidity, market value, credit, repricing, default, recovery, interest rate, reinvestment and other risks.

Senior secured bank loans typically pay interest based upon floating rates. During periods of rising interest rates, the total payment obligations of the borrowers, issuers or obligors of floating rate debt will increase, perhaps significantly. This could lead to an increase in default rates on such investments. See also *"Interest Rate Risk"*.

The investment risks of senior secured bank loans include: limited liquidity and secondary market support, the limited supply of some new issue bank loans, the possibility that earnings of the loan obligor will be insufficient to meet its debt service, the declining creditworthiness and potential for insolvency of the obligor of bank loans during periods of economic downturn, spread compression over the reference interest rate available for reinvestment during any period in which prepayments or payments at maturity are received and if subordinated, subordination of such loans to the prior claims of other loans or senior lenders. The ongoing COVID-19 pandemic could severely disrupt the market for bank loans and adversely affect the value of outstanding bank loans and the ability of the obligors to repay principal and pay interest.

Senior secured bank loans typically are either balloon loans or bullet loans. Balloon and bullet loans involve a greater degree of risk than other types of Debt Obligations 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 an obligor to make this final payment upon the maturity of the loan typically depends upon its ability either to refinance the 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 or at all, 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 obligor might not have the ability to repay the loan at maturity, and the CLO could lose all or most of the principal of the loan. In addition, if customary sources of credit (such as banks, CLOs and other providers of credit in the broadly syndicated leveraged loan market) are not available to provide refinancing to loan obligors due to their own liquidity issues, other economic, market, legal, regulatory or other reasons, such loan obligors might not be able to refinance their loans at maturity. Given their relative size and limited resources and access to capital, some obligors could have difficulty in repaying or refinancing their balloon and bullet loans on a timely basis or at all. If obligors default on loans, the CLO that owns such loans could suffer losses which could be material.

Senior secured bank loans can become non-performing for a variety of reasons and as a result, could require substantial workout negotiations or restructuring, potentially including a substantial reduction in the interest rate, a substantial reduction of the principal or a substantial extension of the amortization or maturity date of the loan. Any such event will likely cause a significant decrease in the interest collections on the loan and/or a significant decrease in the principal collections on the loans. Although some senior loans in which a CLO will invest will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of a borrower, the CLO could experience delays or limitations in its ability to realize the benefits of any collateral securing a senior loan. If a default occurs with respect to a senior secured bank loan, and the holder of the loan sells or otherwise disposes of the loan, the proceeds of the sale or disposition will likely be less than the unpaid principal and interest thereon. Historical information regarding default and recovery rates of senior secured bank loans is limited. Actual default and recovery rates could vary significantly from historical observations. Historical information on the market value volatility of senior secured bank loans is limited, and such loans have been, and in the future could be, subject to market volatility not apparent from historical volatility studies. Such volatility has been and in the future could be significant at times.

CLOs can purchase an assignment of, or a participation in, a senior secured bank loan issued under a loan facility to which it is expected that multiple lenders will be parties. These loan facilities are most often administered by agent lenders on behalf of the lenders pursuant to a loan agreement. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, leveraged loans cannot be purchased or sold as easily as publicly traded securities, and the trading volume in the syndicated loan market has been small relative to the market for high-yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers can require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying obligor. In addition, the lenders will likely incur additional expenses if required to seek recovery upon a loan default or to participate in the restructuring of a loan.

In the event a CLO acquires a participation in a senior secured bank loan, as opposed to an assignment of such loan, the CLO will have a contractual relationship only with the participating institution and not with the underlying obligor. Participations typically constitute the unsecured contractual obligation of the selling institution to pay over principal, interest and certain fees when and as received from the obligor. As a result, the CLO will assume the credit risk of both the loan obligor and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the CLO will be treated as a general unsecured creditor of the selling institution, and might not benefit from any set off between the selling institution and the obligor. In addition, a CLO can purchase a participation from a selling institution that does not itself retain any beneficial ownership of the economic interests in the applicable loan and, therefore, could have limited interest in monitoring the terms of the loan

agreement and the continuing creditworthiness of the obligor. When a CLO holds a participation in a loan it will not have the ability to enforce the terms of the related loan agreement nor any right of set-off against the obligor; nor will such CLO benefit directly from the collateral securing such loan. The CLO might be granted limited rights under its participation agreement to direct the selling institution regarding certain lender rights under the related loan and material amendments with respect thereto but typically will not be granted the right to direct how the selling institution will vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that, except as expressly granted to the CLO under the related participation agreement, a selling institution will reserve the right to administer the loan as it sees fit and to amend and otherwise exercise lender rights under such loan without considering the interests of the CLO. Selling institutions exercising lender rights in connection with such matters can have interests different from those of the CLOs that own participations therein and might not be required to, and could fail to, consider the interests of the CLO in connection with their exercise of such rights.

The senior secured bank loans in which the CLOs will invest are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments are caused by a variety of factors, and as a result, are often difficult to predict. Consequently, there exists a risk that loans purchased by a CLO at a price greater than par could experience a capital loss as a result of such a prepayment. In addition, loans that include excess cash flow capture and other mandatory prepayment provisions can result in accelerated amortization. If we are delayed in reinvesting, or unable or not permitted to reinvest, payments or other from proceeds from such loans in loans with comparable interest rates, the CLOs receiving such prepayments or proceeds will be adversely affected. We cannot predict that actual rate of prepayments, accelerated amortization or defaults which a CLO will experience.

Some bank loans acquired by a CLO are permitted under its CLO Documents to be subordinated loans, which are typically subject to intercreditor arrangements. These agreements could prohibit or restrict the ability of the lenders to exercise rights against the obligor with respect to their second liens or junior position, as applicable, to challenge any exercise of remedies against the collateral by the first lien or senior lenders with respect to their first liens, to challenge the enforceability or priority of the first liens on the collateral and to exercise certain other secured creditor rights, both before and during a default or bankruptcy of the obligor. During a bankruptcy of the obligor, the holder of a junior loan often has to give advance consent to any use of cash collateral approved by the first lien creditors, sales of collateral approved by the first lien lenders and bankruptcy court and debtor-in-possession financings.

A substantial portion of the loans in which a CLO invests are comprised of "Cov-Lite" loans. Cov-Lite loans typically do not have financial maintenance covenants. Ownership of Cov-Lite loans exposes a CLO to different risks than those of loans with maintenance covenants, including with respect to liquidity, price volatility and ability to restructure loans. As a result of the ownership of such Cov-Lite loans, a CLO's exposure to losses can be increased, which could result in an adverse impact on the CLO's ability to make payments on its CLO Securities.

Judicial decisions have upheld the right of obligors to sue their lenders on the basis of various legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the obligor or has assumed a degree of control over the obligor resulting in the creation of a fiduciary duty owed to the obligor or its other creditors or equity owners. Representatives of our affiliates, typically in their capacity as an agent lender, expect to sometimes participate on committees formed by creditors to negotiate with obligors in connection with debt restructurings or bankruptcies. There can be no assurance that any such participation would be successful in obtaining results most favorable to a particular Client in connection with such negotiations and significant legal fees and other expenses could be incurred in connection with such representation, a portion of which could be borne by the related Client(s). To the extent that that we, our affiliates or our personnel participate on such committees, Clients could become subject to allegations of lender liability. A CLO acquiring a senior secured bank loan could be subject to allegations of lender liability made against it as part of a group of lenders and if proven, the CLO will likely be liable for its pro rata share of the costs, expenses and liabilities of the agent lender in connection therewith. We cannot provide assurance that these claims will not arise or that a Client (directly or indirectly through its agent) subject to such claims will not be subject to significant liability if a claim of this type did arise.

Loans to Private Companies. The CLOs will invest in Debt Obligations of private companies. Such investments involve a number of particular risks, including risks related to the fact that:

- Some of these companies have limited financial resources and limited access to additional financing, which could increase the risk of their defaulting on their obligations;
- These companies can have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- There is often not as much information publicly available about these companies as would be available for public companies, and such information might not be of the same quality; and
- These companies are more likely than larger companies to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations.

General Legal, Regulatory and Tax Risks. CLOs can be adversely impacted by legal, regulatory and tax changes that impact the leveraged lending business or market, the businesses or operations of loan obligors, the CLO market, CLOs or their investors. The regulation of all of these activities has undergone substantial change in recent years and recently as a result of the ongoing COVID-19 pandemic and such changes can be expected to continue. The effect of new or changed regulations on these activities, while impossible to predict, could be substantial and adverse to CLOs and to CLO investors and could, directly or indirectly, subject leveraged loans in which CLOs invest and/or CLOs to changes in structure and/or capitalization and increased fees and expenses, as well as limit the types of investors who could be interested in investing in CLO Securities. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment and trade, applicable to the leveraged loan market and to CLOs can change quickly and unpredictably and could at any time be amended, modified, repealed or replaced in a manner adverse to the interests of CLOs and/or their investors. It is impossible to predict what, if any, changes in regulation applicable to us or the CLOs, the Debt Obligations in which CLOs invest, the markets in which CLOs or their Debt Obligations trade or the counterparties with which they do business could be instituted in the future. We, the CLOs and/or the leveraged loan market could be or become subject to unduly burdensome and restrictive regulation. For example, recently proposed regulations from the SEC related to private funds, which could include the CLOs, could impose significant burdens on us and the CLOs.

