

PART 2A OF FORM ADV: FIRM BROCHURE



CREDIT VALUE PARTNERS, LLC

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49 West Putnam Avenue  
Greenwich, CT 06830

Phone: (203) 893-4700  
Fax: (203) 893-4705  
Website: <http://cvp7.com>

**This brochure provides information about the qualifications and business practices of Credit Value Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (203) 893-4700 or [info@cvp7.com](mailto:info@cvp7.com). 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 Credit Value Partners, LLC also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Credit Value Partners, LLC is an investment adviser registered with the Securities and Exchange Commission. Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2           Material Changes**

Credit Value Partners, LLC (“CVP”) is amending this Brochure to reflect material changes since its annual filing in March 2019.

In January 2019, MacKay Shields LLC (“MacKay Shields”) assumed a majority ownership stake in CVP Holdings LLC previously held by NYLIM Alternatives LLC, an affiliate of MacKay Shields. CVP, which is owned by CVP Holdings LLC, continued to operate as an independent registered investment adviser. Following a detailed review of the combined businesses, the management teams of MacKay Shields and CVP have made the decision to fully integrate CVP’s domestic and European Leveraged Loan Business under MacKay Shields and spin-out and return full ownership of CVP’s Distressed business to CVP’s management as an independent entity. It is anticipated that the transaction will close in 2019 at which time the leveraged loan team and accounts will be fully integrated on the MacKay Shields investment platform. Upon closing, this Brochure will be further updated.

In March 2019, Credit Value Partners, LLC completed its annual updating amendment of its Part 2A Brochure and provided information pertaining to a change in ownership structure, but not ultimate beneficial ownership, of the advisor, an expanded discussion of risks and conflicts of interest, and other additional clarifying items.

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#### **Item 4            Advisory Business**

Credit Value Partners, LLC is a Delaware limited liability company that was converted from a Delaware limited partnership (Credit Value Partners LP, (“CVP LP”)) on January 31, 2017. CVP LP, which was formed in June 2010, registered as an investment adviser with the SEC in August 2010. Credit Value Partners, LLC operates its advisory business directly and through the following affiliated entities:

- General Partners: CVF III General LLC, CVF IV General LLC, CHIPC General LLC, CHIPC PE General, LLC
- Relying Advisers: CVP CLO Manager, LLC (“CVP CLO Manager”) and CVP CLO Advisors, LLC (“CVP CLO Advisors”)

Credit Value Partners, LLC, the General Partners, and the Relying Advisers are hereafter known in this brochure collectively as “CVP”.

Credit Value Partners, LLC is wholly owned by CVP Holdings, LLC (“CVP Holdings”) which is 65.6% owned by MacKay Shields LLC (“MacKay Shields” or “MacKay”) and in varying percentages, by Pollard Family Investments LLC and partners of Credit Value Partners, LLC. On January 2, 2019, MacKay Shields assumed the majority ownership stake in CVP Holdings LLC (“CVP Holdings”) previously held by NYLIM Alternatives LLC, an affiliate of MacKay Shields. MacKay Shields is a fixed-income and equity investment management firm with approximately \$107.5 billion in assets under management, as of December 31, 2018, with offices in New York, Princeton, and Los Angeles. CVP continues to operate as a registered investment advisor, retaining its current investment teams. MacKay Shields is wholly owned by New York Life Investment Management Holdings LLC (“NYLIM”), a wholly owned subsidiary of New York Life Insurance Company (“NYLIC”). Note that NYLIC is a mutual life-insurance company and does not have shareholders.

CVP provides discretionary and non-discretionary investment management services to private funds. CVP’s wholly owned subsidiary, CVP Europe Investment Management Ltd (“CVP Europe”, formerly known as CVP Management Ireland Limited), provides non-discretionary investment advisory services to Credit Value Partners, LLC, which in turn provides non-discretionary investment advisory services to an investment entity established in Ireland (CVP ECO Funding DAC), which issues profit participating notes to a Jersey Listed PLC (the “ECO Fund”) (the private funds together with the ECO Fund, the “Opportunistic Funds” or “Funds”). CVP also provides discretionary investment management services to separately managed accounts (collectively with the Opportunistic Funds, the “CVP Accounts”). CVP CLO Manager provides discretionary investment management services to two collateralized loan obligation vehicles and one collateralized loan obligation warehouse facility and CVP CLO Advisors provides discretionary investment management services to two collateralized loan obligation vehicles (together, the “CLOs”; collectively with the Opportunistic Funds, the “Funds”; and collectively with the CVP Accounts, the “Accounts”).

CVP’s advice with respect to the Accounts is given in accordance with the investment objectives and guidelines set forth in the applicable Account’s offering documentation, side letter

agreement, or advisory agreement, as applicable. Except as otherwise set forth in an Account's offering documentation, side letter agreement, or advisory agreement, CVP does not tailor its advisory services to the individual needs of the Funds' investors who are generally prohibited from imposing restrictions on investing in certain securities or types of securities. Please see "**Item 16 - Investment Discretion**" below for a discussion of CVP's investment authority.

It should be noted that CVP has entered into agreements with certain strategic investors granting them, among other things, greater portfolio transparency, additional rights to reports, notifications, and other information and other more favorable investment terms, than the terms associated with investments by other investors. CVP shall have no obligation to offer such additional rights, terms or conditions to all investors.

As of December 31, 2018, CVP had regulatory assets under management of approximately \$1.94 billion which it manages on a discretionary basis and \$231 million which it manages on a non-discretionary basis.

## **Item 5            Fees and Compensation**

### *Fees Generally*

Management fees charged by CVP generally accrue monthly or quarterly and may be paid in advance or arrears and will be pro-rated for partial months and quarters. Management fees payable to CVP by the private funds are paid quarterly in advance and for the ECO Fund, quarterly in arrears. The fees for the Opportunistic Funds are deducted from capital contributions made by their investors or out of investment proceeds. Management fees payable to CVP CLO Manager and CVP CLO Advisors in respect of the CLOs are payable as set forth in the relevant indenture. While CVP does not currently receive a performance fee in connection with the services it provides to the Opportunistic Funds, its related persons acting as general partner of those funds receive a performance allocation based on a percentage of the capital gains or capital appreciation of assets under management. At times, a particular CVP Fund may invest in another CVP managed vehicle. In that situation, CVP will only charge fees at one level.

CVP and/or certain of its affiliates also earn transaction fees as permitted under relevant limited partnership or other agreements (“Governing Documents”), a percentage of which (net of related expenses) will be applied to reduce the Management Fees otherwise payable to CVP. Additionally, in accordance with relevant Governing Documents, CVP and its affiliates earn substantial additional fees in connection with the Funds’ investments structured by CVP or its affiliates, including origination fees, structuring fees and collateral management fees (collectively, “Other Fees”). These Other Fees do not reduce or offset the management fees payable to CVP or any allocated performance fees. See **Item 10 - Other Financial Industry Activities and Affiliations** for further discussion of the conflicts associated with these fees.

