

Item 1 – Cover Page

**Form ADV Part 2**

**Four Corners Capital Management, LLC**

**2005 Market Street**

**Philadelphia, PA 19103-7098**

**(215) 255-2300**

**<http://www.fccm.com>**

**June 29, 2011**

This Brochure provides information about the qualifications and business practices of FCCM Capital Management, LLC (“FCCM”). If you have any questions about the contents of this Brochure, please contact us at (215) 255-2300.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

FCCM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about FCCM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure, dated June 29, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Susan Sonntag, Administrative Assistant-Client Services, at (215) 255-8817 or [Susan.Sonntag@delinvest.com](mailto:Susan.Sonntag@delinvest.com). Our Brochure is also available on our web site <http://www.fccm.com>, also free of charge.

Additional information about FCCM is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with FCCM who are registered, or are required to be registered, as investment adviser representatives of FCCM.

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## Item 4 – Advisory Business

FCCM Capital Management, LLC (“FCCM” or “Registrant”) manages investment advisory accounts on a discretionary basis for private investment partnerships, unregistered pooled investment funds (commonly referred to as “CLOs” or “CDOs”), institutional private accounts and registered investment companies. FCCM may serve as Registrant or sub-Registrant and may, with client approval, engage other firms to act as sub-Registrant of a portion of its managed accounts.

FCCM’s principal owners (those owning more than 25% of the firm) are Delaware Asset Advisers, Delaware Management Business Trust, Delaware Management Company, Inc., Delaware Investments, U.S., Inc., DMH Corporation, Delaware Management Holdings, Inc., Macquarie Affiliated Managers (USA), Inc., Macquarie Affiliated Managers Holdings (USA), Inc., Macquarie FG Holdings, Inc., Macquarie Funding Holdings, Inc., Macquarie Americas Holdings Pty Limited, Macquarie Bank Limited, Macquarie B.H. Pty Limited, Macquarie Group Limited.

Typically, FCCM exercises discretionary authority over client accounts, subject to guidelines provided by the client. Such guidelines may include, among other things, issuer and industry diversification, issuer credit ratings and leverage limits. Investment advisory contracts are for varying terms and fees and are determined through negotiation.

FCCM may also provide investment advice to a client that does not involve discretionary management of the investment portfolio. Such services may involve specific recommendations of investments that are not part of a program of continuous management of an investment portfolio. Additionally, FCCM provides advice and participates in the structuring and securitization of portfolios of assets generally comprised of senior secured corporate loans and other debt securities.

In addition to the advisory services previously described, FCCM provides asset management services to a segregated portfolio company (“SPC”). From time to time, this SPC will provide financing for clients of or portfolios managed by FCCM. FCCM receives an asset management fee for providing such services.

### **Assets Under Management**

As of March 31, 2011, FCCM had assets under management of \$110,110,277.00, of which \$31,686,051.00 was managed on a discretionary basis and \$78,424,226.00 was managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

FCCM charges its clients a base management fee for investment advisory services. This fee, charged in arrears, is expressed either as a percentage of gross or net assets under management. Gross and net assets may be calculated utilizing cost, par value, fair market

value (or other mutually negotiated measures) of corporate loans, notes, high yield bonds, and/or other debt securities. In some cases performance fees may also be charged in addition to the base management fee. These fees are in accordance with Rule 205-3 under the Investment Registrants Act and are typically based on achieving returns exceeding a specified yield or hurdle rate (e.g. an achieved IRR or short term interest rate, usually based on LIBOR or some equivalent). Total fees charged generally range from 45 to 75 basis points of gross assets under management for senior loan portfolios and from 10 to 100 basis points of gross assets under management for ABS portfolios, although fees in specific accounts may be higher or lower than this range. Specific fee arrangements, including the amount, timing and basis of calculation, are determined through negotiations with clients. These negotiations are influenced by various factors, including the investment advisory services to be rendered, the size of the account, the participation of the client in other advisory programs at FCCM and its affiliates and other assets of the client managed by FCCM. Fees associated with the structuring of certain types of investment accounts are charged based upon many factors and are separately negotiated; FCCM does not have a fee schedule for such non- advisory related services.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