CLOs can also indirectly be affected by regulation of banks, particularly as it affects their lending to the leveraged loan market, and other financial institutions and financial services firms with which the CLOs do business, obtain financing or other services or seek to acquire or dispose of loans or sell CLO Securities. The regulatory regimes applicable to the firms with which CLOs do business can affect the availability and type of leveraged loans able to be acquired by CLOs, the number of institutions with which CLOs can trade their Assets, increased CLO borrowing costs or limits on the terms or availability of credit, affect the terms, pricing and/or liquidity of CLO Securities, or have other effects, which could be adverse to the interests of the CLOs and of their investors.

Risk Retention Information. We intend to act as collateral manager for "open market" CLOs and, as a result, do not intend to comply with the U.S. credit risk retention requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). However, we could act as collateral manager for CLOs in which we or one or more of our affiliates could decide to hold and retain certain CLO Securities issued by such CLOs in order to comply with EU, United Kingdom or Japanese risk retention regulations as an "originator" or "sponsor" (each as defined in the applicable regulations) in order for such CLO to comply with such regulations.

Additionally, we and/or our affiliates could hold CLO Securities in addition to the requisite risk retention amount. There has been very little guidance issued with respect to such risk retention regulatory regimes and therefore the regulatory environment in which any CLO intending to be structured to comply therewith is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements

entered into by us and our affiliates, and the manner in which we or they hold credit risk retention interests, if any, will satisfy the applicable regulators. Credit risk retention regulations and the interpretation thereof in the U.S., in Europe, in the United Kingdom and in Japan are subject to change, clarification and interpretation by governmental authorities and courts in a manner that could have an adverse effect on us, our affiliates, and any applicable CLOs and the investors therein.

Despite our intent to only act as collateral manager for “open market” CLOs, it is possible that a governmental authority determines that any CLO managed by us is not an “open-market” CLO. As a result, we would no longer be in compliance with the U.S. credit risk retention requirements under the Dodd-Frank Act and could be required to acquire additional CLO Securities. If we fail to comply (or are unable to comply) with the U.S. credit risk retention requirements under the Dodd-Frank Act, such failure (or inability) could (i) result in significant negative reputational consequences, (ii) materially and adversely affect our ability to perform our obligations as collateral manager to any CLO and/or (iii) have a material adverse effect on the CLOs managed by us.

Failure to comply with one or more of the applicable credit risk retention requirements specified in the offering documents of a CLO that are intended to be complied with can result in a loss of liquidity for the CLO Securities issued by such CLO as well as various penalties for those investors subject to an applicable regulatory regime including, in the case of those investors subject to regulatory capital requirements thereunder, the imposition of a punitive capital charge on the CLO Securities acquired by the relevant investors and/or the requirement to take corrective action, as applicable. Aspects of the credit risk retention requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

Withdrawal of the United Kingdom from the European Union. In an advisory referendum held in June 2016, the United Kingdom (“UK”) electorate voted to leave the EU, an event widely referred to as “Brexit.” On January 31, 2020, the UK officially withdrew from the EU and the UK entered a transition period which ended on December 31, 2020. On December 30, 2020, the EU and UK signed the EU-UK Trade and Cooperation Agreement (“TCA”), an agreement on the terms governing certain aspects of the EU’s and the UK’s relationship following the end of the transition period. Notwithstanding the TCA, following the transition period, there is likely to be considerable uncertainties in the financial and other markets as to the UK’s decision to leave the EU, and such uncertainties could continue, which could affect the risk profile of the Clients and the CLO Securities. These uncertainties could have a material adverse effect on the Clients’ and obligors’ business, financial condition, results of operations and prospects. Any impact on obligors could impair their ability to make payments due under the underlying loans, which would affect the ability of any CLO Client to make payments on its CLO Securities.

EU laws have been onshored into UK law and these onshored laws will fully apply from April 1, 2022. These onshored laws may be repealed, replaced or amended over time under the future regulatory framework. There can be no assurance that the onshored laws will not be subject to substantial amendments in the future. UK law could diverge from the corresponding provisions of EU law. It is impossible at this time to fully predict the consequences of this divergence on the Clients and the CLO Securities’ business, financial condition, results of operations or prospects or any potential investors, but such changes could be materially detrimental to the CLOs.

Monetary Policy and Governmental Intervention. In addition to other governmental actions to stabilize markets and seek to encourage economic growth, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank and the Bank of England, have until recently acted to hold interest rates to historic lows. The Federal Reserve has recently increased interest rates and has signaled the possibility of further increases to address rising inflation. However, the Federal Reserve could determine to hold interest rates at existing levels, or decrease interest rates, to stabilize markets or improve economic conditions. It is not possible to predict whether the Federal Reserve will increase or decrease interest rates, or hold interest rates at existing levels, nor is it possible to predict the timing, frequency or magnitude of any such increases or decreases, if they were to occur, or the length of time that interest rates might be held at existing levels and changes in interest rates could be sudden. It cannot be predicted with certainty when, or how, interest rate policies will change, but actions by the Federal Reserve and other central banks could have a significant effect on interest rates and on the U.S. and world economies generally, which in

turn could affect the performance of the CLOs and their Assets. Governments globally have intervened in an unprecedented manner during the COVID-19 pandemic to stabilize and support various markets and provide programs to assist companies whose business has been significantly disrupted by the pandemic. In addition to the ongoing COVID-19 pandemic, future crises could result in additional governmental intervention in the markets. The consequences of these interventions and changes to the various markets, market participants and companies arising out of any such crisis are unknown and difficult to predict.

Possibility of Fraud and Other Misconduct of Employees and Service Providers. Misconduct by us, other service providers to CLOs and/or our or their affiliates, or our or their personnel, could cause significant losses to the CLOs. Misconduct could include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such CLOs, the improper use or disclosure of confidential or material, non-public information, among other things, which could result in litigation, regulatory enforcement or serious financial harm. Such activities could result in reputational damage, litigation, business disruption and/or financial losses to us and/or to such CLOs. We have controls and procedures in place that seek to minimize the risk of such misconduct occurring. However, no assurances can be given that we will be able to identify or prevent such misconduct.

Changes in Investment Focus. CLOs are restricted in the CLO Documents, among other things, in the percentage of their capital that can be invested in a particular industry, geographic region or obligor. Many factors could contribute to changes in emphasis in the construction of a particular CLO's portfolio, including changes in market or economic conditions or regulation as they affect various markets and industries and changes in the political, economic or social situations in particular countries. CLOs can have significantly different trading restrictions with static CLOs having significantly less trading permitted than more actively managed CLOs which can have an adverse effect on the returns to the investors in such static CLOs. There can be no assurance that the investment portfolio of any CLO will resemble the portfolio of any other CLO.

Leverage. CLOs generally are highly levered entities. Although leverage presents opportunities for increasing a CLO's total return, it also has the effect of potentially increasing losses. During a CLO's warehouse phase, warehouse leverage can also result in an increased risk of loss and increased volatility to the CLO due to possible margin calls, events of default, adverse fluctuations in interest rates, downturns in the leveraged loan market or the economy and the possible inability to refinance such warehouse debt when it matures or liquidate the related loan portfolio for an amount sufficient to pay such warehouse debt and return capital and/or profits to the CLO or its investors. If an event of default occurs under the related warehouse facility, the lenders or other counterparties to the warehouse facility (or some designated portion or agent thereof) would be able to exercise remedies with respect thereto including but not limited to the liquidation of or taking title to the collateral for such facility which will terminate the rights thereto of the CLO and could result in a full or partial loss of the CLO's direct or indirect investment therein.

Once the CLO issues its CLO Securities, the leverage is embedded in the structure of the CLO itself with the claims of the holders of each class of CLO Securities that is senior to one or more other classes of CLO Securities being senior to the claims of the holders of such subordinated classes with the most subordinate class of CLO Securities bearing the risk of loss before any more senior class of CLO Securities.

Any event that adversely affects the value of a CLO's direct or indirect investment in its loan portfolio could result in a substantial loss to the CLO and its investors which would be greater than if such CLO's account was not subject to leverage. Interest or similar costs associated with such leverage will be a direct or indirect expense of the related CLO, and, to the extent not covered by net returns attributable to the Assets acquired, will cause the returns of such CLOs to be lower than if they have not used leverage. Interest or similar costs associated with leverage could be based on one or more interest rate indices, which can be different from the interest rate indices applicable to the Assets supporting such leverage. Any such mismatch will not necessarily be hedged.