### *Expenses*

Each Fund bears its own operating and other expenses. Additionally, depending upon the structure of a particular Fund, that investment fund may bear its pro rata share of fund expenses incurred by a “master fund.” Expenses borne by each of the Funds include, but are not limited to investment-related expenses (*e.g.*, brokerage commissions, clearing and settlement charges, bank and custodial fees, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice, proxy voting services or due diligence services with regard to investments, research-related expenses, appraisal fees and expenses, and investment banking expenses); costs and fees for software and applications for the purpose of modeling, evaluating and monitoring, aggregating and reporting trades, as well as position reporting and investment guideline compliance monitoring, regulatory filing expenses (including expenses related to the preparation of Form PF), foreign registration and regulatory filings (including compliance with FATCA and CRS), legal expenses; accounting, including costs of in-house accountants and other personnel providing such services to the extent such expenses are generally consistent with those customarily charged by third-party professionals; audit; tax preparation and other tax-related expenses; fees paid to offshore directors and related offshore governance expenses; entity-level taxes, management fees, expenses related to obtaining insurance for the General Partner (if applicable), organizational and offering expenses (including good standing, registration and registered office expenses, legal, registration, accounting, filing, capital

raising (including travel, meal, entertainment, and the cost of marketing materials) and other organizational expenses; administration fees and related costs paid to and borne by an administrator; extraordinary expenses and other similar expenses; and such other expenses as are described in their respective offering documents. Certain Funds invest substantially all of their assets in a master fund through a “master-feeder” structure and may include a blocker fund in between the master and feeder. Each feeder fund will indirectly bear the administrative and other expenses of the master fund pro rata based on its interest in the master fund and the blocker fund, if applicable. The Funds will bear certain brokerage and other transaction costs in connection with CVP providing investment management services - please see “**Item 12 - Brokerage Practices**” for a further description of CVP’s brokerage practices.

Accounts will bear the expenses and fees generated in the course of evaluating and making investments, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals. Generally, whether an investment transaction does or does not close, such expenses and fees are allocated to Accounts proportionately to their respective or prospective investments. To the extent an expense is directly attributable to one Account’s unique underwriting requirements or procedures, such expense would be borne solely by that individual Account. Additionally, the appropriate basis for allocating such fees and expenses often may not be clear, especially where more than one Account participates in a transaction that does not close. In such circumstances, CVP will allocate the fees among the Accounts for which the investment was considered on a basis that CVP concludes is fair and reasonable in its sole discretion.

#### *Fees and Expenses Paid by Separately Managed Accounts*

All fees for separately managed accounts are subject to negotiation and established pursuant to each separately managed account’s advisory agreement. Such fees are generally invoiced and paid quarterly in arrears by the client and are not deducted from the client’s account unless previously agreed with the client; brokerage commissions, stock transfer fees, and similar charges incurred in connection with transactions for the separately managed accounts are paid out of the assets of the separately arranged accounts. Please see “**Item 12 - Brokerage Practices**” for a further description of CVP’s brokerage practices.

#### *Fees and Expenses Paid by CLO Investors*

For the avoidance of doubt, and in addition to the expenses listed above in the section entitled “Expenses”, CLO investors bear any fees and expenses in connection with the acquisition, management, origination, holding, monitoring, marking to market, enforcement, amendment, default, restructuring, bankruptcy or disposition of the CLO’s assets. As further defined in the respective CLO investment management agreements, such fees and expenses include but are not limited to, investment related travel, communications and related expenses, loan processing fees, legal fees and expenses, appraisal costs and expenses and other expenses of professionals retained by CVP on the CLO’s behalf, due diligence costs, fees or other costs in connection with the termination, cancellation or abandonment of a potential acquisition or disposition of any asset that is not consummated and all other reasonable costs and expenses, including any extraordinary expenses of any nature and other unusual matters), taxes and governmental charges that may be incurred or payable by the CLO, insurance premiums or expenses incurred in connection with the CLO’s activities, any and all costs, fees and expenses incurred in connection with the rating of the

CLO Notes, costs and fees of one or more firms that provide software databases and applications for the purpose of modeling, evaluating and monitoring the CLO assets and Notes pursuant to a licensing or other agreement, any and all expenses incurred to comply with any law or regulation related to the activities of the CLO, fees and expenses of any independent advisor employed to value or consider Collateral Obligations, management fees, and any cost and expenses incurred in connection with the pre-closing warehouse agreement and matters related thereto.

#### *FATCA*

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (“FATCA”) generally imposes a reporting and 30% withholding tax regime with respect to certain U.S. source income (including dividends and interest) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (“withholdable payments”). As a general matter, the rules are designed to require U.S. persons’ direct and indirect ownership of non-U.S. accounts and non-U.S. entities to be reported to the IRS, and the 30% withholding tax regime applies if there is a failure to provide any required information. Some of the Funds are required to provide certain information, including information regarding their limited partners, to the IRS and to enter into an agreement with the IRS or comply with an applicable intergovernmental agreement with the United States. Such an intergovernmental agreement exists between the United States and the Cayman Islands where its offshore Funds are based. The Cayman Islands have also adopted the Common Reporting Standard (“CRS”) issued by the Organization for Economic Cooperation and Development (“OECD”). CRS requires the reporting of certain investors to their country of domicile. The Funds intend to comply with these requirements in order to avoid fees and/or withholding taxes under FATCA, CRS, or similar legislation, regulations or guidance enacted in any jurisdiction applicable to its advisory clients. FATCA also provides that payments from Funds to any limited partner that are attributable to these withholdable payments will be subject to the 30% withholding tax unless the limited partner provides such information as may be required to comply with the provisions of these rules, including, in the case of a non-U.S. limited partner, information regarding certain U.S. direct and indirect owners of such non-U.S. limited partner. The failure of a limited partner to provide such information may also result in other adverse consequences applying to the limited partner, including such limited partner being required to transfer its interest in the applicable fund or otherwise withdraw from the fund. Certain limited partners will generally be subject to withholding unless they enter into an agreement with the IRS or comply with an applicable intergovernmental agreement.



## **Item 6            Performance Based Fees and Side-by-Side Management**

CVP or its related persons charge certain Accounts a negotiated performance fee/allocation based on a share of capital gains or capital appreciation of assets under management, or based on some other measure as agreed between CVP and the relevant Account. In some instances, such calculation may include a base or “hurdle rate” that must be exceeded before the compensation is payable.

Performance compensation arrangements create an incentive for CVP to select investments that are riskier or more speculative than would be the case in the absence of such performance compensation. Additionally, CVP has an incentive to favor Accounts that charge higher performance based compensation over Accounts that charge lower performance fees or only an asset-based fee, such as a management fee. These incentives create a conflict of interest for CVP when it simultaneously manages these types of Accounts.

Despite the foregoing conflicts, CVP has a fiduciary obligation to allocate investment opportunities among its Accounts in a manner that results in the fair and equitable treatment of Accounts. Moreover, CVP has policies in place to help ensure that clients’ interests are placed first. Particularly, CVP has established an Investment Committee which is responsible for overseeing investment opportunities and will generally review transactions for consistency with investment objectives, suitability and for ensuring that, over time, investment opportunities are fairly allocated among eligible Accounts. In addition, CVP’s Brokerage Committee provides oversight on non-standard trade allocations.

## **Item 7           Types of Clients**

CVP provides or may provide advice to individuals, banks and thrift institutions, investment companies, pensions and profit sharing plans, trusts, estates or charitable arrangements, corporations, sovereign wealth funds, and other entities, registered and/or unregistered investment funds, institutions or other investment advisers, which may be affiliates of CVP. In this role, CVP may either act as an adviser or a sub-adviser. CVP may also engage sub-advisers, which may be affiliates of CVP to perform advisory services. In addition, CVP Europe Investment Management Ltd provides non-discretionary investment advice to CVP.

As a requirement for opening or maintaining a separately managed account, CVP may impose a minimum dollar value of assets. CVP may consider the characteristics of certain asset classes when determining whether a separately managed account will be subject to a requirement to maintain a minimum dollar value of assets. CVP may make exceptions to minimum dollar value limits in its sole discretion.