The Registrant and/or its affiliates generally do not act as a principal, broker or agent in transactions with FCCM's clients. However, if FCCM were to conclude that by doing so it will obtain results for its clients not less favorable than would be obtained through alternative arrangements with unaffiliated parties it may, where permitted by applicable law. If any client portfolio transaction is executed with related broker-dealers, the broker-dealers may charge a commission in connection with these transactions; however, the commissions do not exceed the usual and customary commission that the broker-dealers would charge their own customers. Where such a transaction is permissible, FCCM, or its affiliates engaging in such transactions, will comply with Section 206(3) of the Advisers Act. Among other things, Section 206(3) requires that FCCM receive client approval prior to directing principal trades between itself (or its affiliates) and the client. For registered investment company clients, agency and underwriting transactions with affiliated broker-dealers will be executed only pursuant to procedures adopted by the Boards of Directors of such companies under Rule 17e-1 and Rule 10f-3 under the Investment Company Act. To the extent permitted by applicable law, Clients of the Registrant may also utilize unaffiliated custodians, and such custodians may, in turn, hire affiliates of the Registrant as sub-custodians in certain jurisdictions. In such circumstances, the Registrant's affiliates may effect certain transactions on behalf of its clients (e.g., foreign exchange transactions, corporate actions). These circumstances may give rise to the appearance of conflicts of interest. The Registrant has developed policies and procedures to monitor such circumstances. In the event the Registrant's client hires its own custodian, the Registrant will work with such client to avoid conflicts of interest in connection with its custodian engaging one of its affiliates as a sub-custodian.

Under certain circumstances and where permitted by applicable law, FCCM and its affiliates may seek to cross trade with certain of FCCM's advisory clients or with the affiliate's non- advisory clients. In such instances, FCCM will obtain prospective blanket authorization from the client, which may be terminated at any time by written notice from the client to FCCM, or specific authorization of the proposed transaction. In addition, each of these trades will be confirmed to the client in writing. FCCM will generally not engage in cross trades between registered investment companies to which FCCM acts as adviser or sub-adviser except where permitted by law and transacted in accordance with policies adopted by the funds' boards of directors. While it's unlikely that FCCM will execute agency cross transactions, FCCM will provide the client with an annual summary of all agency cross transactions if they occur.

FCCM may, from time to time, direct a client to sell corporate loans or other fixed income and debt securities to another client to provide liquidity, meet trade allocation objectives or achieve other investment objectives for the clients. In these cases, FCCM generally will execute such trades at the mean of transaction prices provided by one or more third party dealers or at the mean of the bid and the ask of pricing information provided by a quotation service. Pursuant to certain investment advisory agreements, clients may be consulted and approval of such cross transaction will be obtained prior to execution. Under certain circumstances not all clients are required to pre-approve such cross trades. Neither FCCM nor its affiliates will receive commissions or other remuneration in connection with these types of transactions.

FCCM may, from time to time and where permitted by applicable law, recommend investments to its clients in transactions in which an affiliate of FCCM serves as financial Registrant, banker or broker/dealer or in securities (including corporate loans and other debt instruments) as to which an affiliate serves as banker, investment Registrant, manager or promoter of the issuer or otherwise has a financial interest. Generally, if FCCM is aware of such relationship and deems it material, clients will be requested to authorize such transactions prior to execution.

FCCM or certain of its employees may from time to time invest in accounts or products, which are advised or sub-advised by it or its affiliates.

Some members of the Registrant's investment team may also serve on the investment team for another MGL wholly-owned subsidiary ("Participating Affiliate") that provides investment advisory services to funds and managed accounts that are offered outside of the United States ("non-US Client Accounts"). The Registrant and the Participating Affiliate may give advice or take action with respect to the investments of client accounts and non-US Client Accounts that may not be given or taken with respect to other client accounts with similar investment programs, objectives, and strategies. Accordingly, client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance.

FCCM and the Participating Affiliate may also advise client accounts with conflicting programs, objectives or strategies. These activities may also adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more client accounts. Finally, FCCM and the Participating Affiliate may have conflicts in

allocating their personnel's time and services among client accounts. The Registrant will devote as much time to each client account as it deems appropriate to perform its duties in accordance with its management agreement.