Hedging Policies/Risks. Subject to each Client's CLO Documents, we can, but are not required to, employ hedging techniques that are designed to reduce the risks of adverse movements in interest rates and currency exchange rates, or in mismatches in interest rates or timing between the CLO Securities and the Assets in the CLO. While such hedging

transactions could reduce certain risks, hedging transactions themselves entail other risks. Thus, while CLOs could benefit from the use of these hedging mechanisms, unanticipated changes in the risks being hedged could result in poorer overall performance for CLOs that enter into hedging transactions. On the other hand, failure to hedge these risks also could result in poorer overall performance for CLOs that do not hedge these risks compared to CLOs that effectively hedge such risks.

Cybersecurity Risk. We and our service providers are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems; compromises to networks or devices that we and our service providers use to service our operations; or operational disruption or failures in the physical infrastructure or operating systems that support us and our service providers. Cyber attacks against or security breakdowns of us or our service providers could adversely impact us and the CLOs, potentially resulting in, among other things, financial losses; the inability of CLO investors to transact business and a CLO to process transactions; inability to perform calculations or run reports required pursuant to the CLO transaction documents; data loss; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. We could incur additional costs for cyber security risk management and remediation purposes. In addition, cyber security risks could also impact issuers of assets in which a CLO invests, which could cause a CLO's investment in such assets to lose value. There can be no assurance that we or our service providers will not suffer losses relating to cyber attacks or other information security breaches in the future.

Item 9 Disciplinary Information

Not applicable.

Item 10 Other Financial Industry Activities and Affiliations

As noted in Item 4, Advisory Business, above, we are controlled by Morgan Stanley, a financial holding company under the Bank Holding Company Act of 1956, as amended. As a result, we are part of a large global financial services and banking group, and investors in the CLOs likely will have relationships with our affiliates beyond their relationship with us.

Certain affiliates of Morgan Stanley, including MSIM Inc. and its advisory affiliates (which represent the investment management division of Morgan Stanley) provide us with personnel, facilities and resources to perform certain back-office, credit analysis and reporting functions, among other services, which we require in order to carry out our business and, in such roles, these persons will have potentially conflicting loyalties among various clients.

As discussed below, the varied nature of our affiliates' clients and their respective investments, and the activities of our affiliates and their personnel and clients create a variety of conflicts of interests. For example, subject to restrictions in applicable CLO Documents, we or one of our affiliates could advise or manage other clients or types of clients, including additional public or private funds or investment vehicles in the future and such funds, and existing funds that they advise, could make investments that would be suitable for our existing Clients. In addition, other clients of our affiliates invest in equity of public companies whose loans could be suitable for investment by our Clients. We maintain written policies and procedures with respect to allocations and other conflicts of interest associated with different clients maintaining simultaneous investments in different securities of the same issuer, each as described below, that are reasonably designed to mitigate associated conflicts.

Material Arrangements or Relationships with Morgan Stanley Affiliates

Broker-Dealer Affiliates. We are affiliated with Morgan Stanley Distribution, Inc. ("MSDI"), a limited purpose broker-dealer registered under the Securities Exchange Act of 1934 (the "Exchange Act") and the Financial Industry Regulatory Authority ("FINRA"). Certain of our management persons are registered representatives of MSDI.

We are also affiliated with Morgan Stanley & Co. LLC ("MS&Co."), Morgan Stanley Smith Barney LLC ("MSSB"), Prime Dealer Services Corp., and E*Trade Securities LLC, each a broker-dealer registered with the SEC and a FINRA member firm. In addition, we are affiliated with Eaton Vance Distributors, Inc. (EVD), a broker-dealer registered with the SEC and a FINRA member firm. EVD is a wholly owned subsidiary of Morgan Stanley. EVD is the principal underwriter and distributor of certain EV Funds. We are also affiliated with other intermediaries, foreign broker-dealers and financial services companies, including, among others, Morgan Stanley & Co. International PLC, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley India Company Private Ltd., Morgan Stanley Capital Group Inc., Morgan Stanley Senior Funding Inc., and Morgan Stanley Capital Services LLC (hereinafter, together with affiliated broker-dealers registered with the SEC, collectively referred to as "Affiliated Broker-Dealers").

When permitted by applicable law and subject to the considerations set forth in Item 12 "Brokerage Practices", below, we can utilize Affiliated Broker-Dealers to effect purchases or sales of Assets and other transactions for the CLOs. The "Participation or Interest in Client Transactions" subsection of Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, below, describes in greater detail the manner in which we utilize Affiliated Broker-Dealers to effect Client transactions and the conflicts of interest that can arise.

We also will pay placement fees to Affiliated Broker-Dealers that provide placement services for the CLOs we manage.

Commodity Trading Advisor/Commodity Pool Operator Registration. MSIM Inc. and EVM are registered with the CFTC as commodity trading advisors and commodity pool operators and are also a member of the National Futures Association ("NFA"). As a result, certain personnel we share with MSIM, Inc. are registered with the NFA as associated persons of MSIM Inc., in connection with activities performed on behalf of MSIM Inc. clients.

Investment Adviser Affiliates. We are part of a group of investment advisers within the Morgan Stanley Investment Management business ("MSIM"), including: (1) MSIM Inc.; (2) Mesa West Capital, LLC.; (3) Morgan Stanley Investment Management Company; (4) Morgan Stanley Investment Management Limited; (5) Morgan Stanley AIP GP LP; (6)

Morgan Stanley Infrastructure, Inc.; (7) Morgan Stanley Private Equity Asia, Inc.; (8) MS Capital Partners Adviser, Inc.; (9) Morgan Stanley Real Estate Advisor, Inc.; (10) MSREF Real Estate Advisor, Inc.; (11) MSREF V, LLC; and (12) MSRESS III Manager, LLC; (13) Eaton Vance Management; (14) Calvert Research and Management; (15) Parametric Portfolio Associates LLC; (16) Atlanta Capital Management Company LLC; (17) Boston Management and Research; and (18) Eaton Vance Advisers International Ltd (the “Affiliated Advisers”).

From time to time and with prior client consent, we can delegate some or all of our responsibilities, duties and authorities under an investment management agreement to one or more of the Affiliated Advisers to the extent permitted by applicable law. The Affiliated Advisers, in certain instances, likewise can delegate some or all of their responsibilities, duties and authority to us.

Investment Companies and Other Pooled Investment Vehicles. Our affiliates serve as investment advisers, subadvisers and/or administrators to U.S. registered funds and other pooled investment vehicles.

In certain instances, we or our related persons act as general partner or special limited partner of a limited partnership or managing member or special member of a limited liability company to which we serve as adviser or sub-adviser. In some cases, the general partner or special limited partner of a limited partnership or managing member or special member of a limited liability company is entitled to receive an incentive allocation from a partnership. As discussed in *Conflicts of Interest Associated with Overlapping, Competing or Conflicting Investments*, below, some of these funds invest in the same assets or types of assets as our Clients or otherwise create conflicts of interest.

Along with Morgan Stanley, MSIM Inc. has established procedures, to which we are also subject, that are intended to identify and mitigate conflicts of interest related to our and our affiliates’ business activities on a worldwide basis, including conflicts related to our business of managing CLOs. A conflict management officer for each business unit and/or region acts as a focal point to identify and address conflicts of interest that can arise in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to firm management or the firm’s franchise committees, for potentially significant conflicts that cannot be resolved by the conflict management officers or that otherwise require senior management review.

Banking Affiliates. As mentioned above, we are a wholly owned subsidiary of Morgan Stanley. We are also affiliated with Morgan Stanley Bank, N.A., an insured depository institution headquartered in Salt Lake City, Utah, which has businesses concentrated in institutional lending and securities-based lending for clients of its affiliated broker-dealers. In addition, we are affiliated with Morgan Stanley Private Bank, N.A., a U.S. insured depository institution and a federally chartered national association whose activities are subject to regulation and examination by the Office of the Comptroller of the Currency.

We are also affiliated with Eaton Vance Trust Company, a limited purpose non-depository trust company, organized and operating under the laws of Maine, which serves as trustee to common trust funds and collective investment trusts.

Conflicts of Interest Related to Relationships with Affiliates

Conflicts of Interest Associated with Overlapping, Competing or Conflicting Investments. In addition to responsibilities with respect to the management and investment activities of the CLOs, we and our affiliates have (and in the future could form or acquire subsidiaries who could have) similar responsibilities with respect to other advised client accounts, proprietary accounts, and others with whom they have contractual arrangements (collectively, the “Other Accounts”) that could have investments, objectives or strategies that overlap, compete or conflict with those of a CLO. The existence of such Other Accounts necessarily creates a number of conflicts of interest.