While CVP does not place a limit on the minimum or maximum offering amount for any of the Funds, individual investors who want to participate in the Funds may be required to invest a minimum amount which varies depending on the Fund. The Funds offer interests/shares/notes only to certain qualified investors and admission to the Funds is not open to the general public. An investment in a Fund is generally restricted to investors which qualify as “accredited investors,” as that term is defined under rule 501(a) of Regulation D of the Securities Act of 1933, as amended. Some Funds further require investors to qualify as “qualified eligible persons” as that term is defined under the rules of the Commodity Futures Trading Commission, and/or “qualified purchasers” as that term is defined under the Investment Company Act of 1940, as amended. These requirements are disclosed in each Fund’s offering documentation.

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

### **Methods of Analysis and Investment Strategies**

#### *Opportunistic Funds and Separately Managed Accounts*

The principal investment objective of the Opportunistic Funds and the separately managed accounts is to achieve attractive returns through opportunistic investments primarily in stressed and distressed senior-most and senior-secured debt obligations of medium and large corporate issuers. The Opportunistic Funds and the separately managed accounts will seek to achieve their investment objectives generally by investing in private and public debt instruments. Other investments may include derivatives, public and private equity securities and all types of debt obligations that may have varying terms with respect to collateralization, seniority or subordination within capital structures, purchase price, interest payments and maturity. The Opportunistic Funds and the separately managed accounts will seek a combination of capital appreciation and current income by utilizing multiple strategies, including, but not limited to, investments in distressed, stressed and performing debt, value equity, relative value and capital structure arbitrage.

The Opportunistic Funds and the separately managed accounts may use leverage in their investments and have the authority to borrow funds, enter into credit facility arrangements and use other means of financing when deemed appropriate by CVP or its related persons, subject to guidelines set forth in their offering documents or investment management agreements (as applicable).

Further, the Opportunistic Funds and the separately managed accounts may implement and employ any strategies or techniques and utilize any financial instruments which CVP believes will assist the Opportunistic Funds and the separately managed accounts in achieving their investment objectives. CVP will endeavor to allocate the Opportunistic Funds' and separately managed accounts' resources among various strategies and instruments in response to changing investment opportunities.

The Opportunistic Funds and the separately managed accounts may also make or acquire below investment grade, first lien, senior secured loans of U.S. middle-market companies, as well as some larger capitalization companies.

#### *CLOs*

The principal investment objectives of the CLOs are to provide contractually-agreed interest payments to their debt holders and provide attractive returns to their equity holders through the operation of structured investment vehicles.

The CLOs will seek to achieve their investment objectives generally by investing primarily in secured, first lien loans to non-investment grade companies. Other investments may include, among other things, unsecured first lien loans, second lien loans and debtor-in-possession loans. CVP will endeavor to allocate the CLOs' resources among various strategies and instruments in response to changing investment opportunities.

## **Risk of Loss**

### *Opportunistic Funds and Separately Managed Accounts*

There are a number of risks associated with the CVP Accounts' trading objectives and strategies. Each Fund's offering memorandum contains detailed descriptions of such risks, which includes the following:

**Illiquidity of Interests.** The Funds represent highly illiquid investments and should be acquired only by investors able to commit their funds for an indefinite period of time. There is no public market for these interests and it is highly unlikely that one will develop. The interests of the Funds are not registered under U.S. federal or state securities laws or the securities laws of any other jurisdiction and may not be resold unless they are subsequently registered or an exemption from such registration is available. Transfers of interests are also subject to the approval of the respective Fund's general partner (which may be given or denied in the sole discretion of the general partner) and satisfaction of certain other conditions set forth in the limited partnership agreement of the Fund.

**Illiquidity of Investments.** The CVP Accounts generally invest a significant amount of capital in loans or other assets for which a limited market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets may be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on each CVP Account's assets. Accordingly, each CVP Account may not be able to sell assets when it desires to do so or to realize what CVP perceives to be the fair value of its assets in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and the incurrence of significant selling expense by the CVP Account. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. In addition, in times of extreme market disruption, there may be no market at all for one or more of the asset classes held by the CVP Account, potentially resulting in the inability of the CVP Account to dispose of its assets for an indefinite period of time.

**Uncertain Exit Strategies.** Due to the illiquid nature of some of the positions which each Fund or Account is expected to acquire, CVP is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

**Investments Longer Than Term; In-Kind Distributions.** An investment in each Account requires a long-term commitment, with no certainty of return. Other than distributions of current income and available investment proceeds made by such Account, there may be little or no near-term cash flow available to investors in the Account.

Although CVP expects that portfolio investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the CVP Accounts may have to

sell, distribute or otherwise dispose of portfolio investments on disadvantageous terms and at a disadvantageous time as a result of dissolution. Due to the illiquid nature of the CVP Account's investments, there is a risk that such investments will be sold at a discount which will reduce the Fund's returns. In addition, CVP will be unlikely to maintain an Account's diversification requirements while an Account is in the process of being wound down or liquidated.

**Non-Performing Nature of Debt.** It is anticipated that a substantial portion of debt instruments purchased by the CVP Accounts will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the debt.

**Competition and Supply for Loan Investments.** The CVP Accounts' success in the area of loan investing will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, the CVP Accounts will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

**Borrower Fraud.** Of paramount concern in investments in loans is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the CVP Accounts to perfect or effectuate a lien on the collateral securing the loan. The CVP Accounts will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Litigation.** The CVP Accounts may become involved in litigation as a result of portfolio investments, specifically in distressed instruments. Litigation may result in significant expense for the CVP Accounts.

**Equitable Subordination.** Under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of the investments made by CVP, the Accounts may be subject to claims from creditors of an obligor that investments in such obligor that are held by the Accounts should be equitably subordinated.

#### *CLOs*

The CLOs are managed by affiliates of CVP, either CVP CLO Manager or CVP CLO Advisors. There are a number of risks associated with the CLOs' trading objectives and strategies,

including, but not limited to, risks associated with general economic conditions, illiquidity in the leveraged finance market, subordination of investments and leveraged credit risk. Please refer to each CLO's offering memorandum for a more detailed description of such risks.

**General Economic Conditions.** Significant risks may exist for the CLO issuer (the "Issuer") and investors in notes (the "Notes") as a result of the uncertain general economic conditions. These risks include, among others, (i) the possibility that, on or after the closing date, the prices at which collateral can be sold by the Issuer will have deteriorated from their effective purchase price, (ii) the illiquidity of the Notes, as there may be no secondary trading in the Notes and (iii) possibility of decline in the market value of the Notes. These risks may affect the returns on the Notes to investors and the ability of investors to realize their investment in the Notes prior to their stated maturity, if at all.

**Illiquidity in the Leveraged Finance Market.** The financial markets have experienced substantial fluctuations in prices for leveraged loans and high-yield debt securities and limited liquidity for such instruments. During periods of limited liquidity and higher price volatility, the Issuer's ability to acquire or dispose of collateral obligations at a price and time that either CVP CLO Manager or CVP CLO Advisors deem advantageous may be severely impaired, which may impair their ability to dispose of investments in a timely fashion and for a fair price, as well as their ability to take advantage of market opportunities. Furthermore, some collateral obligations will have a limited trading market (or none) under any market conditions. Illiquid debt obligations may trade at a discount from comparable, more liquid investments. The impact of the liquidity crisis on the global credit markets may adversely affect CVP CLO Manager's or CVP CLO Advisors' management flexibility in relation to the collateral and, ultimately, the returns on the Notes to investors.