The financial services activities of Macquarie Group Limited may from time to time limit the investment opportunities for the Registrant's client accounts. For example, this can occur in situations where the investment banking and advisory activities of affiliates prohibit FCCM from undertaking certain investment activities on behalf of its client accounts. Macquarie Group Limited and its various divisions and business have in place certain information barriers to prohibit the transfer of private information and information related to business activities, however, in certain situations regulatory restrictions may negate the effects of these barriers.

FCCM has performance fee arrangements, as permitted by Rule 205-3 under the Advisers Act, with certain of its clients. Such performance fee arrangements may constitute indirect equity interests. In addition, FCCM or its affiliates, through investments made in managed portfolios may invest in securities (including corporate loans and bonds) in which client accounts are also invested. FCCM and/or its affiliates may buy, sell or hold such securities while making a different investment decision or recommendation for one or more client accounts.

## Item 7 – Types of Clients

In addition to Banks, Registered Investment Companies and Corporations, FCCM's clients may include limited partnerships, public employee retirement associations and offshore special purpose vehicles ("SPVs") specifically designed for investment in CLO/CDO transactions and other pooled investment accounts. FCCM advises accounts that will either purchase a portfolio of assets directly or acquire the risk of a reference portfolio of assets indirectly through total return swap agreements or similar financing arrangements as described above. Typically, FCCM clients are classified as sophisticated investors and have substantial experience investing in the senior secured corporate loan or other financial and debt markets.

FCCM may also count as clients, certain affiliated firms or entities that control or are under common control with FCCM. The Registrant's ultimate parent is Macquarie Group Limited ("MGL"), a multi-national financial services company. Therefore, the Registrant is affiliated with a number of entities that provide, and/or engage in commercial banking, insurance, brokerage, investment banking, financial advisory, broker-dealer activities (including sales and trading), hedge funds, real estate and private equity investing, in addition to the provision of investment management services to institutional and individual investors.

FCCM provides discretionary investment advisory services to clients with separately managed accounts typically in the minimum amount of US\$50,000,000, but may consider accounts of lesser amounts in certain situations.

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

In addition to the better known sources of information, FCCM analysts may speak with individuals familiar with the assets such as other analysts, knowledgeable persons at the underwriters of the assets (sales staff), corporate officers, attend facility tours or participate in meetings among prospective bank group participants. FCCM analysts may also consult with the agent banks related to prospective investments or with commercial lenders regarding certain credit lending opportunities.

The investment strategies used to implement investment advice given to clients may include long-term purchases (securities held at least one year), short-term purchases (securities sold within one year), trading (securities sold within 30 days), or managing reference assets under total return swaps. In some instances, FCCM's clients may employ leveraging techniques in connection with their managed accounts. Generally in these instances, the portfolio managed by FCCM serves as collateral for the indebtedness incurred by the client. If appropriate and authorized by the client, FCCM may seek to minimize currency and interest rate risk through various hedging techniques. These hedging techniques may consist of investments in derivative instruments, such as forward foreign currency contracts, currency and interest rate options, currency and interest rate futures, currency and interest rate swaps and other techniques including financing of assets according to their unique currency and/or interest rate characteristics.

Material risks from FCCM's fixed income strategy may involve interest rate fluctuations, inflation expectations or realizations, bankruptcy or default of issuer. There is the risk that debt securities rating firms have incorrectly rated a security up or down from where it actually resides resulting in capital loss.

## **Item 9 – Disciplinary Information**

In the ordinary course of its business, the Registrant and its investment management affiliates and their employees have in the past been, and may in the future be, subject to formal and informal regulatory inquiries, subpoenas, investigations, and legal or regulatory proceedings, involving the SEC, other regulatory authorities, or private parties. Additional information about the Registrant's investment advisory affiliates is contained in Part I of the Registrant's Form ADV.

### **A. – Criminal or Civil Actions**

The Registrant has no material civil or criminal actions to report.

### **B. – Administrative Proceedings**

The Registrant has no material administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority to report.



### **C. – Self-Regulatory Organization Proceedings**

The Registrant has no material self-regulatory organization (“SRO”) disciplinary proceedings to report.

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

### **A- Broker-Dealer Registrations**

Certain of our management persons and other employees are registered representatives of Delaware Distributors, L.P. (DDL), an affiliated SEC-registered broker-dealer.