We and each of our relevant affiliates have discretion to make investment recommendations and/or decisions with respect to a CLO or Other Account that are the same as, or different from, those made with respect to a Client’s investments. It is expected that we and our affiliates will, on behalf of Clients and Other Accounts, arrange, purchase, hold, sell, trade or take other related actions in loans or other investments of a type that is suitable to be included as assets owned, or that could be acquired by, a Client. Neither we nor any of our affiliates will be required to offer such

loans, other investments or other opportunities with respect thereto to a Client, or provide notice to a Client of such opportunities or actions.

Conflicts can also arise if investments are held by some Clients or Other Accounts but not by others or certain Clients or Other Accounts have levels of holdings in certain investments different from those of others. We or our affiliates will, from time to time, give advice or take action with respect to the investments of one or more Client or Other Account that is not given or taken with respect to others with similar investment programs, objectives, and strategies. Accordingly, Clients will not always hold the same investments or achieve the same performance as Clients or Other Accounts with similar strategies. We and our affiliates also will advise Clients or Other Accounts with conflicting programs, objectives or strategies to those of a Client. A Client and other Clients or Other Accounts owned or advised by our affiliates could invest in different classes or types of loans of the same obligor, or different classes of securities of the same issuer, or different amounts of the same class or type of such loans or securities, depending on the investment objectives and policies of each such Client or Other Account, respectively. As a result, we and an affiliate will, at times, seek to satisfy our respective fiduciary obligations to certain Clients or Other Accounts owning loans of a particular obligor or securities of a particular issuer by pursuing or enforcing rights or taking or not taking actions on behalf of such Clients or Other Accounts with respect to such loans or securities that will be different than those taken or not taken on behalf of a particular Client, and those activities on behalf of other Clients and Other Accounts could have an adverse effect on such a Client.

Neither we nor any of our affiliates have any affirmative obligation to offer any investments to a Client or to inform a Client of any investments before offering any investments to any other Client or Other Accounts including, without limitation, any proprietary Client or Other Account. Furthermore, we or an affiliate could be bound by affirmative obligations at present or in the future, whereby one or more of them is obligated to offer certain investments to certain accounts before or without offering those investments to others. Alternatively, we and/or an affiliate could, from time to time, offer certain investments to certain Clients or Other Accounts simultaneously with, or in addition to, offering those investments to a particular Client. Thus, such other Clients or Other Accounts could become co-investors with a Client. In the event that either we or an affiliate decides, in its sole and absolute discretion, to offer any investments to a particular Client together with any of their respective other Clients or Other Accounts, we or such affiliate, as applicable, will allocate such investments in a manner consistent with its obligations under the Advisers Act, and as determined by it in view of its applicable internal policies and procedures.

We and our affiliates conduct our respective obligations with respect to each Client's or Other Account's investment program in a manner that is similar to the investment programs of certain other Clients or Other Accounts, particularly where the investment objectives and policies overlap (in whole or in part). However, there are or are expected to be differences among Clients and between Clients and Other Accounts (such as with respect to investment objectives, investment strategies, investment parameters and restrictions, portfolio management personnel, tax considerations, liquidity considerations, legal and/or regulatory considerations, asset levels, timing and size of investor capital contributions and withdrawals, cash flow considerations, available cash, market conditions and other criteria deemed appropriate by the relevant party), the nature and extent of which differences will vary from Client to Client or between Clients and Other Accounts, as relevant.

Notwithstanding these differences, there could be circumstances where Clients and/or Other Accounts participate in parallel or other contemporaneous investment transactions, at the same time and on the same terms or on different terms. We seek to allocate portfolio transactions equitably whenever concurrent recommendations are made to purchase or sell loans or other investments for Clients (and our affiliates similarly seek to allocate portfolio transactions equitably whenever concurrent recommendations are made to purchase or sell loans or other investments for Other Accounts that they advise). We will apply our allocation policy to any purchase or sale portfolio transaction we determine to make on behalf of a Client. In addition, we can modify these policies and procedures from time to time. The application of our allocation policy in certain circumstances will reduce the amount of the portfolio transaction available to a Client. In making such allocations among Clients, the main factors considered are expected to be, with respect to Clients: the relative size of each, their respective investment objectives, the relative size of their portfolio holdings of the same or comparable investments, the availability of cash for investment, the size of investment commitments generally held, the

current phase within their lifecycle (e.g., warehouse, ramp-up or reinvestment period) and opinions of relevant personnel (who could be shared personnel) responsible for recommending the portfolio transaction. Application of these factors can result in prioritization of CLO Warehouses as well as CLOs that are in a ramp-up or reinvestment period (i.e., because such accounts have a relatively larger amount of cash to invest within a potentially limited timeframe), relative to other CLOs (including CLOs managed by an affiliate), in order to facilitate timely investment of an account of a CLO Warehouse or a CLO that is in a ramp-up or reinvestment period in accordance with its investment objectives. As noted in Item 6, Performance Based Fees and Side-by-Side Management, above, the fee structures of these Clients can create an incentive for us to favor them over others.

Conflicts of Interest Related to Investments by Separate Investment Departments. The entities and individuals that provide investment-related services may differ by client, investment function, or business line (each, an “Investment Department” and collectively, the “Investment Departments”). Nonetheless, Investment Departments (with certain exceptions) may engage in discussions and share information and resources with another Investment Department (or a team within the other Investment Department) regarding investment-related matters. The sharing of information and resources between the Investment Departments is designed to further increase the knowledge and effectiveness of each Investment Department. However, an investment team’s decisions as to the use of shared research and participation in discussions with another Investment Department could adversely impact a client. Certain investment teams within one Investment Department may make investment decisions and execute trades together with investment teams within other Investment Departments. Other investment teams make investment decisions and execute trades independently. This may cause the quality and price of execution, and the performance of investments and accounts, to vary. Internal policies and procedures set forth the guidelines under which securities and securities trades can be crossed, aggregated, and coordinated between accounts serviced by different Investment Departments. Internal policies and procedures take into consideration a variety of factors, including the primary market in which such security trades. If a security or securities trade is ineligible for crossing, aggregation, or other coordinated trading, then each Investment Department will execute such trades independently of the other.

Conflicts of Interest Related to Restrictions on Trading. We, and our affiliates in connection with their other respective business activities, are expected, from time to time, to acquire material non-public information that could restrict us from purchasing or selling loans, securities or other investments (or recommending the purchase or sale thereof) for ourselves, our clients or relevant Other Accounts or otherwise using such information for the benefit of ourselves, our Clients or relevant Other Accounts. Our ability to pursue trading strategies on behalf of a Client could be adversely affected due to additional regulatory requirements or changes to regulatory requirements that are or could be applicable due to our activities or those of our affiliates, as described below (including, for the avoidance of doubt, any position we take with respect to the types of assets to be purchased by a Client in order to ensure that the Client satisfies the loan securitization exclusion under the Volcker Rule). Any changes to current regulations or any new regulations applicable to us, our affiliates, our Clients or their portfolios of Assets could have a materially adverse effect on a Client, its investors and/or on the market for, and liquidity of, the CLO Securities issued by the Client. In addition, if a CLO fails to satisfy the loan securitization exclusion under the Volcker Rule, we or an affiliate could be required to sell or otherwise dispose of any CLO securities issued by the Client then owned by it.

Conflicts of Interest Related to Trading While Engaged in an Obligor Restructuring. While we intend to comply with applicable securities laws and to make judgments concerning restrictions on trading in good faith, we could, at times, trade (or recommend a trade) on behalf of a Client in an obligor’s loans or securities while engaged in that obligor’s restructuring activities. Such trading creates a risk of litigation and liability that could cause us, an affiliate or a Client to incur significant legal fees and suffer potential losses.

Conflicts of Interest Related to Information that Will Not Be Available for Use on Behalf of a Client. We or our affiliates could own, and effect transaction in, loans, securities or other investments of companies that Clients own, seek to acquire or sell. Certain personnel of an affiliate could cover such companies in investment research or provide investment banking services to such companies or make a market in such loans, securities or other investments, or have positions of influence or financial interests in such companies. As a result, such personnel might possess information relating to such companies or to such loans, securities or other investments that is not known to those responsible for

managing a Client's investments, or such information might be subject to confidentiality or other restrictions by law, contract or internal procedures. Such personnel will not be required to, and might be prohibited from, sharing such information with those responsible for managing a Client's investments. In general, we will not make recommendations or initiate investments on behalf of a Client in companies with respect to which our personnel have controlling interests or are affiliated, except as permitted under applicable law.