**Nature of the Obligations.** The Notes are generally limited recourse debt obligations, payable solely from the collateral pursuant to the relevant indenture. The Notes do not represent interests in or obligations of, and are not guaranteed, insured or secured by any rating agency, the underwriter, CVP CLO Manager, CVP CLO Advisors, or any other transaction party (other than the Issuer). If distributions on the collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of the Collateral, the obligations of the Issuer to pay any such deficiency will be extinguished.

**Liquidity Considerations.** There is currently no secondary market for the Notes, and none may develop. The Notes are not expected to be readily marketable. In addition, the Notes are subject to certain transfer restrictions (including minimum denominations) that may further limit their liquidity. Furthermore, various regulatory requirements may restrict a potential investor's ability to purchase Notes or make such an investment unattractive to them. The Notes are designed for long-term investors and should not be considered a vehicle for short-term trading purposes. As a result, investors must be prepared to bear the risk of holding the Notes until their stated maturity. To the extent that any secondary market exists for the Notes in the future, the price (if any) at which Notes may be sold could be at a discount, which in some cases may be substantial. To the extent any market exists for the Notes in the future, significant delays could occur in the actual sale of Notes.

**Below Investment Grade Debt Obligations.** Primarily all of the collateral obligations are expected to be rated below investment grade. Such debt obligations have greater credit and liquidity risk than investment grade obligations. The lower rating of such obligations reflects a greater possibility that adverse changes in the financial condition of an obligor or in general economic conditions, or both, may impair the ability of the Issuer to make payments on the Notes. In addition, obligors of below investment grade debt obligations may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest rates, or a period of fluctuating exchange rates (in respect of those obligors with operations located in non-U.S. countries), such obligors may be more likely to experience financial stress and may be unable to meet their debt obligations due to the obligors' inability to achieve sufficient financial results or the unavailability of financing or under certain market conditions may not be able to refinance their debt obligations which may increase their risk of default. Although recently default rates for below investment grade debt obligations have decreased relative to prior years, there can be no assurance that default rates will not increase, perhaps significantly, in the future. All risks associated with the Issuer's investment in such obligation be borne by the owners of the Notes.

**Material Regulatory Risks – Risk Retention.** CVP generally will be required to satisfy the risk retention requirements of Section 941 of the Dodd-Frank Act (the “U.S. Risk Retention Rules”), except to the extent those rules may be determined to be inapplicable to open-market CLOs, and the European risk retention requirements (the “EU Risk Retention Requirements”) in respect of each of its CLO Accounts.

If CVP fails to retain credit risk in accordance with applicable U.S. Risk Retention Rules and/or the EU Risk Retention Requirements, CVP may be subject to enforcement or other legal action, which could adversely affect the ability of CVP to perform its obligations in respect of its CLO Accounts. At this time, it is uncertain what effect, if any, a failure of CVP to be in compliance with the U.S. Risk Retention Rules and/or the EU Risk Retention Requirements at any time will have on the CVP's CLO Accounts. Furthermore, no assurance can be given as to whether the U.S. Risk Retention Rules and/or the EU Risk Retention Requirements would have any future material adverse effect on the business, financial condition or prospects of CVP or its Accounts.

#### *All Accounts*

**Investment in Loans.** The value of any loans held on behalf of Accounts may be detrimentally affected to the extent that a borrower defaults on its obligations. While CVP may in certain instances attempt to minimize this risk by obtaining collateral, there can be no assurance that the value assigned by CVP to collateralize an underlying loan can be realized upon liquidation, nor can there be any assurance that any such collateral will retain its value. Furthermore, circumstances could arise (such as in the bankruptcy of a borrower) that could cause a Account's security interest in the loan's collateral to be invalidated. Also, much of the collateral will be subject to restrictions on transfer intended to satisfy securities regulations, which will limit the number of potential purchasers if CVP intends to liquidate such collateral on behalf of an Account. The amount realizable with respect to a loan may be detrimentally affected if a guarantor, if any, fails to meet its obligations under a guarantee. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of various types of collateral.

CVP may, on behalf of its Accounts, invest in second lien loans. Second lien loans are subject to the same investment risks generally applicable to loans described above but are also subordinate in right of payment to one or more senior loans of the related obligor. As a result, second lien loans are subject to additional risk that the cash flow of the related obligor and the property securing the second lien loan may be insufficient to repay the scheduled payments to the lender after giving effect to any senior secured obligations of the related obligor. Second lien loans are also expected to be more illiquid than senior first lien loans.

CVP may, on behalf of its Accounts, also invest in unsecured loans. Unsecured loans are subject to the same investment risks generally applicable to loans described above but are subject to additional risk that the assets and cash flow of the related obligor may be insufficient to repay the scheduled payments to the lender after giving effect to any secured obligations of the obligor. Unsecured loans will be subject to certain additional risks to the extent that such loans may not be protected, and such loans are not secured by collateral, financial covenants or limitations upon additional indebtedness. Unsecured loans are also expected to be a more illiquid investment than first lien senior loans.

Furthermore, under the agreements governing most syndicated loans, if a holder of an interest in a syndicated loan wishes to call a default or exercise remedies against a borrower, it generally may not do so without the agreement of at least a majority of the other lenders. In addition, actions could be taken by a majority of the other lenders, or in some cases, a single agent bank, without the consent of all lenders. Each lender would nevertheless be liable to indemnify the agent bank for its ratable share of expenses or other liabilities incurred in such connection and, generally, with respect to the administration and any renegotiation or enforcement of the syndicated loans. Moreover, an assignee or participant in a loan may not be entitled to certain gross-up payments in respect of withholding taxes and other indemnities that otherwise might be available to the original holder of the loan. As lenders, the Accounts may be subject to the foregoing risks.

**Investing in Non-U.S. Assets.** CVP may, on behalf of its Accounts, invest in non-U.S. assets. Investing in obligations issued outside of the U.S. involves considerations and possible risks not typically involved in investing in obligations of companies domiciled and operating in the U.S., including the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (initiated from the U.S. or from abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or confiscatory taxation may also affect investment in non-U.S. obligations. Higher expenses may result from investment in non-U.S. obligations than would from investment in U.S. obligations because of the costs incurred in connection with conversions between various currencies and the fact that foreign brokerage commissions may be higher than commissions charged in the U.S. Non-U.S. markets also may be less liquid, more volatile and less subject to governmental supervision than U.S. markets. Investments in non-U.S. countries could be affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

**Currency Risk.** CVP, on behalf of its Accounts, may make investments that are denominated in a non-U.S. currency. Such investments are subject to the risk that the value of a



particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. CVP may try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

**Lack of Liquidity of Assets, Valuation.** An Accounts' assets may, at any given time, include loans and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. The process of valuing investments for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such investments, from values placed on such investments by other investors and from prices at which such investments may ultimately be sold. Loans and other instruments to be held by Accounts may routinely trade with bid-ask spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Accounts. CVP is entitled to rely, without independent investigation, upon pricing information and valuations furnished to CVP by third parties, including any independent third-party pricing services selected by CVP. In addition, certain cross-transactions and other transactions between Accounts managed by CVP, to the extent permitted, are subject to valuation risk.

**Interest Rate Risk.** CVP, on behalf of its Accounts, generally invests in a combination of floating rate and fixed income obligations. Generally, the value of fixed income obligations will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income obligations tends to decrease. Conversely, as interest rates fall, the market value of fixed income obligations tends to increase. This risk will be greater for long-term obligations than for short-term obligations. CVP may or may not attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. Even if CVP does attempt to do so, there can be no guarantee that it will be successful in mitigating the impact of interest rate changes.

