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This brochure provides information about the qualifications and business practices of JMP Credit Advisors LLC ("JMPCA"). If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. 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.

Additional information about JMP Credit Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We have included in this brochure references to products such as private investment funds solely for the purpose of describing our advisory business. This brochure is not intended as an offer of any of these products, which are privately offered only to qualified investors.

## ITEM 2: MATERIAL CHANGES

On March 30, 2018 (our last annual update to this brochure), we made the following material changes to our prior brochure dated March 29, 2017:

On November 18, 2016, the revolving period on the JMP Credit Advisors TRS Ltd. (“TRS”) \$167 million facility with Macquarie Bank Limited (“Macquarie”) matured and the facility was in an 18 month ramp down period. On April 7, 2017, JMP Credit Advisors LLC (“JMPCA”) provided a trade authorization to Macquarie for the sale of the remaining assets in the TRS totaling \$136.8 million. On April 11, 2017 Macquarie approved the trade authorization. The assets were sold at the average of the bid and ask prices (99.6%) to the JMP Credit Advisors CLO IV Ltd. warehouse, which was provided by BNP Paribas. As of October 19, 2017, all payments under the TRS facility were made and receivables collected, and the TRS facility documents with Macquarie were terminated. In a letter agreement dated October 26, 2017, Macquarie acknowledged there were no outstanding transactions or obligations of any kind under the agreements. As such, the TRS entity was fully liquidated, a certificate of dissolution was issued on December 12, 2017 and the entity was deemed to be dissolved from the Cayman Islands Registrar of Companies on February 27, 2018.

On December 28, 2016, JMP Investment Holdings LLC (“JMPIH”), the owner of the majority of the subordinated notes of JMP Credit Advisors CLO I Ltd. (“CLOI”), issued a notice to redeem the secured notes in the deal. On February 21, 2017, the secured notes were paid in full, and the vehicle was fully liquidated on May 4, 2017. A certificate of dissolution was issued on June 28, 2017, and the CLOI was deemed to be dissolved on September 21, 2017. In connection with this, Cratos CDO Management, the entity that held the CLOI management contract, was dissolved on June 15, 2017.

On May 1, 2017, JMPIH, as the Holder of at least a majority of the subordinated notes of JMP Credit Advisors CLO II Ltd (“CLO II”), issued a Direction of Optional Redemption to occur on June 15, 2017, at which time the secured notes were paid in full, and the CLOII was fully liquidated on October 16, 2017. The indenture was discharged on December 7, 2017 and a certificate of dissolution is forthcoming.

On March 22, 2017, JMP CLO IV Ltd. (“CLO IV”), an exempted company incorporated with limited liability under the laws of the Cayman Islands, was formed. On April 5, 2017, CLO IV entered into a warehouse credit agreement with BNP Paribas as administrative agent, JMPIH, as preferred investor and JMPCA as collateral manager. The credit agreement provided a line of credit up to \$200 million that would be used to finance the purchase of a diverse pool of loans. On June 2, 2017 and June 13, 2017, CLO IV entered into master participation agreements with CLO II to purchase a total of \$221.7 million of collateral obligations at the average fair market value of \$217.8 million (98.2%). The price paid for the assets was the midpoint of the bid and ask prices.

On June 29, 2017, CLO IV paid off the warehouse line of credit and securitized a \$456.9 million CLO with JMPCA as the collateral manager. JMPIH purchased \$42.9 million or 100% of the CLOIV subordinated notes making the CLOIV risk retention compliant. The senior notes offered in the transaction are issued by CLO IV and co-issued in part by JMP Credit Advisors CLO IV LLC and are subject to a two-year non-call period. The reinvestment period ends on July 19, 2021, and the notes mature on July 17, 2029.

On July 18, 2017, JMP CLO V Ltd. (“CLO V”), an exempted company incorporated with limited liability under the laws of the Cayman Islands, was formed. On July 31, 2017, CLO V entered into a warehouse credit agreement with BNP Paribas as administrative agent, JMPIH, as preferred investor and JMPCA as collateral manager. The warehouse credit agreement provided a line of credit up to \$200 million that would be used to finance the purchase of a diverse pool of loans. The warehouse credit agreement is

structured to have a twelve month revolving period ending July 30, 2018 and a ten-month amortization period. All borrowings are subject to the satisfaction of certain customary covenants, the accuracy of certain representations and warranties, concentration limitations and other restrictions. As of March 29, 2018 there is \$200 million of collateral obligations in CLO V on a trade date basis and JMPIH, as equity holder, has funded \$40 million of equity supporting the warehouse credit agreement.

On October 24, 2017, JMPCA engaged Jefferies LLC to serve as underwriter and structuring agent to facilitate a reset transaction by liquidation of the JMP Credit Advisors CLO III Ltd (“CLO III”) secured notes at the request of the majority owner of the subordinated notes, Prophet Capital Asset Management (“Prophet”).

On January 24, 2018, JMP Credit Advisors CLO III(R) Ltd. (“CLO IIIR”), an exempted company incorporated with limited liability under the laws of the Cayman Islands, was formed. On February 2, 2018, Prophet issued a direction of Optional Redemption to occur on February 9, 2018.