### **B- Other Registrations**

Neither Registrant nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **C- Material Affiliated Relationships**

Registrant is affiliated with DDL.

Registrant has a relationship with Delaware Management Business Trust’s (DMBT) Delaware Asset Advisers Series (DAA), in that DAA is the sole owner of the Registrant. DMBT is an SEC Registered Investment Adviser.

As Registrant is owned by Macquarie Group Limited (MGL) and MGL is a global provider of banking, financial, advisory, investment and funds management services and has various entities registered throughout the globe, Registrant will from time to time enter into agreements and arrangements with certain MGL entities as is appropriate with applicable law.

Additionally, through the ownership of Registrant by MGL, Macquarie Bank Limited an Australian Registered Bank is an indirect owner of Registrant.

### **D – Recommendation of Other Investment Advisers**

Registrant does not recommend or select other investment advisers for its clients where Registrant receives compensation directly or indirectly from such other investment adviser for recommending or selection the other investment adviser that creates a material conflict of interest. However, Registrant does enter into sub-advisory agreements with other investment advisers.

## Item 11 – Code of Ethics

### A. – Code of Ethics

Registrant has adopted a Code of Ethics and insider trading policies governing personal transactions for all employees of the firm that describes its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics restricts the purchase and sale by certain personnel for their own accounts of those securities which may have been purchased or sold for client accounts. Personnel of the Registrant may not engage in a transaction in the same security while an order for a client's account is pending or within two trading days after execution of the transaction on behalf of the client. A *de minimis* exception may be granted if the personnel wish to trade up to 500 shares in a company that is in the S&P 500 Index provided that the Registrant has not traded more than 10,000 shares during the last two days and there are no open orders on the trading desk. A portfolio manager's personal trades are restricted for the seven days before or after a security's purchase or sale in an account which such manager manages. All employees must acknowledge the terms of the Code of Ethics and the insider trading policy annually, or as amended.

Registrant also has adopted a pre-clearance policy for all personal trades, and restricts trading in close proximity to client trading activity. All opening positions in a personal account must be held for period of fourteen (14) calendar days for all employees. An employee must hold an open position in a covered mutual fund for at least sixty (60) calendar days before they may sell the shares at a profit. If the shares of the covered mutual fund are being sold at a loss, the employee may liquidate the position after a holding period of fourteen (14) calendar days.

Under the Code of Ethics, portfolio managers and other investment professionals must hold all opening positions in covered securities made in a personal account for a period of sixty (60) calendar days before they may close the position at a profit. However, portfolio managers and investment professionals may close positions after a holding period of fourteen (14) calendar days if they do so at a loss.

Certain employees of the Registrant maintain managed personal trading accounts with third party brokerage firms. Because these employees have granted discretion over their trading activity to a third party, they may be granted a waiver to the pre-clearance requirement for the securities transactions made in those accounts. These accounts are not subject to blackout periods or other requirements of the Code of Ethics and the transactions in these accounts may be in direct competition or contravention of client transactions.

Generally, employees are required to provide the Registrant's Chief Compliance Officer with copies of broker confirmations and statements of personal securities transactions. In addition, Registrant's officers, trustees, and employees who may be involved in the formulation and implementation of advisory recommendations are required to provide quarterly reports of their personal securities transactions.

These personal reports are compared to the Registrant's client transactions to determine if there has been any violation of the Code of Ethics. Regardless of these safeguards, personal

transactions of Registrant's associated persons and personnel represent an inherent conflict of interest.

Registrant will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **B, C, D. – Potential Conflicts of Interest**

The Registrant and its affiliates may provide the initial seed capital in connection with the creation of a Delaware Investments product. To the extent that the Registrant or its affiliates maintain such seed capital in a Delaware Investments product, the Registrant or its affiliates may engage in a total return swap or other hedge on its investment for the sole purpose of limiting the volatility of earnings of the Registrant and its corporate parents. Neither the Registrant nor its affiliates seek to profit by hedging the seed-capital investments in the Delaware Investments products, and the total return swap or other hedge is not expected to have any effect on the investment performance of any Delaware Investments product.