**Trade Errors.** All Accounts are subject to losses from trade errors. CVP endeavors to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker, CVP will strive to recover any loss associated with such error from such counterparty. CVP will determine whether any trade error has resulted from fraud, bad faith, gross negligence or willful misconduct on its part (or from the negligence, dishonesty or bad faith of one of its brokers or agents) and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Accounts.

**Prepayment Risk.** The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of the Fund's investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other

factors. In general, “premium” financial instruments (financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” financial instruments (financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since CVP’s investment strategy may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

**Use of Leverage Facility.** Certain Accounts are authorized to make use of leverage in connection with its investment program. In some cases, this is limited to credit facilities that are only used to delay the date on which the investor capital is called and in other cases these facilities are used to lever the fund. To secure the loan, the Account has likely pledged its assets or ability to call capital to the lender as collateral. The risks associated with such a loan include interest expense risk, and in the unlikely event that the value of the collateral were to decline significantly, the Fund could be forced to liquidate its assets to satisfy the loan. Leverage generally magnifies both the opportunities for gain and risk of loss. The use of leverage also will result in interest expense and other costs to the Account that may not be covered by distributions/interest paid to the Account and may result in unrelated business taxable income. In addition, the portfolio investments may be leveraged themselves, which could cause them to be adversely affected by increases in interest rates and may make them less able to cope with changes in business and economic conditions such as declining revenues or increasing interest rates.

**Counterparty Risk.** The Accounts may be subject to counterparty risk, the risk that another party to a transaction cannot fulfill its contractual obligations. For example, a counterparty may not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem (such as a bankruptcy), thus causing the Accounts to potentially suffer a loss. CVP is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. In addition, CVP’s internal credit function which evaluates the creditworthiness of its counterparties may prove insufficient. The lack of a complete and foolproof evaluation of the financial capabilities of CVP’s counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Accounts. Counterparties may include, among others, trading counterparties, custodians, prime brokers, trustees and administrators.

**Material, Non-Public Information.** CVP’s insider trading policies prohibit CVP and its personnel from trading for the Accounts or themselves, or recommend trading, in securities of a public company while in possession of material, non-public information about the company, which is referred to as “insider” information, and from disclosing such information to any person not entitled to receive it (further discussed in Item 11). By reason of its various activities, CVP may have access to insider information or be restricted from effecting transactions in certain investments, including loans, which might otherwise have been initiated. Notwithstanding such policies and procedures, there may be certain cases where CVP either may receive insider information due to its various activities on behalf of itself or the Accounts or may be restricted in acting for the Accounts, resulting in limited liquidity or using such information for the benefit of certain Accounts in specific securities. CVP seeks to minimize those cases whenever possible,

consistent with applicable law and its Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

**Cybersecurity Risks.** As part of its business, CVP processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Accounts and personally identifiable information of the investors. Similarly, service providers of CVP and its Accounts, especially the administrator of an Account, may process, store and transmit such information. CVP has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to CVP may be susceptible to compromise, leading to a breach of CVP's network. CVP's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by CVP to investors may also be susceptible to compromise. A breach of CVP's information systems may cause information relating to the transactions of Accounts and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The service providers of CVP and the Accounts are subject to the same electronic information security threats as CVP. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Accounts and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of CVP's or the Accounts' proprietary information may cause CVP or the Accounts to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Accounts and the investors' investments therein.

Please refer to each such Account's offering memorandum or separate disclosure document, as applicable, for more information on potential and actual risks.

**Item 9            Disciplinary Information**

CVP is not aware of any legal or disciplinary events involving CVP that are material to its advisory business or to the management of any client Account. As an advisory affiliate of NYLIC, CVP is obligated to include certain disclosures on Form ADV Part 1, Item 11, and accompanying Disclosure Reporting Pages, about disciplinary information related to NYLIC.

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

Certain of CVP's affiliates serve as general partners to certain Funds. Additionally, CVP may, on behalf of the Accounts it manages, for liquidity, portfolio rebalancing, trade allocation or other reasons, purchase financial instruments from, sell financial instruments to or enter into agreements with other Accounts (*i.e.*, "cross transactions"). The terms of any such cross transactions will be commercially reasonable and will not be materially less favorable to the Accounts than those available in the market with an unrelated third party. CVP will receive no special fees or other compensation in connection with cross transactions. Expenses incurred in a cross transaction will be allocated equitably between the Accounts and the other party to the cross transaction. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably between the Account and the other party to the cross transaction. When effecting cross transactions between Accounts, CVP will have potentially conflicting divisions of loyalty and responsibility with respect to each participating Account. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in an Account by CVP, its personnel or its affiliates (e.g., NYLIC), CVP will comply with the requirements of Section 206(3) of the Advisers Act, including that CVP will notify the Fund (or an independent representative of the Fund) or separately managed account owner in writing of the transaction and obtain the consent of the Fund (or an independent representative of the Fund) or separately managed account owner.

CVP's personnel may invest in eligible Funds of its or their choosing and are not required to invest in all Funds. It is expected that, if such investments are made, the size of these investments will change over time. Neither CVP nor its personnel are required to keep any minimum investment in any of the Funds.

The Accounts will be subject to a number of actual and potential conflicts of interest involving CVP and its affiliates. Any such conflict of interest could have a material adverse effect on the Accounts and their investors. However, CVP and its affiliates have substantial incentives to see that the assets of the Accounts appreciate in value, and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of the Accounts. When a conflict of interest arises, CVP will endeavor to ensure that it is resolved fairly. CVP has in place policies and procedures that it believes are reasonably designed to identify and resolve actual and potential conflicts of interest. For example, all employees of CVP must promptly report to their supervisor and the Chief Compliance Officer any potential or actual conflict of interest that results from that employee's position or duties, including potential or actual conflicts related to personal account trading, business affiliations, directorships, and the giving and receiving of business gifts and entertainment.

Further, conflicts of interest may arise from the fact that CVP, its personnel and its affiliates engage in a wide variety of businesses, and currently and in the future, will provide investment management services to multiple Accounts. CVP or the Accounts may invest or have some interest in certain of such Accounts or other businesses.

The Accounts may have the same, similar or different investment objectives from one another. CVP and its affiliates may give advice and recommend investments to certain Accounts which may differ from advice given to, or investments recommended or bought for, other

Accounts, even though their investment objectives may be the same or similar. Furthermore, the fact that an Account will pursue many of the same investment and trading strategies as certain other Accounts is likely to have beneficial effects on such other Accounts. For example, when multiple Accounts establish the same or similar positions, the existence of the Accounts' positions could have a beneficial impact on pricing and possibly trading in the relevant market. Such benefits are likely to enhance the value and perhaps the liquidity of other Accounts and, consequently, increase the compensation earned by CVP from such other Accounts. Thus, there will be conflicts of interest inherent in managing the multiple Accounts simultaneously.

CVP and its affiliates will devote as much of their time to the activities of the Accounts as they deem necessary and appropriate. CVP and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, including co-investments by certain investors, or from engaging in other business activities, even though such activities may be in competition with each of the Accounts and/or may involve substantial time and resources of CVP or one or more of its affiliates. CVP has entered into an arrangement with one of its affiliates whereby CVP provides limited back office support. CVP believes it has sufficient resources to service this arrangement and has implemented appropriate information barriers. In addition, CVP's Chief Compliance Officer is an employee of CVP's parent company and also serves as the chief compliance officer of an affiliated advisor. All of these activities could be viewed as creating a conflict of interest in that the time and effort of the members of CVP and its officers and employees will not be devoted exclusively to the business of the Accounts but will be allocated between the business of the Accounts and such other investment funds and separately managed accounts.