Conflicts of Interest Arising from Certain Other Business Activities. Various conflicts of interest are likely to arise from our overall investment and other activities and those of our affiliates and Other Accounts (collectively, the "Other Persons"). For example, one or more of the Other Persons could:

- invest, on behalf of one or more Other Accounts, in loans or other investments that would be appropriate for a Client to purchase but are not being acquired by the Client, as well as in loans, securities and/or other investments that are senior or junior to, or have interests different from or adverse to, the loans owned or being acquired by a Client;
- give advice or take actions or not take actions for Other Accounts with similar strategies which could differ from advice given or action taken or not taken in respect of a Client;
- have ongoing relationships with companies whose loans, securities and/or other investments are acquired by a Client (including, without limitation, as a placement agent, arranger, loan agent, lender, trustee and/or equity owner);
- own, directly or through Other Accounts, loans and/or securities of, and/or other investments in, companies whose loans, securities and/or other investments are acquired by a Client, which could be of a different class than, and have different rights and priorities from, those held or acquired by a Client;
- on behalf of themselves or their Other Accounts, be active on steering committees of creditors in the restructuring of debt obligations issued by companies whose loans, securities and/or other investments are owned by Other Persons (including a Client). Such relationships could give rise to multiple conflicts of interest;
- provide certain services for a negotiated fee to companies whose obligations are acquired by a Client;
- serve as a general partner, managing member, advisor, officer, director, sponsor or manager of Other Accounts that invest in the same obligations owned or to be acquired by a Client;
- at certain times be seeking to purchase or dispose of loans, securities and/or other investments for a Client while at the same time also seeking to purchase or dispose of, or might have already purchased or disposed of, similar or identical investments for Other Accounts or for any other entity for which an Other Person serves as general partner, managing member, advisor, officer, director, sponsor or manager; and
- at times, in an effort to avoid restrictions for their Other Accounts and a Client, elect not to receive information that other market participants or counterparties are eligible to receive or have received.

Clients will depend on our managerial expertise and that of our personnel. The success of Clients' investments will depend, in large part, on the skill and expertise of our personnel, including members of the investment team. We also have access to personnel shared with affiliates. Such shared personnel could perform similar services on behalf of such affiliates and Other Accounts. When providing services through us, shared personnel are supervised by us and subject to our compliance policies and procedures, and when providing services through an affiliate, such shared personnel are supervised by that affiliate and subject to its compliance policies and procedures, in both such cases including a code of ethics. There can be no assurance that any professionals who constitute shared personnel will continue to serve in their positions, continue to be employed by an affiliate and made available to us or continue to be shared personnel of us and our affiliate.

Clients are not direct beneficiaries of any employment or personnel sharing arrangements between us and our affiliates, which arrangements are in any event subject to change without notice to, or the consent of, Clients. In addition, individuals not currently associated with us or our affiliates could in the future become associated with either, and the performance of Clients could also depend on the financial and managerial experience of such individuals. Our professional staff will only devote as much time to a Client's business and affairs as it deems appropriate to perform its

duties in accordance with the Client's CLO Documents. Such professional staff will typically also be providing services to other Clients and Other Accounts. As such, our professional staff could have conflicts in allocating its time and services among Clients and other activities.

We can employ or delegate to third parties (or affiliates) in connection with the services provided to Clients if permitted in a Client's CLO Documents.

Transactions with Affiliates. We purchase Assets on behalf of a Client directly from an affiliate of Morgan Stanley that is acting as a manager of a syndicate or selling group. We also could purchase Assets from unaffiliated underwriters or placement agents in a syndicate or selling group in which a Morgan Stanley affiliate is a member. In these cases, our affiliate might benefit from the purchase through receipt of a fee or otherwise. Purchases or sales on behalf of a Client from Morgan Stanley or a Morgan Stanley Affiliate that constitute principal transactions must meet the requirements of applicable law. See "Client Cross-Transactions, Intermediated Transactions and Principal Transactions" below.

One or more Clients could invest in eligible investments that consist of shares of one or more money market funds or other short-term vehicles qualifying as eligible investments. It is anticipated that the investment adviser to some or all of these money market funds or other short-term vehicles be our affiliate (each an "MS Fund" and collectively the "MS Funds"). In such cases, our affiliated investment adviser will receive asset-based fees in respect of a Client's investment (which will reduce the net return realized by a Client) in the MS Fund(s). A Client, as well as other shareholders, will also bear a proportionate share of the other expenses of the MS Fund(s). Our affiliates could receive fees directly from the MS Funds for the advisory and administrative services provided thereto as set forth in the prospectuses of the applicable MS Funds.

Morgan Stanley Conflicts of Interest

Morgan Stanley is a global financial services firm that is engaged in securities and loan trading and brokerage activities, as well as providing investment banking research and analysis, financing and financial advisory services and whose activities might be inconsistent or in conflict with the interests of Clients and their investors. In particular, Morgan Stanley currently owns or operates, directly or indirectly, several registered investment advisers, registered investment companies, broker dealers and service providers (collectively, "Morgan Stanley Affiliates") and, in the future could acquire or otherwise establish and operate, directly or indirectly, other Morgan Stanley Affiliates. Morgan Stanley and any current or future Morgan Stanley Affiliates could take actions in conducting their own businesses that are materially adverse to the interests of the Clients and their investors. Morgan Stanley Affiliates regularly act as a placement agent and/or initial purchaser in other transactions involving issues of collateralized loan obligations and other similar portfolios managed by other collateral managers and receive significant compensation in the form of fees for such activities. Furthermore, Morgan Stanley Affiliates regularly provide financing for the accumulation of leveraged loans as collateral for such transactions and earns significant compensation in the form of interest and fees thereon. Such activities could have an adverse effect on the availability of loans for Clients, including by providing liquidity to collateralized loan obligation issuers other than Clients investing in the same types of commercial loans that Clients seek to acquire.

In addition, the businesses conducted by Morgan Stanley and the Morgan Stanley Affiliates afford them broad access to the current status of certain markets and investments, such as those that might be eligible investments for Clients. As a result of these activities and the access and knowledge arising therefrom, Morgan Stanley and the Morgan Stanley Affiliates could possess information relating to such markets and investments, which, if known to us, might cause us to seek to dispose of, retain or increase interests in investments held by a Client, or to acquire certain investments on behalf of a Client. However, neither Morgan Stanley nor the Morgan Stanley Affiliates (nor their respective employees and other personnel) will be under any duty to make any such information available to us or in particular our personnel making investment recommendations or decisions on behalf of Clients.

In addition, in connection with our other business activities, we could acquire material non-public information that restricts us from purchasing or selling loans, securities or other investments (or recommending the purchase or sale thereof) for us or Clients or otherwise using such information for the benefit of Clients or ourselves. Furthermore, while we intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, we

could, on behalf of the Clients, trade in a company's loans, securities or other investments while engaged in that company's restructuring activities. Such trading creates a risk of litigation and liability that could cause the Client or us to incur significant legal fees and potential losses.

Our Personnel or Personnel of an Affiliate could invest in Other Accounts. Certain of our principals, officers, employees, personnel (including shared personnel) and professional staff could invest in one or more of our Clients or in Other Accounts. Such Clients or Other Accounts could have interests that are adverse to another Client or to an obligor under a loan held by another Client. As a result, such individuals might, by virtue of their investments, have an incentive to take action with respect to a Client which it would not otherwise take were it not for such investments.

Morgan Stanley and its affiliates engage in sales and trading activity that could be adverse to a Client. Morgan Stanley and Morgan Stanley Affiliates trade, make markets and take long and short proprietary positions in fixed income securities and related products globally, including, among other products, investment and below investment grade corporate debt, distressed debt, bank loans, U.S. and other sovereign securities, emerging market bonds and loans, convertible bonds, collateralized debt obligations, credit, currency and other fixed income linked notes, and securities issued by structured investment vehicles, mortgage-related and other asset-backed securities and real estate loan products, municipal securities, preferred stock and commercial paper, money market and other short-term securities. Thus, Morgan Stanley and/or any Morgan Stanley Affiliate will take proprietary positions in the securities issued by a Client, the loans held by a Client or any other and loans or securities issued by obligors of such loans. There can be no assurance that any positions taken by Morgan Stanley or any Morgan Stanley Affiliate will not be adverse to the interests of Clients, their investors or the obligors of the loans held by Clients. As noted below, we expect that Clients will purchase and sell Assets through Morgan Stanley or Morgan Stanley Affiliates.

We, Morgan Stanley and our respective affiliates are subject to regulatory considerations which could adversely impact Clients and the securities they issue. Morgan Stanley is a bank holding company (a "BHC") under the U.S. Bank Holding Company Act of 1956, as amended (the "BHCA"). A BHC that meets certain criteria can also elect to be treated as a financial holding company ("FHC"), which are permitted to engage in a broader range of activities than BHCs that are not FHCs. Morgan Stanley has elected to be treated as an FHC.