The portfolio management and trading of the proprietary capital investment as well as any associated hedge activity is undertaken in accordance with the Registrant's policies and procedures. Proprietary capital may not exhibit the same performance results as similarly managed client accounts for a variety of reasons, including regulatory restrictions on the type and amount of securities in which the proprietary capital may be invested, differential credit and financing terms, as well as any hedging transactions. While the Registrant acts solely in the best interests of its clients, these circumstances may give rise to the appearance of a conflict of interest.

Macquarie Group Limited ("MGL"), its affiliates, directors, officers, and employees (collectively, the "Macquarie Group") are major participants in global financial markets and may act as an investor, investment banker, investment manager, financier, Registrant, market maker, trader, lender, agent and principal in the global fixed income, currency, commodity, equity, and other markets in which the Registrant's client accounts may directly and indirectly invest. Such other activities may involve real, potential or apparent conflicts of interests. These activities include (among other things) potential Registrant, transactional and financial activities and other interests in securities and companies that may be directly or indirectly purchased or sold by the Registrant for its clients' accounts, and are considerations that clients should be aware of and which may cause conflicts that could be to the disadvantage of the Registrant's clients. Present and future activities of the Macquarie Group, in addition to those described herein, may also result in conflicts of interest that may be disadvantageous to the Registrant's clients.

The Registrant has established policies, procedures and disclosures designed to address conflicts of interest arising between advisory accounts of the Registrant and the Macquarie Group's businesses. It is the Registrant's policy that personnel involved in decision making for advisory accounts must act in the best interests of their advisory clients and generally without knowledge of the interests of proprietary trading and other operations of the Macquarie Group. Where the Registrant's personnel are aware of conflicts or potential conflicts among advisory accounts, or between advisory accounts and the Macquarie Group and/or personnel of the Macquarie Group, it is the Registrant's policy to disclose the

existence of such conflicts or potential conflicts in general form through its Form ADV or otherwise to clients.

In addition, the wide range of banking, financial and investment advisory, broker-dealer and other financial and investment industry activities engaged in by the Macquarie Group throughout the world poses the prospect that the Registrant and/or its affiliates may from time to time acquire confidential information about issuers, corporations or other entities and their securities. The Registrant may not be free to divulge or to act upon such information with respect to its activities.

The Registrant may, on occasion, be restricted from buying or selling certain securities on behalf of clients because of these circumstances. This may adversely impact the investment performance of client accounts.

Some of the Registrant's investment personnel may also serve as investment personnel for another MGL wholly-owned subsidiary ("Participating Affiliate") that provides investment advisory services to funds, separate accounts, and separately managed accounts ("Client Accounts"). The Registrant and the Participating Affiliate may give advice or take action with respect to the investments of Client Accounts that may not be given or taken with respect to other Client Accounts with similar investment programs, objectives, and strategies. Accordingly, Client Accounts with similar strategies may not hold the same securities or instruments or achieve the same performance.

The Registrant and the Participating Affiliate may also advise Client Accounts with conflicting programs, objectives or strategies. These activities may also adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Client Accounts. Finally, the Registrant and the Participating Affiliate may have conflicts in allocating their personnel's time and services among Client Accounts. The Registrant will devote as much time to each Client Account as it deems appropriate to perform its duties in accordance with its management agreement.

The Registrant and the Participating Affiliate may have portfolio managers who manage long/short Client Accounts alongside long-only Client Accounts. For example, the Registrant and/or the Participating Affiliate may hold on behalf of a Client Account a security for which the Registrant and/or the Participating Affiliate may establish a short position on behalf of another Client Account. The subsequent short sale may result in impairment of the price of the security held long in the Client Account. Conversely, the Registrant and/or the Participating Affiliate may on behalf of a Client Account hold a short position in the same security which it may purchase on behalf of another Client Account. The subsequent purchase may result in an increase of the price of the underlying position in the short sale exposure.

The investment activities of the Macquarie Group may limit the investment opportunities for the Registrant's client accounts. For example, this may occur in certain regulated industries, private equity markets, emerging markets, and in certain futures and derivative transactions where restrictions may be imposed upon the aggregate amount of investment by affiliated investors. The Registrant may voluntarily limit transactions for client accounts or limit the amount of voting securities purchased for client accounts, or waive voting rights for certain securities held in client accounts, which may limit positions, in

order to avoid circumstances which, in its view, would require aggregation of such client account positions with investments elsewhere in the Macquarie Group that would approach or exceed certain ownership thresholds.