CVP may give advice or take action with respect to the investments and transactions in certain Accounts that may differ from the advice given or the timing or nature of any action taken with respect to financial instruments and transactions in other Accounts due to a variety of differences such as regulatory and tax issues and differences in investment programs. As a result, even though certain Accounts may have similar investment objectives and pursue similar investment strategies, they may have substantially different portfolios and investment returns. Conflicts of interest may also arise when CVP makes decisions on behalf of certain Accounts with respect to matters where the interests of CVP or one or more other Accounts differ from such Accounts. CVP will implement internal processes and mechanisms for assessing the investment programs of the Accounts.

In furtherance of Credit Value Partner's advisory business, CVP and its directors, officers, agents and affiliates and their employees may serve on the boards of directors or on creditor committees of companies whose instruments are held by certain Accounts. Serving in this capacity may give rise to conflicts to the extent that such personnel's fiduciary duties to a company as a director may conflict with the interests of an Account. CVP personnel are required to obtain pre-approval from the Chief Compliance Officer or General Counsel before accepting any such position. Additionally, CVP evaluates any potential conflicts of interest that may arise in connection with such board service on an ongoing basis. CVP and its affiliates may earn substantial additional fees in connection with the Accounts' investments in products structured by CVP or its affiliates, including structuring and collateral management fees. Such fees may not be credited to the Accounts, or reduce or offset the Management Fee payable by the Limited Partners or account

owners to CVP or its affiliates, or the Incentive Allocation. As a result, some or all of such remuneration received by the CVP or its affiliates will not benefit the Accounts, and conflicts of interest may arise in connection with the payment of such fees. In addition, such fees could influence CVP's advice to the Accounts. Among other matters, these arrangements could affect the Advisor's judgment with respect to the structuring of loan origination investments to provide higher structuring fees which will be retained by CVP or its affiliates rather than higher interest rates which would otherwise result in higher returns to the Accounts.

Certain actual and potential conflicts of interest may also arise from the fact that:

- certain Accounts may invest in other Accounts, and the personnel managing such investing Accounts generally will have more information about the investee Accounts and their investments than other investors which may influence their decisions about investing in, or withdrawing, the investing Accounts' investments in the investment funds;
- CVP uses certain of the strategies described herein in certain of its Accounts and CVP has sole discretion in determining the investment funds' level of participation in the strategies described herein;
- personnel who provide services to CVP and affiliates of CVP may choose to personally invest in certain, but not all, or none of the Accounts;
- the Accounts may acquire certain securities of entities for which CVP or an affiliate acts as investment adviser, or general partner and receives compensation therefrom or is the initial purchaser of such securities;
- CVP, its affiliates and certain Accounts may acquire investments representing different parts of the capital structure of issuers in which the Funds invest and, in connection therewith, may take actions that have an adverse effect on the Funds' investments;
- CVP and its affiliates may be buyers or sellers of credit protection that reference securities or other assets owned by the Accounts; and
- CVP may enter into side letters and/or other agreements and arrangements with certain Accounts or investors pursuant to which those Accounts or investors may receive reports and have access to information regarding the Accounts' portfolios that might not be generally available to other Accounts or investors. Such Accounts or investors may be able to base their investment decisions, including, without limitation, a decision to withdraw their capital from certain Accounts on information that is not generally available to other Accounts or investors. Side letters may also provide more favorable terms relating to liquidity and fees or incentive fees.

Other present and future activities of CVP and its affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, CVP will attempt to resolve such conflicts in a fair and equitable manner.

#### *CFTC/NFA Registration*

CVF III General LLC, CVF IV General LLC, and Credit Value Partners, LLC are all registered as commodity pool operators (“CPOs”) with the Commodity Futures Trading Commission (the “CFTC”) and are members of the National Futures Association (the “NFA”). In addition, CVP principal, Donald Pollard, is registered with the CFTC and the NFA as an Associated Person of the CPOs.

#### *Foreign Financial Regulatory Authority*

Certain CVP employees (Donald Pollard and Howard Sullivan) are registered with the Jersey Financial Services Commission to serve as directors for the ECO Fund.

#### *Other Affiliates*

CVP has established a wholly-owned subsidiary located in Ireland, CVP Europe Investment Management Ltd. (“CVP Europe”) that provides non-discretionary investment advice on corporate credit investments, primarily from companies domiciled in the EU and the UK, to CVP. As CVP Europe is a foreign private adviser, it is exempt from registration with the SEC. CVP Europe is seeking to register as an Alternative Investment Fund Manager with the Central Bank of Ireland. Such registration is anticipated later in 2019, but cannot be assured. CVP Europe may also enter into discretionary advisory agreements with European funds or accounts, subject to applicable local regulatory requirements.

As a subsidiary of NYLIC, CVP is also affiliated with the following entities, some of which are registered investment advisers and/or commodity pool operators/commodity trading advisers: New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Trust Company, New York Life Investment Management LLC, MacKay Shields LLC, Goldpoint Partners LLC, Eagle Strategies LLC, NYL Investors LLC, Madison Capital Funding LLC, IndexIQ Advisors LLC, Candriam Luxembourg SA, Ausbil Investment Management Limited, Candriam Belgium SA, Candriam France SAS, Private Advisors, LLC, NYLIM Asia Ltd., and Seguros Monterrey New York Life SA DE CV. CVP is also affiliated with NYLIFE Distributors LLC and NYLIFE Securities LLC, both of which are registered broker-dealers. Certain employees of CVP maintain securities registrations through NYLIFE Distributors, LLC.



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

Credit Value Partners, LLC strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Credit Value Partners, LLC has adopted a Code of Ethics. The Code of Ethics incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code of Ethics and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of clients, including investment funds' investors, must be kept confidential; and
- independence in the investment decision making process must be maintained at all times.

The Code of Ethics also places restrictions on personal trades by employees, including that they disclose their personal securities transactions on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions.

*Clients may request a copy of the Code of Ethics by contacting CVP at the address, email address or telephone number listed on the cover page of this brochure.*

Credit Value Partners, LLC also maintains insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. CVP's personnel are required to certify their compliance with the Code of Ethics, including the Insider Trading Policies.

Credit Value Partners, LLC's insider trading policies prohibit CVP and its personnel from trading for the Accounts or themselves, or recommend trading, in securities of a public company while in possession of material, non-public information about the company, which is referred to as "insider" information, and from disclosing such information to any person not entitled to receive it. By reason of its various activities, CVP may have access to insider information or be restricted from effecting transactions in certain investments, including loans, that might otherwise have been initiated. CVP has implemented policies and procedures reasonably designed to shield its employees in most cases from access to insider information. Among other things, such policies seek to control and monitor the flow of insider information to and within CVP, as well as prevent trading based on insider information. Accordingly, CVP may not have access to insider information that other market participants or counterparties are eligible to receive.

Notwithstanding such policies and procedures, there may be certain cases where CVP either may receive insider information due to its various activities on behalf of itself or the

Accounts or may be restricted in acting for the Accounts, resulting in limited liquidity or using such information for the benefit of certain Accounts in specific securities. CVP seeks to minimize those cases whenever possible, consistent with applicable law and its Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

As a result of MacKay Shields assuming a majority ownership stake in CVP Holdings, certain employees of Credit Value Partners, LLC will from time to time utilize office space at MacKay Shields' New York and Princeton offices. MacKay Shields and CVP have implemented information barriers to monitor the activities and flow of information by employees of CVP and MacKay utilizing this office space. It is possible that in the future these information barriers may restrict certain investment opportunities.