As a result, Morgan Stanley and its affiliates are subject to certain U.S. banking laws, including the BHCA, and Sections 23A and 23B of the Federal Reserve Act, and to regulation by the U.S. Federal Reserve Board. These banking laws, rules, regulations and guidelines and the interpretation and administration thereof by the staff of regulatory agencies which administer them impact the transactions and relationships among us, Morgan Stanley and our affiliates, on the one hand, and Clients on the other hand, and can restrict the investments and transactions by Clients. These restrictions can materially and adversely affect Clients, among other ways, by potentially imposing a maximum holding period on some or all of Clients' investments, limiting the amount of an entity's beneficial ownership interests which a Client is permitted to hold, restricting our ability and that of Morgan Stanley or other affiliates to invest in a Client, or affecting our ability to pursue certain strategies within a Client's investment program. Certain statutory and regulatory requirements under the federal banking laws also require aggregation of certain types of positions owned, held, or controlling client and proprietary accounts by us, Morgan Stanley and its affiliates with positions held by Clients. Moreover, Morgan Stanley could cease in the future to qualify as an FHC and/or the bank regulatory requirements applicable to Morgan Stanley could change, and any such change could have a material adverse effect on Clients.

Additionally, the U.S. Federal Reserve Board could take more restrictive interpretations of or positions on control and/or the availability or use of certain authorities in the future. Changes in the administrative application or interpretation of the BHCA, the Dodd-Frank Act or other applicable laws and regulations, future modifications to such laws and regulations or new laws and regulations adopted in the future could impose significant restrictions or burdens on Morgan Stanley's activities or a Client's activities, and could adversely affect their business, operations, performance and prospects.

Section 619 of the Dodd-Frank Act (the "Volcker Rule") generally, with some exceptions, (i) limits the extent of the "ownership interest" (as defined in the Volcker Rule) banking entities (including Morgan Stanley and its subsidiaries) can have in "covered funds" and (ii) prohibits banking entities (including Morgan Stanley and its subsidiaries) from engaging in certain "covered transactions" (e.g., loans, extensions of credit, purchases of assets and certain other transactions

(including derivative transactions and guarantees) that would cause the banking entities or their affiliates to have credit exposure to “covered funds” managed by their affiliates), restricts transactions that would result in a “material conflict of interest” between a banking entity and its clients, customers or counterparties, and requires that certain other transactions between Morgan Stanley and covered funds managed by its affiliates to be on “arms’ length” terms. Limitations imposed on such banking entities can serve to restrict or discourage them from acquiring securities issued by CLOs, which could adversely affect the liquidity of such securities. Clients generally are expected to operate within the “loan securitization” exclusion from the definition of “covered fund.”

On June 25, 2020, the five regulators responsible for the enforcement of the Volcker Rule published revisions to the Volcker Rule (the “2020 Volcker Changes”) that became effective on October 1, 2020 and, among other things, (i) permit covered funds relying on the loan securitization exclusion from the Volcker Rule to acquire assets that do not constitute loans and other assets or rights currently not permitted under the loan securitization exclusion, in an aggregate amount not to exceed 5% of the aggregate value of the issuing entity’s assets, (ii) exclude from the definition of “ownership interest” certain “senior loans” or “senior debt interests” issued by a covered fund and (iii) clarify that the right to participate in the removal or replacement of a collateral manager would not be a feature that results in a banking entity having an ownership interest in a covered fund. Such changes could permit covered funds, including CLO issuers, to acquire bonds, securities and other assets that a CLO would currently not be permitted to acquire under the CLO transaction documents. While certain modifications could provide CLO issuers with more investment flexibility or would be favorable to banking entities that invest in CLO issuers, other modifications might have an adverse effect. Certain Clients expect to qualify for the loan securitization exclusion, but will be permitted to purchase certain bonds and other securities that are not “received in lieu of debts previously contracted”, subject to a 5% limit due to the 2020 Volcker Changes with respect to the loan securitization exclusion. Notwithstanding such intention, no assurance can be made and there is no guarantee that any Client will qualify for the loan securitization exclusion or for any other exclusion or exemption that might be available under the Volcker Rule and its implementing regulations.

While no assurance can be made and there is no guarantee that each Client will qualify for the “loan securitization” exclusion or for any other exclusion or exemption that might be available under the Volcker Rule and its implementing regulations, the Client will be prohibited from acquiring certain assets that it might otherwise be permitted to acquire that are not consistent with the restrictions in the “loan securitization” exclusion and the Volcker Rule, and interpretations thereunder could further restrict the manner in which we manage the portfolio of investments held by Clients, or perform other activities on behalf of Clients, which could have a material adverse effect on such Clients or their investors. If, contrary to a Client’s expectations, the Client were determined to be a covered fund, we or our affiliates might be unable to continue to hold any securities issued by the Client. Any resulting divestiture could have an adverse effect on the holders of such securities and the liquidity of the securities. In addition, Sections 23A and 23B of the Federal Reserve Act restrict covered transactions between Morgan Stanley’s U.S. bank subsidiaries and Clients, whether or not the Client is a covered fund, which could limit such a Client’s ability to engage in ordinary course trading and financing activities with certain Morgan Stanley businesses.

Service Providers. Certain advisers and service providers, or their affiliates (including accountants, administrators, lenders, bankers, brokers, agents, attorneys, consultants, investment and commercial banking firms and certain other advisors and agents), to Clients could also provide goods or services to or have business, personal, political, financial or other relationships with us, Morgan Stanley or other Morgan Stanley Affiliates. These other services and relationships could influence us in deciding whether to select or recommend such a provider to perform services for a Client (the cost of which will generally be borne by the Client). Similarly, these service providers and their affiliates could engage in competitive activities and earn fees from or receive or provide other consideration from such persons or entities, and could provide different advice or services, take different action, or hold or deal in different loans for any other client or account, including their own accounts, from the advice or services they provide, action they take, or loans they hold or deal for a Client. Moreover, in certain circumstances, the rates charged by such advisers or service providers with respect to services provided to us, Morgan Stanley and other Morgan Stanley Affiliates (including the Service Provider) might be lower than the rates charged by such advisers or service providers with respect to services provided to a Client.

Policies and Procedures of Morgan Stanley. Policies and procedures implemented by Morgan Stanley and Morgan Stanley Affiliates (including us) from time to time to mitigate conflicts of interest and address certain regulatory requirements and contractual restrictions could reduce the synergies across Morgan Stanley's areas of operation or expertise that we draw on for purposes of pursuing and evaluating attractive investment opportunities for Clients. Because Morgan Stanley has other activities unrelated to the Clients, it has a number of conflicts of interest, additional regulatory considerations and more legal and contractual restrictions than that to which it would otherwise be subject if it focused only on Clients. As a consequence, that information, which could be of benefit to a Client, might become restricted to those respective businesses or otherwise be unavailable to the Client. For example, Morgan Stanley will, from time to time, establish or modify an information barrier between one division of Morgan Stanley, on the one hand, and the rest of Morgan Stanley, on the other. Additionally, the terms of confidentiality or other agreements with or related to companies in which Morgan Stanley and Morgan Stanley Affiliates have made or have considered making an investment or are advisory clients of Morgan Stanley or a Morgan Stanley Affiliate could restrict or otherwise limit the ability of a Client and/or its underlying obligors and their affiliates to make investments in or otherwise engage in businesses or activities competitive with such companies. Morgan Stanley could enter into one or more strategic relationships in certain regions or with respect to certain types of investments that could limit the opportunity a Client could otherwise take.

Relationships with Other Accounts. Morgan Stanley and Morgan Stanley Affiliates have existing and potential relationships with a significant number of sponsors and managers of corporations and institutions. In providing services to its Other Accounts and to Clients, Morgan Stanley will face conflicts of interest with respect to activities recommended to, or performed for, the Other Accounts, on the one hand, and Clients and their investors on the other hand. Morgan Stanley will also face conflicts of interest in connection with any purchase or sale transactions involving an investment by a Client, whether to or from an Other Account, and in connection with the consideration offered by, and obligations of, such Other Account in such transactions, or in voting proxies or exercising consent rights with regard to such investments. In such cases, Morgan Stanley will owe fiduciary duties to the Other Account that could make Morgan Stanley's interest adverse to that of a Client. In addition, these client relationships present conflicts of interest in determining whether to offer certain investment opportunities to a Client.

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

Code of Ethics and Personal Trading

We and our affiliates have adopted the MSIM Public Side Code of Ethics and Personal Trading Policy (the “Code”) pursuant to Rule 204A-1 under the Advisers Act. Each of our employees is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by our employees are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by employees with respect to their personal trading and other business activities.

Additionally, all Morgan Stanley employees are subject to firm-wide policies and procedures found in the Morgan Stanley Code of Conduct (the “Code of Conduct”) that sets forth, among other things, restrictions regarding confidential and proprietary information, information barriers, information security, privacy and data protection, private investments, outside business interests and personal trading. All Morgan Stanley employees, including our employees, are required to acknowledge that they have read, understand, are in compliance with and agree to abide by the Code of Conduct’s terms when they are onboarded and annually thereafter as a condition of continued employment.