### **Information Barriers/Ethical Walls**

Macquarie Group may come into possession of confidential, material non-public information particularly in connection with its commercial and investment banking activities. The Registrant may not use material, non-public information obtained from any division of the Macquarie Group when making investment decisions relating to public securities for its clients. The Macquarie Group, including the Registrant, has internal procedures in place intended to limit the potential flow of any such non-public information should the Registrant or any member of the Macquarie Group come into possession of material, non-public information, including ethical walls between its various businesses, which serve as information barriers that prevent confidential or potentially price-sensitive information held within one business division in the Macquarie Group from being communicated to another business division. The Macquarie Group's ethical walls are comprised of a combination of physical measures and employee conduct measures. Physical measures include the physical separation of business groups with appropriate security arrangements and security restrictions on computer files and databases. Employee conduct measures include policies designed to prohibit employees of a business division from communicating any price-sensitive information to employees in a separate ethical wall, and prohibitions on employees who are aware of price-sensitive information from engaging in activities involving the provision of securities advice, or trading on such information.

## **Item 12 – Brokerage Practices**

FCCM generally has discretionary authority to manage client portfolios, including the discretion to select, purchase, and sell loans, bonds and other permitted portfolio securities; to determine the timing and terms of such transactions and to select the agent banks, dealers and brokers involved in such transactions. FCCM's investment discretion is, in all cases, limited by each client's investment guidelines and FCCM's policies and procedures.

When placing orders for corporate loans and ABS, which are generally privately negotiated principal transactions, FCCM selects the agent bank, dealer or other seller. The selection of the agent, dealer or other seller will depend in large part upon the best price obtainable. Other discretionary factors include: the desired timing of the trade, confidentiality, execution and operational capabilities, ongoing borrower due diligence, reputation for integrity and sound financial condition and practices. These are generally the same selection criteria used for securities transactions with brokers, as to which FCCM generally also exercises discretion. In broker transactions, FCCM exercises discretion to determine the commission rates, if any. FCCM may use affiliated agents or brokers as described above, where permitted by applicable law.

Currently, FCCM does not receive research from brokers in return for generating commissions for such brokers (i.e., soft dollars). However, from time to time personnel of

FCCM may attend conferences or similar functions sponsored by broker-dealers and other financial institutions.

In general, FCCM seeks to allocate the purchase and sale of assets to clients in a fair and equitable manner to quickly and prudently create a well-constructed, fully invested portfolio of corporate loans. Since FCCM's clients have varying investment restrictions and because of the constraining mechanics of the corporate loan and ABS market, allocation of trades through methods such as pro-rata allocation are not feasible. Therefore, the allocation of corporate loan or ABS purchases and sales to various accounts is generally based on factors such as the client's investment restrictions and objectives, including expected liquidity and/or third party credit ratings, the client's acceptance or rejection of prospective investments, if applicable, and the relative percentage of invested assets of a client's portfolio, among others. Assets may be disproportionately allocated to accounts during their initial investment period (ramp up stage), notwithstanding that other accounts may also have assets available for investment. Such disproportionate allocation to accounts during the ramp-up process may have a detrimental effect on other accounts. Subject to the foregoing, whenever FCCM's clients have available funds for investment, investments suitable and appropriate for each will be allocated in a manner FCCM believes to be equitable to each, although such allocation may result in a delay in one or more client accounts being fully invested that would not occur if an allocation to other client accounts were not made. Moreover, it is possible that due to differing investment objectives or for other reasons, FCCM and its affiliates may purchase securities or loans of an issuer for one client and at approximately the same time recommend selling or sell the same or similar types of securities or loans for another client. For these and other reasons, not all portfolios will participate in the gains or losses experienced by other portfolios with similar investment objectives.

FCCM may aggregate purchase or sale orders for loans in the secondary market for clients. FCCM's policy in the aggregation of such orders is that the aggregation benefits the clients and that the allocation be done under the policies described above. In addition, all clients receiving allocations of an aggregated order will incur an average price. FCCM will not receive additional compensation and client funds will not be commingled in such aggregation.