CVP has a financial interest in the Funds and receives a management fee and in some cases a performance-based fee or allocation for its services to the Funds (as disclosed elsewhere in this brochure). The fact that CVP has a financial interest in such Funds creates a potential conflict of interest in that it could cause CVP to make different investment decisions than if it did not have such a financial interest. Further, as noted in Item 6, the fact that CVP could and does receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for CVP to make more speculative investments than it might otherwise make.

Certain of CVP's affiliates, officers and employees have investments in one or more of the Funds and, as such, have a financial interest in the Funds. In addition, in a small number of instances, CVP employees have a personal investment in the same securities owned by the Accounts. These Fund and personal investments create a potential conflict of interest as CVP personnel with such investments could lead those persons to make different investment decisions than if such persons did not have such investments.

From time to time, CVP may execute or recommend transactions in which one Account sells securities or other instruments to another Account (a "cross transaction"). CVP may also recommend transactions in which one Account that is deemed to be more than 25% owned by an affiliated entity (a "principal account") buys securities or other instruments from, or sells securities or other instruments to, another Account (a "principal transaction"). If a transaction is deemed to be principal transaction, CVP will comply with Section 206(3) of the Advisers Act. It should be noted that investment personnel may, from time to time, make a determination that certain holdings in Account portfolios must be rebalanced and reallocated to bring the asset allocation for the Accounts back to target allocations (which involves a "sell" from one Account and a "buy" on a different Account) or for any other purpose as deemed appropriate, including an Account purchasing the assets of another Account which is in the process of being liquidated. In such events, a determination will be made independently for each Account involved in the contemplated transaction based upon the Account's investment/risk parameters, assets under management, liquidity and portfolio exposure. On occasion, CVP may, in its discretion, exclude certain Accounts from such rebalancing transactions in order to adhere to the proscriptions of ERISA. Cross and principal transactions present potential conflicts of interest. For example, one Account could be advantaged to the detriment of another Account in the event that the securities or other instruments being exchanged are not priced in a manner that reflects their fair value (i.e., if the trade was not executed in the open market). Additionally, there is a potential conflict of interest

when a cross transaction involves an Account on one side of the transaction and a principal account, or an Account in which CVP receives a higher management fee on the other side of the transaction. To address these potential conflicts, CVP maintains cross and principal transaction policies and procedures that require approval from CVP's Compliance Department and oversight from CVP's Brokerage Committee. In addition, each cross or principal transaction between Accounts will be executed on a fair and equitable basis and will only be executed if CVP believes the transaction is in the best interest of each Account involved.

CVP and its affiliates may give advice and recommend the purchase or sale of currencies, securities, and other financial instruments, or buy or sell such currencies, securities, and instruments for their own account or that of other Accounts, which advice or instruments may differ from advice given to, or instruments recommended or bought or sold for, the Accounts, even though their investment objectives may be the same or similar.

In addition, it should further be noted that in relation to investment management services to its Accounts, there may be instances where CVP pursues an investment opportunity through normal business channels that could potentially result in a transaction where an Account is purchasing a financial instrument directly or indirectly from an affiliate.

In situations where CVP receives funds from a class action lawsuit or some other compensation intended for one of its Funds as a result of one of the holdings in that Fund, and that Fund has since been dissolved, CVP may, in its sole discretion, determine where such funds should be credited. The Investment Committee, in consultation with the General Counsel and Chief Compliance Officer, and in consideration of the amount of funds involved, may determine to attempt to credit the funds to the previous investors, credit the funds to a successor fund in the same strategy, reject receipt of the funds, or some other action.

The securities portfolio and liquid assets of each Account will not be commingled with other securities and liquid assets managed by CVP or its affiliates, except to the extent that the assets of an Account will be commingled with the assets of other feeder funds, if any, through the use of a master/feeder structure. Notwithstanding the foregoing, CVP and its affiliates may invest assets of the Accounts in investment vehicles managed or advised by CVP or its affiliates. In such cases, the CVP Investment Committee will determine, in its sole judgement, whether it should waive the management and/or incentive fee at the investee fund level in relation to such investments made by an Account, in order to avoid duplicative management and incentive fees. It should be noted that, in certain instances, the CVP Investment Committee will not waive the fee at the investee fund level and duplicative management and incentive fees will apply.

CVP seeks to address these potential conflicts through the use of:

- A robust Code of Ethics, which is described above;
- A requirement that CVP employees complete questionnaires detailing their potential conflicts (which are carefully monitored) in conjunction with CVP's Outside Business Activities Policy;
- A requirement that, as applicable, employees recuse themselves from decisions related to potential conflicts of interest;

- Disclosure of potential conflicts of interests and risks in this Brochure as well as in Fund offering documents provided to prospective investors;
- An Investment Committee to review investment conflicts.

The Accounts may invest in different securities or other investments (e.g., loans) within an issuer's capital structure. In some circumstances, the interests of Accounts that invest in a company may not be aligned with the interests of other Accounts that invest in a different loan investment or security issued by the same company, which could create actual or potential conflicts of interest or the appearance of such conflicts. In that regard, certain actions may be taken by CVP on behalf of an Account that are adverse to the interests of other Accounts. The interests of Accounts investing in different parts of the capital structure of a company are particularly likely to conflict in the case of financial distress of the company. For example, an Account holding senior loans or debt securities of a company may take actions to protect its own rights as a creditor that are detrimental to the rights of another Account that holds more junior securities issued by the same company. In addition, it is possible that, in a bankruptcy proceeding, an Account's interests may be subordinated or otherwise adversely affected by virtue of CVP's involvement and actions relating to an investment made on behalf of another Account. This may result in a loss or substantial dilution of one Account's investment, while another Account receives a full or partial recovery on its investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to Accounts that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Accounts may or may not provide such additional capital, and if provided, each Account generally will supply such additional capital in such amounts, if any, as determined by CVP in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, CVP may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Account versus another Account (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

While the possibility of conflicts in such circumstances can never be fully mitigated, prior to making any new investment in a company on behalf of an Account, CVP will consider whether the interests of other Accounts invested in the capital structure of the company may impair its ability to act in the best interest of the Account. When CVP is required to take action with respect to a security or loan investment held by an Account, it is CVP's policy to act in the best interest of the holder of the investment with respect to which action is being taken, even though such actions may be to the detriment of other Accounts invested in the company's capital structure.

Conflicts may arise when an Account makes investments in conjunction with an investment being made by another Account, or if it were to invest in the securities of a company in which another Account has already made an investment. An Account may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Accounts. This may result in differences in price, terms, leverage

and associated costs. Further, there can be no assurance that the relevant Account and the other Account(s) or vehicle(s) with which it co- invests will exit such investment at the same time or on the same terms. CVP and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Account's investments will be the same as the returns obtained by other Accounts participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Accounts. In that regard, actions may be taken for one or more Accounts that adversely affect other Accounts.

## **Item 12            Brokerage Practices**

CVP considers the full range and quality of a broker's services, including execution capability, commission rate, financial responsibility and responsiveness when selecting broker-dealers for client transactions and when determining whether a broker's compensation is reasonable. Further, CVP seeks to obtain best execution for brokerage transactions for its Accounts and from time to time reviews its trade execution practices to assess the quality of the execution of brokerage transactions.