On February 9, 2018, CLO IIIR, as borrower, entered into a warehouse loan and security agreement with Jefferies Leveraged Credit Products, LLC (“Jefferies”). Pursuant to this agreement, CLO IIIR and CLO III, as seller, entered into a Master Participation Agreement under which CLO III sold certain of their loans (“the Participation Assets”) totaling \$332.7 million to CLO IIIR and the purchase was financed by Jefferies. The assets were purchased at the average of the bid and ask quotes at that time (99.9%). The proceeds from the sale of the Participation Assets were used to redeem the CLO III secured notes totaling \$332.1 million in full on February 9, 2018 (the “Redemption Date”).

In order to facilitate the reset transaction and the fees and expenses to do that, the CLO III subordinated note holders waived their right to receive any remaining interest proceeds on the Payment Date on January 17, 2018, and also the February 9, 2018 redemption date. The excess interest proceeds were deposited into the Interest Collection Subaccount to be applied on future payment dates.

On February 20, 2018 (the “CLO Closing Date”), CLO IIIR, JMP Credit Advisors CLO III(R) LLC, as co-issuer and U.S. Bank N.A, as Trustee, entered into an Indenture in connection with the issuance of the CLO IIIR notes totaling \$332.1 million. All of the collateral obligations of the CLO owned by the CLO IIIR issuer on the CLO Closing Date were purchased and/or acquired from CLO III. (the “Seller”) pursuant to a Master Participation Agreement between Seller and CLO IIIR dated as of February 9, 2018 and an Agreement and Plan of Merger between Seller and CLO IIIR dated as of February 20, 2018. The existing issuer merged with and into the new CLO IIIR issuer, with CLO IIIR remaining as the sole surviving entity assuming all assets and liabilities of CLO III, including the rights and obligations associated with all of the subordinated notes (\$38.4 million in aggregate principal amount) of the Seller, which as of the CLO Closing Date, are represented by subordinated notes of the new CLO IIIR issuer (the “Subordinated Notes”) and governed by the new Indenture.

JMPIH retained its \$18 million subordinated notes that were in CLO III and converted to CLO IIIR, and also purchased \$4.5 million of the CLO IIIR secured notes in order to make the CLO IIIR risk retention compliant. The new CLO IIIR senior notes are subject to a non-call period to January 17, 2019. The CLO IIIR has a reinvestment period through January 17, 2020 that allows for the use of the proceeds from any principal repayments on, or any sales of, collateral assets toward the purchase of qualifying replacement assets, subject to certain conditions and limitations. The notes mature on January 17, 2028.

Item 4 has been updated to reflect our regulatory assets under management as of February 28, 2018.

Please note that the above summary of material changes discusses only those material changes that have occurred since the last annual update of the Brochure on March 29, 2017.

The material changes to our brochure since the last annual update on March 30, 2018, and which are being made as of October 1, 2018, are as follows:

Effective April 2, 2018, in order to focus on the management of our growing CLO business, the Company is no longer providing administrative services to Harvest Capital Credit Corporation (NYSE: HCAP). During the past year the Company worked closely with HCAP to transition the provision of administrative services to HCAP Advisors LLC, its external manager. The Company previously served as the administrator pursuant to an Administration Agreement dated April 29, 2013. The HCAP Board accepted the resignations of Craig Kitchen as Chief Financial Officer and Renee Lefebvre as Chief Compliance Officer effective April 2, 2018.

In May 2018, JMP Investment Holdings LLC (“JMPIH”) sold \$4.5 million of JMP Credit Advisors CLO III(R) Ltd. senior secured notes that they had purchased on February 20, 2018 with the closing of CLO III(R) Ltd., and paid off the repurchase financing with BNP Paribas.

On July 26, 2018, JMP Credit Advisors CLO V Ltd., a \$407.8 million CLO, was securitized. This resulted in an increase in assets under management.

Effective October 1, 2018, we changed office locations from 3440 Preston Ridge Road, Suite 350, Alpharetta, Georgia 30005 to 8000 Avalon Boulevard, Suite 460, Alpharetta, Georgia 30009.

Effective October 1, 2018, Craig Kitchen, the current Chief Financial Officer, was named Chief Compliance Officer and Renee Lefebvre, the prior Chief Compliance Officer, transitioned into a portfolio management role.

Item 4 has been updated to reflect our regulatory assets under management as of August 31, 2018. The prior brochure reflected assets under management as of February 28, 2018.

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#### ITEM 4: ADVISORY BUSINESS

JMP Credit Advisors LLC (“JMPCA” or “we”) began operations in Alpharetta, Georgia in May 2006. We are wholly owned by JMP Holding LLC, which is in turn wholly owned by JMP Group Inc., which is wholly owned by JMPH, which is wholly owned by JMP Group LLC (NYSE: JMP), a public reporting company (“JMP Group”).

JMPCA provides discretionary investment advisory services directly or indirectly to collateralized loan obligation vehicles (“CLOs”). The CLOs currently consist of the following:

- JMP Credit Advisors CLO III(R) Ltd. with an original face amount of \$370.5 million, which was reset and newly issued on February 20, 2018;
- JMP Credit Advisors CLO IV Ltd. with an original face amount of \$456.8 million; and
- JMP Credit Advisors CLO V Ltd. with an original face amount of \$407.8 million.

JMPCA and its affiliates or related persons currently own \$19.2 million or 49.9% of the equity in CLO III(R), \$40.5 million or 100% in CLO IV and \$32.3 million or 81.2% in CLO V.