In connection with the acquisition of corporate loans in primary transactions (i.e. where FCCM participates on behalf of clients in the original loan syndication), FCCM may make commitments to purchase loans for client accounts in amounts that exceed the amount available for investment at the time of anticipated settlement in the expectation that the amount that will be allocated to FCCM's clients will be less than the amount committed. In circumstances, if any, where the amount actually allocated to FCCM's clients in such primary transactions exceeds the assets anticipated to be available for investment on the settlement date for such syndication, FCCM will liquidate portfolio positions in amounts necessary to settle the primary transaction.

## **Item 13 – Review of Accounts**

FCCM manages multiple portfolios comprised principally of U.S. dollar denominated, floating rate, senior secured, commercial and industrial loans and notes. FCCM at times may manage portfolios that invest in high yield bonds, other debt instruments, loan based swaps and shares of closed-end mutual funds. FCCM also advises to portfolios consisting of ABS securities. Robert Bernstein is a Division Director and Chief Investment Officer of Non-investment Grade Credit. He has primary responsibility of the day-to day investment decisions. Mr. Bernstein is supported in his portfolio management activities by the investment staff. Investment analysts are assigned loans within specific industries and report to the Chief Investment Officer and certain senior analysts assist Mr. Bernstein in the management of client portfolios.

In-person or telephone reviews of portfolio positions and investment results with certain clients are conducted periodically, but not less frequently than annually.

A report of a client's complete portfolio is generally provided to the client not less frequently than quarterly. In general, FCCM's clients employ independent trustees or third party accounting or custodial services in connection with the portfolios managed by FCCM. These third party service providers produce client information packages on a monthly or quarterly basis. These types of packages are also disseminated to holders of the securities of the pooled investment vehicles for which FCCM serves as investment Registrant and generally include performance information, portfolio data, market data and manager commentary. FCCM may provide monthly data to those clients for whom reports are only prepared quarterly by their service providers. In situations where clients do not employ a third party service provider, FCCM may provide monthly portfolio information, generally including month end portfolio positions, segregated by industry and a report of performance and transactions. In all cases, representatives of FCCM are available on a daily basis to answer investor inquiries regarding portfolio management, performance and operational issues.

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

From time to time, FCCM will pay fees for client referrals as permitted by Section 206(4)-3 under the Registrants Act. These fees typically involve the payment of a portion of the asset-based investment management fee and/or performance fee paid to FCCM by the client. These fees are negotiated and may be different for each solicitor.

## Item 15 – Custody

FCCM does not hold client assets. Client funds and securities are held by a qualified custodian appointed by clients pursuant to a separate custody agreement, or may be held by the clients themselves.

Clients will receive account statements directly from their custodian and should carefully review those statements. In addition, clients are urged to compare the account statements that they receive from their qualified custodian with any that they receive from FCCM. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16 – Investment Discretion

FCCM generally has discretionary authority to manage client portfolios, including the discretion to select, purchase, and sell loans, bonds and other permitted portfolio securities; to determine the timing and terms of such transactions and to select the agent banks, dealers and brokers involved in such transactions. FCCM's investment discretion is, in all cases, limited by each client's investment guidelines and FCCM's policies and procedures.

When placing orders for corporate loans and ABS, which are generally privately negotiated principal transactions, FCCM selects the agent bank, dealer or other seller. The selection of the agent, dealer or other seller will depend in large part upon the best price obtainable. Other discretionary factors include: the desired timing of the trade, confidentiality, execution and operational capabilities, ongoing borrower due diligence, reputation for integrity and sound financial condition and practices. These are generally the same selection criteria used for securities transactions with brokers, as to which FCCM generally also exercises discretion. In broker transactions, FCCM exercises discretion to determine the commission rates, if any. FCCM may use affiliated agents or brokers as described in Item 9, where permitted by applicable law.

Currently, FCCM does not receive research from brokers in return for generating commissions for such brokers (i.e., soft dollars). However, from time to time personnel of FCCM may attend conferences or similar functions sponsored by broker-dealers and other financial institutions.