The Code requires all employees to pre-clear certain personal trades in covered securities, as defined under the Code. A pre-clearance request generally will be denied if there is an open order for a client in the same security. The Code also imposes holding periods and reporting requirements for covered securities, which includes U.S. mutual funds advised by an affiliate. Our employees are prohibited from acquiring any security in an initial public offering or any other public underwriting. Investments in private placements or an employee’s participation in an outside business activity must be pre-approved by our compliance group and the employee’s manager. Certain of our employees who, in connection with job functions, make or participate in making recommendations regarding the purchase or sale of securities or loans or who have real-time knowledge of such recommendations, are held to more stringent standards when placing trades in personal accounts. Violations of the Code are subject to sanction, including reprimand, restricting trading privileges, reducing employees discretionary bonus, if any, potential reversal of a trade made in violation of the Code or other applicable policies, suspension or termination of employment.

We will provide you with a copy of the Code upon request.

Client Cross-Transactions, Intermediated Transactions and Principal Transactions

Although we do not expect in the ordinary course to enter into cross-transactions, there could be circumstances where a transaction is effected between Clients or between a Client and an Other Account. Additionally, we can cause a Client to effect transactions in which an affiliate acts as an intermediary in connection with a CLO’s purchases or sales of Assets. In effecting these transactions, we have potentially conflicting divisions of loyalties and responsibilities regarding the parties to the transaction. Intermediated transactions are subject to compliance with applicable law, as well as policies and procedures we have designed to mitigate and disclose conflicts of interest. In an intermediated transaction, our affiliate will in most cases be acting as a “riskless principal” and can receive fees or other compensation (including a spread) from the seller and the buyer under certain conditions, which is in addition to (and does not offset) any Collateral Management Fees we receive from the CLO.

We or our affiliates, in certain circumstances, and where permitted by applicable law and the relevant CLO Documents, will engage in principal transactions (including on a “riskless principal” basis, as described above) with a CLO, including reallocations from one CLO to another through an affiliate. Although principal transactions can have certain advantages for a CLO, they also present significant conflicts of interest. We or our affiliate will comply with any disclosure and consent requirements applicable under the Advisers Act to principal transactions. Moreover, a Client’s CLO Documents can include additional requirements related to principal transactions and will generally provide that disclosure with respect to a principal transaction will be provided to the CLO’s board or a designated party and their approval granted prior to

settlement of the principal transaction. Principal transactions are conducted in accordance with our relevant policies and procedures on terms expected to be consistent with an arm's length transaction on terms no less favorable than those that could reasonably be obtained with an unaffiliated third party.

Ongoing Relationships with Obligors

We will have ongoing relationships with the obligors of loans acquired by Clients. Our affiliates and/or their Other Accounts could own equity or other securities and/or loans or other obligations issued by certain of the obligors of investments acquired by Clients. In some cases, an affiliate will own as principal and/or have structured and originated certain of the loans acquired by Clients and/or have other investments (including equity investments) in the obligors thereof. Morgan Stanley is an active participant in the loan market for arranging, underwriting, placement, structuring, originating, market making in and trading of loans and it or an affiliate could, for a negotiated fee, perform advisory or other services or engage in a variety of other transactions with companies that are current or prospective obligors or issuers of loans or other investments of acquired by Clients. There could be circumstances when a Client is prevented from purchasing loans because our affiliate has been involved in the arranging, underwriting or placement of, or has provided advisory services in connection with, the related transaction.

To the extent Morgan Stanley or an affiliate acts as the underlying administrative agent or agent bank pursuant to any loan held by a Client, such role could create conflicting interests between the Client (as a lender under the loan) and Morgan Stanley or the affiliate, as applicable. For instance, the administrative agent under a loan could wish or be required to declare a default or pursue remedies against an obligor even if doing so would not be in the best interests of a Client, and vice versa. Furthermore, the administrative agent is likely to receive information related to an obligor that other lenders do not receive, and the administrative agent could have no obligation to share such information with other lenders. Although Morgan Stanley has established information barriers between personnel and affiliates who serve in such an administrative agent role and those who are involved in advising Clients, there can be no assurance that such information barriers will always be enforced or that they will be effective, and such information barriers would not prevent Morgan Stanley (or an affiliate), in its capacity as administrative agent, from communicating with us with, or on behalf of, a Client in the ordinary course of dealings between the administrative agent, on one hand, and the lenders on the underlying loans, on the other hand. Furthermore, there can be no guarantee that the role of Morgan Stanley or an affiliate as administrative agent under a loan held by a Client will not influence or create an incentive for us to take any action with respect to such loan that we otherwise would not take.

Aggregation of Orders

We have the discretion to aggregate orders among Clients and with certain Other Accounts, but currently do not aggregate orders with Other Accounts advised by the MS Investment Department (except as it relates to multi-asset portfolios where persons from different Investment Departments can be responsible for portions of a single portfolio), as discussed above. Depending upon market conditions, the aggregation of orders could result in a higher or lower average price paid or received by a Client. See also Item 12, Brokerage Practices, below, for more information as to aggregation of orders.

Allocation of Investment Opportunities among CLOs

When we manage multiple CLOs that are eligible to invest in the same loans at the same time, we will be presented with conflicts of interest related to allocating investment opportunities among those CLOs. In particular, due to the life cycles and fee structures common in CLOs, we could have an incentive to favor CLOs that, for example, are less than fully invested or which we believe are performing sufficiently to pay relatively larger incentive fees over a CLO that is established but whose performance is such that we believe it to be relatively less likely that incentive fees will be as lucrative in order to accelerate or increase fees. To mitigate these conflicts, allocations among CLOs are subject to the policies and procedures with respect to allocation, as described in Item 10, Other Financial Industry Activities and Affiliations, above, which also permit the EVM Fixed Income Investment Department, of which we are part, to use certain pre-approved, alternative allocation methods for allocating trades for CLO clients that are different from the methods in

place for other fixed income clients of the EVM Fixed Income Investment Department or other relevant Investment Departments. These alternative allocation methods are documented within the investment team's desktop procedures and have been approved by Compliance and the EVM Fixed Income Investment Department's senior management.

An Incentive Collateral Management Fee and Ownership of Subordinated Notes or Performance Notes Creates an Incentive for Us to Seek to Maximize the Yield on Client Investments

Our interests in fees paid by the CLOs create conflicts of interest. Payment of an incentive collateral management fee and payments on subordinated and other notes issued by a CLO will be dependent to a large extent on the yield earned on the investments held by that CLO. As a recipient of incentive fees and holder of these notes, we have an incentive to seek relatively higher yield over higher creditworthiness in selecting collateral obligations. Those more speculative investments could increase the incentive collateral management fee and payments on subordinated or other notes. Efforts to increase yield could result in an increase in defaults or volatility and could contribute to a decline in the aggregate market value of a Client's investments. However, we are subject to investment restrictions set forth in each Client's CLO Documents, including requirements as to portfolio composition that partially mitigate this conflict.

Item 12 Brokerage Practices

The Assets bought and sold on behalf of the CLOs typically trade at a bid/ask spread and without an explicit brokerage charge. While the CLOs do not pay commissions or other formal trading expenses of the sort associated with more traditional equity market transactions, the CLOs bear the implicit trading costs reflected in these spreads. We seek “best execution” for client transactions. Best execution generally refers to the execution of portfolio transactions in such a manner that total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC defines best execution to include “qualitative considerations,” not merely the lowest possible execution cost.

When we engage a broker, dealer or other intermediary (including an affiliate) (each an “intermediary”) to execute client transactions, we consider various factors, including, but not limited to:

- Execution capability;
- Transaction charges such as spreads;
- Financial responsibility and responsiveness;
- Access to particular markets or instruments;
- Overall costs of a transaction (i.e., net price paid or received) including mark-ups, mark-downs, spreads commissions or other current transaction costs;
- Reputation, financial strength and stability;
- Quality of execution (including accurate and timely execution, settlement, clearance and dispute resolution);
- Willingness to execute difficult transactions; and
- Market intelligence regarding trading activity.