The CLOs invest primarily in senior-secured, first lien loans to mostly U.S.-based companies. While we are responsible for, and have broad discretion in, purchasing and selling collateral obligations on behalf of the CLOs, we are subject to the terms and investment restrictions of the respective indenture governing each CLO (the “Indenture”) that limits the types of securities or other instruments in which the CLO may invest and provides concentration limits by individual obligor, industry, country, and class. The investors in the CLOs do not have the right to specify, restrict or influence the CLOs’ investment objectives or any investment or trading decisions.

We are considering a new CLO that we expect would invest in a diversified portfolio of primarily floating rate, USD-denominated senior-secured, first lien corporate loans. We also may sponsor and manage additional CLOs in the future. In this brochure, we may refer collectively to our current CLOs, and any other CLOs that we manage in the future, as “our CLOs” or our “Clients.”

In managing our CLOs, our investment philosophy is to balance the risk and return trade-off in such a way that we protect the security of the CLO note holders while maximizing the returns to the CLO equity owners. We seek to do this by investing in what we believe to be high-quality loans with attractive yields. We acquire the loans on the secondary market or through allocations in primary issuances. We undertake what we believe is a rigorous underwriting process to ensure that each investment has the appropriate credit fundamentals and fits well into the CLOs’ investment criteria. We seek investments in companies that have established and defensible business models, experienced and proven management teams and strong cash flows. We look for borrowers that have the size and wherewithal to withstand economic downturns and have diversified customer and supplier bases. The investment should have adequate capitalization and enterprise value relative to leverage, an appropriate structure and viable exit strategy. We also like to see involvement by a reputable private equity sponsor and/or a history of access to capital markets.

We generally review potential investments for a number of factors including but not limited to credit quality, leverage, liquidity, industry position, key operating and credit ratios to peer group, pricing, structure, relative value, ratings, and indenture specific requirements. Our investment underwriting includes a review of due diligence materials such as quality of earnings, valuations, business models, covenants, asset coverage, rating agency analysis, industry trends and legal due diligence. Trend cards and credit files are presented to Investment Committee for review and approval. Our investment managers meet bi-weekly to discuss deal performance, industry trends, and potential investments.

As of August 31, 2018, JMPCA managed \$1.2 billion of assets on a discretionary basis. The assets of CLO III(R) (principal proceeds and loans outstanding) were approximately \$360 million. The assets of CLO IV were approximately \$450 million, and the assets of CLO V were approximately \$400 million on a settle date basis. We securitized CLO V on July 26, 2018 and the CLO was declared effective on August 15, 2018. The reinvestment period will end on July 18, 2022.

We do not participate in any wrap fee programs.

## **ITEM 5: FEES AND COMPENSATION**

CLO III(R) pays management fees on assets under management of .15% per annum as a senior management fee and .35% per annum as a subordinated management fee. We share a portion of the CLO III(R) subordinated management fees with the equity holders pursuant to fee sharing agreements.

CLO IV pays management fees on assets under management of .15% per annum as a senior management fee and .35% per annum as a subordinated management fee.

CLO V pays management fees on assets under management of .15% per annum as a senior management fee and .35% per annum as a subordinated management fee.

The management fees are payable on each quarterly payment date to the extent that sufficient interest or principal proceeds are available in accordance with the priority of payments, and if the subordinated management fee is not paid for any reason, other than a waiver by us, such fees will be deferred and will accrue interest at the three month LIBOR plus .35% from such payment date for CLO III(R) and CLO IV, and the three month LIBOR plus 3.0% for CLO V. The trustee of our CLOs (the "Trustee") calculates and remits payment of the management fees on each quarterly payment date from the waterfall proceeds pursuant to the terms of the respective Indenture.

CLO III(R), CLO IV and CLO V provide for incentive management fees payable up to 20% of the remaining interest proceeds (and 20% of the remaining principal proceeds after the Reinvestment Period), if the Subordinated Notes have realized an Internal Rate of Return of 12%. The remaining 80% of interest proceeds (and principal proceeds after the Reinvestment Period) is payable to the Subordinated Noteholders.

For CLO III(R), the Incentive Management Fee Threshold will be satisfied on any Payment Date if the Holders of the Subordinated Notes have received an annualized internal rate of return (computed using the "XIRR" function in Microsoft® Excel or an equivalent function in another software package and based on the respective dates of issuance and an aggregate purchase price of 80% for the Subordinated Notes) of at least 12% on the outstanding investment in the Subordinated Notes as of such Payment Date after giving effect to all payments made or to be made on such Payment Date. For the avoidance of doubt, no distributions or payments made on the original CLO III Subordinated Notes on or prior to the Closing Date shall be taken into account in determining the CLO III(R) Incentive Management Fee Threshold for any Payment Date.

For CLO IV, the Incentive Management Fee Threshold will be satisfied on any Payment Date if the Holders of the Junior Subordinated Notes have received an annualized internal rate of return (computed using the "XIRR" function in Microsoft® Excel or an equivalent function in another software package and based on the respective dates of issuance and an aggregate purchase price of \$28,937,250 for the Junior Subordinated Notes) of at least 12% on the outstanding investment in the Junior Subordinated

Notes as of such Payment Date after giving effect to all payments made or to be made on such Payment Date.