In general, FCCM seeks to allocate the purchase and sale of assets to clients in a fair and equitable manner to quickly and prudently create a well-constructed, fully invested portfolio of corporate loans. Since FCCM's clients have varying investment restrictions and because of the constraining mechanics of the corporate loan and ABS market, allocation of trades through methods such as pro-rata allocation are not feasible. Therefore, the allocation of corporate loan or ABS purchases and sales to various accounts is generally based on factors such as the client's investment restrictions and objectives, including



expected liquidity and/or third party credit ratings, the client's acceptance or rejection of prospective investments, if applicable, and the relative percentage of invested assets of a client's portfolio, among others. Assets may be disproportionately allocated to accounts during their initial investment period (ramp up stage), notwithstanding that other accounts may also have assets available for investment. Such disproportionate allocation to accounts during the ramp-up process may have a detrimental effect on other accounts. Subject to the foregoing, whenever FCCM' clients have available funds for investment, investments suitable and appropriate for each will be allocated in a manner FCCM believes to be equitable to each, although such allocation may result in a delay in one or more client accounts being fully invested that would not occur if an allocation to other client accounts were not made. Moreover, it is possible that due to differing investment objectives or for other reasons, FCCM and its affiliates may purchase securities or loans of an issuer for one client and at approximately the same time recommend selling or sell the same or similar types of securities or loans for another client. For these and other reasons, not all portfolios will participate in the gains or losses experienced by other portfolios with similar investment objectives.

FCCM may aggregate purchase or sale orders for loans in the secondary market for clients. FCCM' policy in the aggregation of such orders is that the aggregation benefits the clients and that the allocation be done under the policies described above. In addition, all clients receiving allocations of an aggregated order will incur an average price. FCCM will not receive additional compensation and client funds will not be commingled in such aggregation.

In connection with the acquisition of corporate loans in primary transactions (i.e. where FCCM participates on behalf of clients in the original loan syndication), FCCM may make commitments to purchase loans for client accounts in amounts that exceed the amount available for investment at the time of anticipated settlement in the expectation that the amount that will be allocated to FCCM' clients will be less than the amount committed. In circumstances, if any, where the amount actually allocated to FCCM' clients in such primary transactions exceeds the assets anticipated to be available for investment on the settlement date for such syndication, FCCM will liquidate portfolio positions in amounts necessary to settle the primary transaction.

## **Item 17 – Voting Client Securities**

Due to the nature of the assets that FCCM manages, it is unlikely that FCCM will receive any proxy solicitations. However, in rare cases, FCCM may receive proxy solicitations concerning various proposals being submitted to stockholders of companies whose shares may be held by the accounts managed by FCCM. FCCM has certain fiduciary responsibilities in connection with voting stock held for its clients, and has therefore instituted procedures designed to ensure these responsibilities are carried out in a timely and consistent manner.

Proxy voting decisions are made by the portfolio manager, who, upon receiving a proxy solicitation, decides how the shares held by the accounts should be voted on each proposal, based upon a judgment of what result would be in the best financial interest of FCCM's clients.

From time-to-time, material conflicts of interest may arise between FCCM and those of its clients. In such event, FCCM will disclose in writing such material conflict to its client and shall obtain client's consent prior to voting the proxy. In certain specified cases, or upon consultation with legal counsel, the portfolio manager may consult with the Compliance Officer prior to any vote on a particular proxy issue.

FCCM shall retain, subject to its normal record-keeping policy: (i) a copy of its proxy voting policy; (ii) proxy statements received for its clients and fund securities; (iii) records of votes cast on behalf of clients and funds; (iv) records of written requests for proxy voting information and any written response of FCCM to either a written or oral request; and (v) any documents prepared by FCCM that were material to making a proxy voting decision or that set forth the basis for such decision. Clients may, upon request to the Compliance Officer, obtain copies of reports setting forth the positions taken on all proxies voted with respect to such client's account.

In situations where the voting of a proxy involves one or more of the registered investment companies sub-advised by FCCM (the Funds), the proxy voting procedures adopted by the Funds' board will supersede the procedures adopted by FCCM.

## **Item 18 – Financial Information**

### **A. – Prepayment of Fees**

The Registrant does not require or solicit prepayment of fees.

### **B. – Financial Condition**

Registrant has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients.

### **C. – Bankruptcy**

The Registrant has not been the subject of a bankruptcy proceeding.