In addition to the general factors considered, as listed above, there are several additional factors and circumstances that we consider when selecting intermediaries for a CLO’s purchase or sale of Assets in the leveraged loan market, including:

- *Relevant Market Place.* The senior secured loan market, and to a lesser extent the high-yield bond market, is not traded on an exchange where current asset prices are readily available. Further, the senior secured loan market is a private market in which the level of information known by intermediaries and various investors ranges significantly. We strive to maintain solid relationships and information flow with not just the “top-tier” intermediaries, but substantially all of the active intermediaries in the market.
- *Liquidity.* Certain investments are highly illiquid, whereby very few intermediaries are able to make a market in the security or instrument. Further, an intermediary might be one-sided (only has an offer or a bid) for a particular position.
- *Assignment Fees.* In some cases, the transfer of a senior secured loan could entail the payment of an assignment fee to the administrative agent. Depending on the size of the trade and the number of funds the asset will be allocated to/from, these fees can be significant. Trading with the administrative agent with respect to a particular transaction could eliminate these fees.
- *Trade Limitations.* Several factors could preclude the ratable allocation of a trade of a senior secured bank loan among multiple accounts, including minimum hold levels.
- *Agent Bank Considerations.* In addition to the possibility of eliminating assignment fees, there are other potential benefits (or disadvantages) to trading with (or away from) the administrative agent. All trades are disclosed to the trading desk of the administrative agent and allocations of primary transactions are generally favored to those accounts which provide high and consistent trading volume with the administrative agent. Further, the administrative agent typically is the most knowledgeable intermediary regarding the trading of an asset, understands who the buyers and sellers are and can provide the “early look” when a certain asset is trading; and

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- **Complexity of the Asset or Transaction.** Transactions in senior secured bank loan assets, in particular, can be very complex, requiring an understanding of trading levels and features of numerous tranches and structural differences among the financial instruments of a particular issuer. It is important to transact with intermediaries that understand these factors.

We do not expect that our Clients will invest in securities that trade on an agency basis through broker-dealers to which Clients pay commissions as is the case in more traditional equity markets. As a result, we do not currently use commission sharing arrangements or otherwise have arrangements to pay for brokerage and research services with client commissions. However, consistent with long-standing industry practice in the fixed income and loan markets and subject to applicable law, we can receive brokerage and research services and other information, including access to fixed income and loan trading platforms, that intermediaries provide for no charge to their customers in the ordinary course of business. Therefore, we have an incentive to select or recommend intermediaries based on our interest in receiving products and services rather than solely on our Clients' interest in obtaining the best price. Fixed income and loan instruments typically trade at a bid/ask spread and without an explicit brokerage charge. While there is not a formal trading expense or commission, Clients will bear the implicit trading costs reflected in these spreads.

Order Aggregation

If we determine that the purchase or sale of the same Asset is in the best interest of more than one Client, we can, but are not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. Aggregated transactions will be allocated among participating Clients and certain Other Accounts, where permitted and as described above in Item 10, Other Financial Activities and Affiliations, above, under the heading "*Conflicts of Interest Associated with Overlapping, Competing or Conflicting Investments.*" Under certain circumstances, we believe that aggregation of orders for multiple clients (including aggregated trades where Other Accounts are also participants) can be consistent with our duty to seek best execution. For example, aggregation of orders can facilitate more efficient and less costly execution by enabling an intermediary to "work" a large order throughout the day, rather than dealing with multiple small orders, and avoids competition in the marketplace among what otherwise would be smaller, separate orders. In any case in which we believe that aggregation would lead to results not in the best interest of Clients (e.g., higher transaction costs taking into account all appropriate factors), we will not effect the transaction on an aggregated basis.

When an aggregated order is filled through multiple trades at different prices from the same time period within a trade day, each participating account will receive the average price with transaction costs allocated pro rata based on the size of that account's participation in the order (or allocation in the event of a partial fill) as determined by us, relative to that of other participating accounts. In the event of a partial fill, allocations generally will be made pro rata based on the initial order but could be modified on a basis that we deem to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. This could result in allocations of certain investments on other than a pro rata basis. See Item 10, Other Financial Industry Activities and Affiliations, above, for additional information on investment allocations.

Item 13 Review of Accounts

The accounts of each CLO are reviewed on an ongoing basis by our portfolio management team. Reviews assess overall portfolio strategies, performance and compliance with investment guidelines in the relevant Client's CLO Documents, including any investment restrictions and other tests, such as detailed coverage tests, portfolio profile tests, and/or collateral quality tests. Primary responsibility for the execution of these reviews resides with the CLO's portfolio management team. In addition, for each CLO, the CLO's trustee prepares schedules of fees and expenses, distributions and dividends (the "priority of payment waterfalls"), which are reviewed and agreed to by our CLO operations group.

The trustee of each CLO provides investors with monthly and quarterly written reports as described in the CLO Documents for each Client. We could also furnish reports to the trustees of the CLOs. In certain cases we could provide additional or different information to different CLOs or to different investors in the same CLO. Other than as required by agreement with an investor or by applicable law, we are not obligated to offer similar information to any investor by virtue of providing that information to other investors.

Item 14 Client Referrals and Other Compensation

Not Applicable.

Item 15 Custody

It is not expected that we will be deemed to have custody of a CLO's funds or securities.

Item 16 Investment Discretion

Each Client's CLO Documents grant us discretion to manage the CLO's Assets, subject to the investment objectives, eligibility criteria and investment guidelines, policies, and restrictions set forth in such CLO Documents. While we have sole discretion to pursue any investments and strategies on behalf of a Client that are not prohibited by the applicable CLO Documents, and to modify the strategy from time to time in the future without the approval of or prior consultation with any other person, the CLO Documents typically place restrictions on our ability to buy and sell collateral obligations on behalf of the Client. As a result of such restrictions, we could be unable to buy or sell Assets on behalf of a Client or to take other actions which we might otherwise consider in the best interests of such Client and the holders of the Client's CLO Securities.

Item 17 Voting Client Securities

While the Assets held by Clients are not expected to solicit proxies, these Assets grant other decision rights and, from time to time, will solicit consents related thereto. In most cases where consents are solicited, holders are being asked to provide (or withhold) consent to proposed modifications to a loan's terms and covenants. We make such consent decisions as described below. In the unlikely event that a CLO held an equity security that solicited a proxy, we would make voting determinations in the best interests of the CLO and consistent with applicable proxy voting policies and procedures. We will only exercise authority on behalf of a Client when and as is consistent with the Client's CLO Documents.

We seek to make decisions related to any consents solicited from each relevant CLO in a manner that is consistent with the best interest of that CLO, with the general objective of promoting its investment objectives, subject at all times to such Client's CLO Documents. In some cases, we could determine that refraining from exercising a consent is appropriate. Although we aim to exercise consents in a manner that promotes each CLO's investment objectives, the existence of certain conflicts of interest or other circumstances, such as those described below, could create an incentive for us to exercise consents in a manner that does not promote a CLO's investment objectives.

Conflicts of interest with regard to our decision to exercise or withhold consents currently exist and can arise under a wide range of scenarios. For example, we face conflicts of interest in making a consent decision as to a loan where Morgan Stanley has a business relationship with or interests in the obligor, a related sponsor or another party with an interest in the outcome of a consent request. In addition, conflicts exist where one or more Clients hold or acquire interests in an obligor that are of a different class than, are junior or senior to or otherwise have different rights than interests in the same obligor that are held by one or more other Clients or Other Accounts. In these situations, the interests of one or more Clients could diverge from those of other Clients or Other Accounts with respect to the voting of proxies or exercise of consent rights to the extent the different rights and features of the interests held by one or more Clients or Other Accounts create an interest in obtaining an outcome that is contrary to the interests of others. Conflicts also can arise if a senior executive of, or other person connected with, the obligor or another party with an interest in the outcome of a consent request has a significant relationship with our personnel or those of Morgan Stanley. We also face conflicts of interest to the extent that we hold CLO Securities and are called upon to exercise rights under those CLO Securities where the outcome of the exercise of such rights could benefit us or an affiliate or operate to the detriment of other holders of the CLO Securities. Investors should understand that we can exercise our rights under any CLO Securities in which we hold an interest in such a manner as we determine to be in our best interest (which could be contrary to the interests of other investors in the CLO), except to the extent limited by the CLO Documents. In some cases, we might determine to exercise (or withhold) a consent on our behalf or on behalf of one or more CLOs while taking the opposite action (or no action) on behalf of one or more other CLOs, when we believe that doing so reflects the particular best interest of each party holding such right.

Our portfolio managers are generally responsible for identifying consent solicitations and for making decisions as to the exercise of consents. Morgan Stanley has, and we follow, a variety of policies and procedures intended to assist in identifying and addressing conflicts (including those described above). Prior to exercising a consent, a determination is made as to whether there is a material conflict of interest. Where a conflict of interest is identified that implicates Morgan Stanley generally, we will generally discuss the potential conflict with Morgan Stanley's Global Conflicts Office and seek their assistance in addressing the conflict.

Once a material conflict of interest is identified, we will next determine what steps we believe to be necessary in order to exercise the related consent right in good faith and in accordance with our fiduciary duties. These can include, but are not limited to, consulting internally with investment professionals, risk management professionals, business unit heads, our compliance and/or legal department, as appropriate under the particular circumstances, exercising the consent in accordance with instructions from, or following consent of, the Client after providing disclosure regarding the conflict or taking other actions that we believe appropriate under the circumstance in furtherance of promoting the CLO's investment objective.

Upon written request, Clients can obtain, without charge, a copy of relevant procedures or information regarding how we exercised consent rights on their behalf.

Item 18 Financial Information

Not applicable.