For CLO V, the Incentive Management Fee Threshold will be satisfied on any Payment Date if the Holders of the Junior Subordinated Notes have received an annualized internal rate of return (computed using the “XIRR” function in Microsoft® Excel or an equivalent function in another software package and based on the respective dates of issuance and an aggregate purchase price of \$26,216,294 for the Junior Subordinated Notes) of at least 12% on the outstanding investment in the Junior Subordinated Notes as of such Payment Date after giving effect to all payments made or to be made on such Payment Date.

Such compensation could create an incentive for us to manage our Clients’ investments in a manner that could increase the risk of loss (insofar as we would be incentivized to seek investments that maximize yield at the expense of higher creditworthiness). We have not earned any incentive based compensation to date from our CLOs.

We generally pay all ordinary expenses and costs incurred by us in the course of performing our obligations under the investment management agreement with our CLOs (the “Management Agreements”) and/or the Indentures, *except* that we are not liable for, and our CLOs are responsible for the payment of, all extraordinary expenses and costs incurred by us in performing our obligations, as well as all expenses and costs of legal advisers, independent accountants and consultants. These expenses generally include, among other things:

- Investment transaction costs, including assignment fees (please see Item 12 for discussion of our brokerage practices);
- Custodial, agreed-upon-procedures audits, tax preparation and legal fees;
- Expenses for investment research, appraisals and pricing of the portfolio;
- Governmental fees and taxes;
- Travel and travel-related expenses incurred in connection with investment activities; and
- All other reasonable expenses related to the management and operation of the CLO or the purchase and sale of assets, all as we determine in our sole discretion.

We may advance costs described above for our CLOs, and the Trustee, on behalf of our CLOs, will reimburse us on each payment date. We provide office personnel and space required for the performance of our services for the CLOs. The CLOs do not reimburse us for doing so (except to the extent of our fees as applicable). All proceeds from loan sales or amendment fees are deposited directly into the respective CLO bank accounts maintained by the Trustee. We do not receive any of these proceeds or fees related thereto.

The Trustee provides custodial services, processes transactions, reports performance information to investors and calculates covenant compliance, among other things. The Trustee assists in the calculation of returns and processing payments to CLO note holders, itself and us, as well as assisting in the payment of fees and expenses to third parties performing services for the CLOs. The Trustee is paid a fee based on assets under management of 0.02% per annum, calculated on the basis of a 360-day year for CLO III(R), CLO IV and CLO V. The Trustee’s fees are considered a senior expense in the priority of payments.

Our Management Agreements terminate upon the earlier to occur of: (1) payment in full of the notes and termination of the indenture; and (2) the liquidation of the assets and the final distribution of the proceeds.



We may resign as manager of our CLOs upon 30 days written notice if a successor manager has agreed to assume our duties as manager. We can also be removed for “cause,” which includes willful violations and occurrence of an “Event of Default” or a “Key Manager Event” or “Manager Replacement Event” (each as defined under the respective Indenture and/or the Management Agreement).

If our Management Agreement is terminated, management fees will be prorated for any partial periods between payment dates and will be due and payable on the first payment date following the date of termination. As all fees to us are payable in arrears, upon termination there is no refund of fees previously paid.

#### Other Compensation and Potential Conflicts of Interest

Our affiliates, including our parent company, JMP Group, may provide investment banking and financial consulting services to companies in which our Clients may be invested, and those affiliates may receive fees from those companies for those services. Our affiliates may also receive underwriting discounts, fees or commissions relating to their services rendered in public or private offerings in which our affiliates act as underwriters, dealers or placement agents or in similar capacities.

JMP Group or its affiliates may also make a market in, or provide research on, Client portfolio companies. JMP Group’s trading and research activities generally will be carried out without regard for our Clients’ positions. However, such activities may have an effect on the value of those positions, and at times, JMP Group’s trading and brokerage activities could give JMP Group an interest adverse to those of our Clients. In addition, JMP Group’s research on a security issued by a Client portfolio company may adversely affect the value of that security.

We serve as the administrator for JMP Capital I LLC, a newly formed private equity fund focused on leveraging the expertise and proprietary deal sourcing capabilities throughout JMP and HCAP. The LLC Agreement was signed effective April 3, 2017 and JMPCA was named as the administrator. Our services to JMP Capital I include the following:

- Maintaining financial and other records that the company is required to maintain;
- Overseeing payment of the company’s expenses;
- Overseeing the preparation and filing of the tax returns and dissemination of investor reports;
- Maintaining an accounting of investments, ensuring the investments are properly documented and closed, and overseeing the custody agreement with U.S. Bank; and
- Managing the investor subscription agreements, capital calls, and line of credit with City National Bank.

Pursuant to the LLC Agreement, in exchange for the provision of administrative services and the furnishing of office facilities, equipment, and accounting, bookkeeping, clerical and record keeping services, the fund will pay JMPCA a fee that will be calculated at an annual rate of 0.50% of its average gross assets. Such administrative services fee will be payable quarterly in arrears and calculated based on the fund’s gross assets at the end of the two most recently completed calendar quarters. Due to the start-up nature of the fund, the fees received have been minimal. As growth occurs in the fund, the performance of our obligations as administrator may conflict with our time devoted to the management of the CLOs.

We (including our affiliates and employees) currently own 49.9% of the subordinated notes in CLO III(R), 100% in CLO IV, and 81.2% in CLO V, and we expect that we (or our affiliates or employees)

will hold a significant portion of the subordinated notes in future CLOs. Although we (or our affiliates or employees) may at times be holders of notes issued by our CLOs, investors in our CLOs should be aware that our interests and incentives may not necessarily be aligned with those of other note holders. For example, as a holder of a majority of the subordinated notes, we have the ability to (i) direct an optional or partial redemption after the non-call period or to prevent other holders of the subordinated notes from directing an optional redemption; (ii) direct a tax redemption and (iii) direct the issuance of additional notes.

We generally disclose the potential conflicts of interest described above to investors in our CLOs, and we also maintain policies and practices that we believe limit material adverse consequences to investors that may arise from these potential conflicts of interest.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Our CLO III(R), CLO IV and CLO V CLOs provide for performance-based fees, however, we have not received any since inception of any of our CLOs.

#### **ITEM 7: TYPES OF CLIENTS**

Our CLOs are privately-offered investment funds that are not registered under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”) because of 3(c)(7) of that Act. CLO investors must be “Qualified Institutional Buyers” as defined under Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”) and “Qualified Purchasers” or “Knowledgeable Employees” as defined under the Investment Company Act and the rules and regulations promulgated thereunder, or not be “U.S. persons” within the meaning of Regulation S under the Securities Act.

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

In managing our CLOs, our investment philosophy is to balance risk and return trade-offs in such a way that the security of the CLO note holders is protected while maximizing the returns to the CLO equity owners. We seek to accomplish these goals by investing in high-quality loans with attractive yields. We purchase securities with the idea of holding them for the long term, but will take advantage of beneficial trading opportunities as they arise. We invest only in companies that we believe have established and defensible business models, experienced and proven management teams and strong cash flows. We look for borrowers that have the size and wherewithal to withstand economic downturns and have diversified customer and supplier base.

We undertake what we believe is a rigorous underwriting process to ensure that each investment has the appropriate credit fundamentals and fits well into our portfolio. Our investment managers are industry specialists. The portfolio is analyzed by industry and compared against its peers. Our research process begins by examining a wide variety of publicly available information, including annual reports, public filings, proxies and press announcements. Our research includes speaking with the research analysts at various investment banks and JMP Group, as well as utilizing a variety of market data and research services such as Capital IQ, LCD News, rating agency reports and Thompson-Reuters Loan Pricing. Our investment teams also leverage their own expertise and experience as part of this analytical process.

Each CLO is governed by an Indenture which has rules and covenants established to protect the investors. These rules or covenants are designed, among other things, to ensure adequate overcollateralization, diversification across industry and obligor, granularity and minimum current yields. If there were a breach in any of the covenants, our ability as the CLO manager to cause the CLO to invest in new loans could be restricted. In certain instances, such as a breach in overcollateralization ratios, management fees

owed to us may be deferred until the breach is cured. In managing the CLOs, we seek to maintain compliance with the respective Indentures at all times.

The following is a summary of some of the material risks associated with our investment strategies. As a summary, it is inherently incomplete and does not attempt to describe all of the risks associated with those strategies.

Risk of Loss. Investing in securities involves a risk of loss that investors in our CLOs should understand and be prepared to bear.

Reliance on Key Personnel. Our Clients depend on our expertise and the expertise of our key personnel. The performance of our Clients' portfolio depends heavily on the financial and managerial experience of certain investment professionals associated with us, none of whom is under any contractual obligation to continue to be associated with us for any length of time. The loss of one or more of these individuals could have a material adverse effect on our Clients.

General Economic Conditions. The success of our investment strategies may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may affect the success of the businesses in which our portfolio companies are engaged, as well as the markets for securities in those portfolio companies. Unexpected volatility or illiquidity could result in increased loan defaults and delinquencies, and affect the ability of the issuer to make payments on the notes.

Investments in Illiquid Securities. Our Clients may invest a portion of their assets in securities for which there is no ready market. They may also invest in securities that are relatively illiquid or were relatively liquid when acquired but then became illiquid after purchased. Our Clients may not be able to liquidate illiquid securities if the need were to arise. Rapid sales of such securities could depress the market value, reduce profits or increase losses in the portfolio.

Concentration of Investments. Our Clients may at times have a relatively large portion of their capital exposed to a particular industry or market sector. Losses in one or more large positions, or a downturn in an industry or market sector in which a Client portfolio is concentrated, could adversely affect the Client in a particular period and could have a materially adverse effect on the Client's overall financial condition.

Non-U.S. Investments. Our Clients may invest in securities of non-U.S. companies. Non-U.S. investing could subject our funds to certain risks not typically associated with investing in securities in the United States. Some non-U.S. economies are less stable than the U.S. economy, due to, among other things, volatile political environments, less stable monetary systems and/or external political risks.

Regulatory Developments. Recent changes in legislation, together with uncertainty about the nature and timing of regulations that will be promulgated to implement such legislation, may create uncertainty in the credit and other financial markets and create other unknown risks. The United States Congress passed the "Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010", which makes sweeping changes to the regulatory scheme for the financial markets in the United States, and various governmental agencies in the United States have proposed, and will propose in the near future, additional regulations relating to financial markets and financial instruments. There can be no assurance that such changes in law and regulation will not have a material adverse effect on our Clients (or their investors).

Note Liquidity. The notes issued by our CLOs have limited liquidity, and are subject to transfer restrictions. There is a limited market for the notes and no assurance exists that any secondary market will be available. An investor in the notes must be prepared to hold such investment for an indefinite time period or until their stated maturity.

Limited Recourse. The notes issued by our CLOs are limited recourse obligations of the CLO. CLO investors must rely on available collections from the loans and will have no other source for payment. If distributions on the loans are insufficient to make payments on the notes, no other assets will be available for payments of the deficiency and all obligations of the CLO and any claims against the CLO in respect of the notes will be extinguished and will not revive.

Note Subordination. The subordination of the notes issued by our CLOs will affect their right to payment. The notes are subordinated to certain amounts payable by the CLO to other parties as set forth in the priority of payments, including taxes, administrative expenses and certain management fees, and to other note classes.

Interest Rate Risk. The notes issued by our CLOs may be affected by interest rate risks, including mismatches between the notes and the loans. Interest rate risk will be inherent because of, among other things, a difference between the interest rate basis of the rated notes and of floating/fixed rate assets purchased by the CLO, and changing levels of LIBOR or other indexes in relation to the floating rate notes and floating rate assets. Our CLOs do not enter into hedge agreements to minimize such risk, and no assurance exists that the assets will generate sufficient funds to pay interest on the notes and make payments to the equity.

Risks Relating to Loans. Our CLOs are subject to the market price fluctuations in the loans that we cause them to buy and sell based on economic conditions. In addition, increased competition for, or a diminution in the available supply of, qualifying obligors may result in lower yields on loans, which could reduce returns on the notes. The securities are not insured and may go down in value.

Collateral loans are generally prepayable at the option of the obligor. There exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of prepayment, and principal proceeds received upon such prepayment are subject to reinvestment risk. We may not be able to invest available funds in appropriate loans to satisfy the investment criteria.

Non-investment-grade collateral involves particular risks. Such collateral is subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. Our CLOs consist primarily of non-investment grade loans, which generally have greater credit, insolvency and liquidity risk than investment-grade assets.

Loans acquired through participation provide additional risks, including insolvency risk of the participating institution, and our inability to exercise voting rights in respect of a loan.

A substantial portion of the collateral loans in our CLOs consist of “covenant-lite” loans which do not have maintenance covenants. This exposes the CLOs to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans with maintenance covenants.

The CLOs, and our warehouses as they are opened, invest in assets of a similar nature. JMPCA may at times be simultaneously making investment decisions for the CLOs, the warehouse or an affiliate to purchase or sell investments. As a result, each CLO may not get the full allotment it would otherwise receive. JMPCA will seek to allocate the investments based on the liquidity and requirements of each

CLO, and in a manner that is fair and equitable over time and consistent with applicable law and the governing documents. JMPCA generally does not buy and sell investments directly amongst the CLOs or the warehouse that it manages, but may from time to time use an independent third party bank to act as intermediary to complete a transfer of an investment between the CLOs or the warehouse. Any trade would be done at fair market value and would require investment committee approval. Also, during the liquidation of CLO II and the TRS, certain assets were sold to CLO IV or JMPIH. The assets were sold at the average of the bid and ask quotes at that time and were approved by the Client. The sales were also disclosed in the CLO IV offering documents. The CLO II secured notes were paid in full, and JMP or related persons owned 100% of the equity in CLO II, CLO IV and the TRS.

## **ITEM 9: DISCIPLINARY INFORMATION**

We have not been involved in any legal or disciplinary events since our inception that would be material to a Client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We are an indirect, wholly owned subsidiary of JMP Group. JMP Securities LLC ("JMP Securities"), a registered broker/dealer, Harvest Capital Strategies, LLC a registered investment advisor, and HCAP Advisors LLC, a registered investment advisor, are also subsidiaries of JMP Group.

Pursuant to an Administration Agreement dated April 29, 2013, we previously served as the administrator for Harvest Capital Credit Corporation ("Harvest"), a Delaware corporation and public traded company (Nasdaq: HCAP). Over the past year we transitioned out of this agreement and as of April 2, 2018 we are no longer the administrator for HCAP.

We were named as the administrator for JMP Capital I LLC, a new private fund owned by JMP Capital I Managing Member LLC, which is owned by JMPIH, which is owned by JMP Group LLC, the public reporting company.

Our relationship with JMP Group, JMP Securities, JMP Asset Management, Harvest Capital Strategies, LLC, and JMP Capital I LLC may create certain conflicts of interest, including those described above under "Item 5: Fees and Compensation – Other Compensation and Potential Conflicts of Interest."

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### Code of Ethics

JMPCA's Code of Ethics & Business Conduct (the "Code of Ethics") is designed to meet the requirement of Rule 204A-1 of the Advisers Act ("Advisers Act"). The Code of Ethics applies to JMPCA's access persons (which term includes all employees and certain other persons) (the "Access Persons") and sets forth a standard of business conduct that takes into account JMPCA's status as a fiduciary and requires Access Persons to place the interests of clients and investors above their own interests. The Code of Ethics requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code of Ethics to the attention of the Chief Compliance Officer. All Access Persons are provided with a copy of the Code of Ethics and are required to acknowledge receipt of the Code of Ethics on at least an annual basis.

We have adopted a Code of Ethics that describes the standards of business conduct that we require of employees and establishes procedures intended to prevent us, and our personnel and certain of their relatives, from inappropriately benefiting from our relationships with clients. Our Code of Ethics provides that:

- No employee of our firm may put his or her own interest above the interest of a Client;
- No employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of their employment unless the decision is based on information also available to the investing public;
- We must disclose all material facts about conflicts for which we are aware between ourselves and our employees' interests, on the one hand, and our clients' interests, on the other;
- We and our employees must comply with all applicable securities laws; and
- We require delivery and acknowledgement of the Code of Ethics by each employee.

#### Personal Trading for Associated Persons

Our Compliance Manual includes procedures for, and restrictions on, employee trading intended to prevent employees from benefiting from, or appearing to benefit from, having material non public information. Among other things, these include requirements that employees make a written request for, and receive clearance from, our Chief Compliance Officer (or designee) before they buy or sell any security (other than certain government securities, shares of mutual funds, and certain other types of securities that we do not believe create a potential for conflicts of interest) and prohibitions on buying or selling securities of our portfolio companies that we are currently investing in or considering an investment.

Our Compliance Manual also mandates the quarterly review of employees' securities transactions reports as well as initial and annual securities holdings reports.

We maintain a restricted list of all reportable securities for our firm and anyone associated with our advisory practice. Our Chief Compliance Officer or his/her designee reviews the restricted list regularly. The restricted list contains the following:

- A list of all the publicly traded companies or private companies with public debt with whom our Clients have current lending relationships;
- A list of publicly traded companies or private companies with public debt where the investment paid off or was sold in the past six months; and
- A list of publicly traded companies or private companies with public debt for which we accessed private information to underwrite the investment, but declined such potential investment in the past six months.

When a company is placed on the restricted list, no employee (or member of such person's immediate family/household) or any person acting on such person's behalf may trade in the securities or recommend trading in the securities until that company is removed from the restricted list. In addition, Access Persons are prohibited from investing in any security of privately held portfolio companies.

We may also be limited or restricted from trading in a particular security due to our or our affiliates' securities positions, contractual relationships, information to which we or they are privy or for other legal or regulatory reasons. See the discussion under "Item 5: Fees and Compensation – Other Compensation

and Potential Conflicts of Interest.” Conflicts of interest related to recommendations to Clients are discussed therein.

Our Code of Ethics and Policies and Procedures concerning the Misuse of Material Non-public Information are available to any client or prospective client upon request. You may request a copy by email sent to [compliance@jmpcredit.com](mailto:compliance@jmpcredit.com) or by calling us at 678-368-4150.

## **ITEM 12: BROKERAGE PRACTICES**

Although we generally do not pay brokerage commissions for transacting in loans, our CLOs may incur certain transaction expenses, such as agent assignment fees when buying or selling portfolio loans. While we have no formal brokerage agreements in place, we do have relationships with banks involved in loan transactions. We may also cause our CLOs to buy or sell securities at prices that include markups or markdowns.

We have complete discretion in deciding what financial intermediaries and counterparties with or through which to execute or enter into portfolio transactions, including through entities that are affiliated with us (collectively, “Transacting Parties”). Investors in our CLOs have no ability to affect which Transacting Parties the CLO may use.

### Selection Criteria, Generally

As an SEC-registered investment adviser, we have a general duty to seek “best execution” for our Clients’ securities transactions. What constitutes “best execution,” and determining how to achieve it, are inherently uncertain, however.

In placing orders for loans, which are generally privately negotiated principal transactions, we may select the agent bank or selling party such that we use our commercially reasonable efforts to obtain best execution, taking into account all appropriate factors including the following:

- Best price obtainable;
- Dealer spread or commission and closing expenses;
- Availability of the security;
- Size and difficulty of the transaction;
- Desired time of the trade;
- Confidentiality;
- Execution and operational capabilities;
- Ongoing borrower diligence;
- Reputation for integrity and sound financial condition and practices; and
- Research and other services provided.

On occasion, we may receive research reports from various lending institutions; however, brokerage commissions (or markups or markdowns) are not provided to obtain such research reports. Our Management Agreements with the CLOs provide that, subject to the objective of obtaining best execution, we may, in the allocation of business, take into consideration research and other brokerage services furnished to us or our affiliates by brokers and dealers in conformity within the “safe harbor” provided by Section 28(e) of the Exchange Act of 1934, as amended. Although we do not currently have any soft-dollar arrangements in place, we may enter into soft-dollar arrangements in the future (to the extent permitted by our agreements with our Clients), and any such arrangements may create conflicts of interest. For example, soft-dollar arrangements may create incentives for us to cause our Clients to use

certain Transacting Parties that may not provide the best possible price, or that place more trades than would be optimal for a Client's investment strategy, in order to induce those Transacting Parties (or their affiliates) to provide us with services or benefits.

#### Cross Transactions

We may (but generally do not, and are not obligated to) cause our Clients to effect "cross" transactions (i.e., buy and sell securities from and to each other), subject to applicable law or regulation and contractual restrictions. We may do so if we believe that the cross transaction will be beneficial to both parties. The Indentures governing our CLOs and the respective Management Agreements prohibit us from purchasing or selling any loan from any affiliate or any account or portfolio for which we or an affiliate serve as investment advisor unless the terms are negotiated on an arm's-length basis for fair market value and effected on terms no less favorable to the CLO as the terms it would obtain in a comparable arm's length transaction with a non-affiliate.

We generally do not affect agency cross transactions, but have done in the past during the liquidation of our CLOs. Any transactions amongst affiliated entities were done at market prices and approved by our Clients.

#### Aggregation of Orders

Currently JMPCA advises CLO III(R), CLO IV, and CLO V. We may combine orders on behalf of a Client with orders for other accounts for which we have trading authority, or in which we have an economic interest. When we do so, we will allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) in a manner that we consider fair and reasonable, and based on the needs and requirements of the Client's governing documents (including any applicable indentures). Such factors include the investment objectives, liquidity, diversification, lender covenants and other limitations, and the amount of funds each of them has available for such investment.

In addition, when potential investments may be suitable for more than one of our Clients, we endeavor to allocate such investments equitably among our Clients.

#### Directed Brokerage

We do not have any "directed brokerage" arrangements with our Clients. As noted above, however, in managing our CLOs and the warehouse we have complete discretion to select the Transacting Parties through which the CLO and warehouse purchase and sell portfolio loans.

### **ITEM 13: REVIEW OF ACCOUNTS**

Our Clients' portfolios are generally reviewed with regard to positions held, risk, and exposure on a daily basis by our investment managers, traders and our Chief Compliance Officer. We hold bi-weekly portfolio meetings with our investment managers, traders and operations personnel to discuss industry and economic trends, updated financial results for the portfolio companies, potential investment trades, and amendments. We hold weekly meetings with our President, CFO/CCO, Chief Investment Officer, Operations Manager, and the CEO and CFO of JMP Group to discuss our Clients' portfolios, potential risk accounts and strategy.

Our Operations and Compliance personnel reconcile our CLO assets with the Trustee daily, and they reconcile all indenture covenants with the Trustee at least monthly. The Trustee provides note holders in our CLOs with monthly reports of the CLOs performance and covenant compliance statistics, and



quarterly note valuation reports detailing the distribution of note holder interest, fees and expenses. The reports are made available on the Trustee's secure web site.

Although we do not provide audited financial statements to investors in our CLOs, our CLOs' funds and securities are verified by an annual "surprise" examination by an independent public accountant, as contemplated under Rule 206(4)-2(a)(4) under the Investment Advisers Act of 1940, as amended.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We do not currently receive any economic benefit from any person (other than our Clients) for providing investment advice or other advisory services to our Clients, nor do we (or any of our related persons) directly or indirectly compensate any person (other than our supervised persons) for Client referrals.

#### **ITEM 15: CUSTODY**

For our CLOs, the CLO trustee calculates the amount of the advisory fees to be paid, and distributes account statements detailing holdings and transactions to investors in the CLOs on a monthly basis. We urge investors in our CLOs to carefully review their custodial statements to verify the accuracy of the calculations, among other things and to contact us directly if they believe that there may be an error in their statements.

Our CLOs' funds and securities are also subject to annual surprise examinations by an independent public accountant as discussed in Item 13.

#### **ITEM 16: INVESTMENT DISCRETION**

Our Management Agreements generally grant us complete discretion to manage our CLOs' investment portfolios, subject to the Indenture specific restrictions, concentration limits and investment criteria. Our discretionary authority includes the ability to determine the security to buy or sell, the amount to buy or sell and the timing of such.

See the description above in "Advisory Business" and "Methods of Analysis, Investment Strategies and Risk of Loss."

#### **ITEM 17: VOTING CLIENT SECURITIES**

We have voting authority and responsibility with respect to the securities held by our Clients. This includes voting on amendments, waivers and restructurings. We vote in a manner that we believe is consistent with efforts to achieve the Client's investment objectives, including minimizing loss and maximizing the value of the portfolio. Our guidelines generally provide that proxies be voted in accordance with management recommendations. Significant deal modifications such as a change in maturity date and pricing are presented to our investment committee for consideration. The investment manager must recommend approval and another committee member must approve the amendment prior to our voting. In instances where we determine that our consent (or failure to consent) to a deal modification is not likely to affect the outcome of a creditor vote, we may consent to that modification to avoid forfeiture of consent fees.

We recognize that, in certain circumstances, we may face conflicts of interest in making decisions as to how proxies should be voted. These circumstances include proxy solicitations by issuers with whom we or our affiliates, including JMP Group, have material business relationships. Our Chief Compliance Officer generally monitors the potential for conflicts of interest with respect to proxy voting.

If a conflict of interest with respect to a proxy vote is identified, we will not vote the proxy until it has been determined that the conflict of interest is not material, or we take appropriate steps to resolve the conflict of interest. Our Chief Compliance Officer will determine whether a conflict of interest is material. Materiality determinations will be based on an assessment of the particular facts and circumstances. If our Chief Compliance Officer determines that a conflict of interest is material, one or more methods may be used to resolve the conflict, including:

- Refraining from voting;
- Seeking and obtaining approval of all of our investment committee members;
- Disclosing the conflict to the Client and obtaining its consent before voting; or
- Employing such other method as we may deem appropriate under the circumstances, given the nature of the conflict.

We maintain the following records in accordance with our Records Retention Policy:

- Copies of our Proxy Voting Policy and any amendments;
- Proxy statements received regarding client securities;
- Records of votes cast on behalf of clients;
- Records of written client and investor requests for proxy voting information;
- Any documents that we prepared or received that were material to making a decision as to how to vote proxies or that memorialized the basis for our decision.

Clients may obtain a copy of our proxy voting policies and procedures, as well as relevant voting records, by making a written request to us at the address given on the cover page of this brochure.

#### **ITEM 18: FINANCIAL INFORMATION**

We do not charge or solicit pre-payment of more than \$1,200 in fees per Client six or more months in advance. We have never filed for bankruptcy, nor are we aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to Clients.