### *Research and Other Soft Dollar Benefits*

CVP generally does not enter into "soft dollar" arrangements, meaning arrangements where an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing Account securities transactions to the broker-dealer. CVP's Account brokerage commissions are not directed to particular brokers in exchange for information it receives. CVP does, however, receive research and unpublished commentary from a variety of broker-dealers, including those to whom its Accounts pay a commission in connection with purchase and sales of loans and other transactions. The research and commentary can include both proprietary as well as third party materials. While much of the information is unsolicited and not directly relevant to the transactions in which CVP engages, some is specifically related to, and can aid in decision-making regarding, the loans or other assets underlying Account transactions. CVP views this research and commentary as "free" in that it does not agree to pay a higher commission to receive such research and commentary than it would otherwise pay for execution of Account transactions. That being said, the provision of such information may create an incentive to select a broker-dealer based on the volume or quality of the information from a particular broker-dealer, rather than on execution price. Any benefits to its investment analysis gleaned from the information received on an asset underlying an Account transaction is for the benefit of all Accounts that participate in the transaction.

### *Brokerage for client referrals*

Not applicable.

### *Directed Brokerage*

In an advisory relationship, CVP customarily makes periodic investment recommendations or decisions to or on behalf of each applicable advisory Account. These recommendations include identifying securities or loans to be bought or sold, the total amount of such purchases and sales, and the timing and price of such transactions.

CVP may have the right to determine the executing brokers or, in certain circumstances, an Account may request that CVP, as an accommodation, place orders for the purchase or sale of the securities being recommended with a specific broker. Account directed brokerage arrangements often result in the inability to achieve the most favorable execution of transactions and may result in higher costs to clients because there is no ability for CVP to aggregate orders to reduce transaction costs.

CVP has a fiduciary obligation to allocate investment opportunities among its various Accounts in a manner that results in fair and equitable treatment of client Accounts over time. To that end, the execution of orders for Accounts that have identified the use of a particular broker may be delayed until after the execution of non-broker designated orders have been completed, or CVP may use another trade execution process to satisfy an Account that has designated the use of a particular broker.

With respect to Funds that invest directly in investment securities or other assets and with respect to separately managed accounts, if CVP believes that the purchase or sale of a security or loan is in the best interest of more than one Fund or more than one separately managed account, it may (but is not obligated to) aggregate the orders to be sold or purchased to obtain favorable execution or lower brokerage commissions, to the extent practicable and when permitted by applicable laws and regulations.

Where trades are aggregated, the transactions, as well as the expenses incurred in the transactions, will be allocated by CVP according to a policy designed to seek to ensure that such allocation is fair and equitable over time and consistent with CVP's fiduciary duty and Account guidelines in order to construct a fully invested portfolio (including its duty to seek to obtain best execution of trades).

Depending upon market conditions, the aggregation of orders may result in higher or lower average prices paid or received. Orders which are not aggregated are entered at the market prices prevailing at the time of the transaction. Accordingly, trades that are not aggregated and entered at different times during the same day may result in different pricing.

In addition, derivative transactions may be priced by the counterparty or pursuant to the respective documentation for the derivative transactions. Thus, Account portfolios may be priced at different levels. While CVP seeks to minimize the price disparity that may result, there can be no assurance that consistent pricing will be achieved among Accounts and investment funds. Further, there is no assurance that investment funds or advisory clients with similar strategies will hold the same investments or perform in a similar manner.

Allocations are made in a manner which CVP deems to be fair and equitable over time. Due to the nature of certain assets as well as specific client guidelines, *pro rata* allocation of trading opportunities is not always feasible and therefore, such allocations are driven primarily by a number of factors, including the following: a) Risk profile and investment objectives specific to each Account; b) Term lifecycle of the Advisory Client portfolio or vintage year; c) Account portfolio size, construction, liquidity attributes, and diversification considerations specific to each Account; d) Consideration given to Accounts which are ramping up or have sizable inflows or outflows of funds; e) Accounts managed in a similar manner in order to provide similar size exposure to investments; f) Deal sponsor discretionary considerations, such as preference for certain investor profiles; g) Regulatory constraints or other advisory client-specific restrictions; h) Contractual obligations, when applicable; i) Whether the Account has adequate cash available for the investment opportunity, taking into account current cash availability as well as known and potential future cash needs or sources that may impact cash availability; and j) Other factors that CVP may reasonably deem relevant. In situations where there is insufficient capacity in an

investment opportunity, CVP, in its sole discretion, will make subjective judgments using some or all of the above factors. A copy of CVP's allocation policy is available upon request.

CVP generally aggregates orders among Accounts participating in the same investment. When aggregating orders, CVP follows documented policies and procedures and seeks to aggregate orders between participating Accounts in a manner which it deems fair and equitable.



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

CVP's investment professionals review the relevant portfolios on an ongoing basis and provide written reports to certain Accounts at such times as set forth in the relevant Fund documentation or advisory agreement. In addition, CVP has established a Portfolio Review Committee, a subcommittee of the Investment Committee, which reviews the Accounts periodically. The Portfolio Review Committee is made up of all of the most senior investment professionals at the firm. The investments made by the Accounts are generally long-term in nature. Accordingly, the review process is not directed toward a short term decision to purchase or sell securities. However, CVP carefully monitors companies in which its Accounts invest and generally maintains an ongoing evaluation of such companies.

The primary investment adviser of the separately managed accounts and investors in each Fund are generally provided with periodic written reports and relevant tax reporting information. In addition, special written reports may be developed to meet specific Account requirements or respond to investor inquiries. Periodic reports delivered to the primary investment adviser of the separately managed account are generally delivered daily and monthly and generally include information regarding all of the activities and holdings of the separately managed account.

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

CVP or the Accounts may pay fees to financial intermediaries, advisers, planners, and individuals who refer their clients to CVP. Depending upon the Account's structure and documentation, such fees can be paid from the applicable Fund's assets, and the Fund may receive a corresponding reduction in management fees. In the alternative, CVP or its affiliates may pay a portion of their advisory fees and/or performance compensation, if any, to any of their respective affiliates and other third parties for purchasers of interests in Accounts. In addition, CVP or its affiliates may pay a portion of their advisory fees and/or performance compensation, if any, to any of their respective affiliates and other third parties for their referral of clients or investors in Accounts to CVP. Such fees paid to any affiliates and other third parties also will be in accordance with applicable law and any other applicable obligations of those individuals and entities receiving such fees.

Historically, CVP has engaged placement agents for the placement of investors in certain of the Accounts. Such placement agents receive ongoing payments based upon a percentage of the management fee or commitments attributable to the investors in the applicable Account introduced to CVP. In addition, CVP has engaged one or more persons or entities to provide introductions to qualified international investors. These introducers may be compensated by a fixed fee and/or a percentage of the management fee or commitments attributable to the introduced investor.

CVP is not compensated for its investment advice or other advisory services from an Account other than the management fees and performance allocations or fees described above. Please see "**Item 5 - Fees and Compensation**," "**Item 6 - Performance Based Fees and Side-by-Side Management**" and "**Item 12 - Brokerage Practices**," above for a discussion of fees that CVP may charge.

## **Item 15      Custody**

Because certain of CVP's related persons act as general partners of certain CVP Accounts, CVP is deemed to have custody of such Funds' assets and therefore must adhere to applicable requirements under Rule 206(4)-2 of the Advisers Act ("Custody Rule"). CVP is also be deemed to have custody because it has the ability to withdraw assets from certain Accounts, including authorization to withdraw advisory fees from their custodial accounts.

J.P. Morgan Clearing Corp, US Bank National Association, Citco Banking Corporation N.V or BNP Paribas Securities Services acts as the qualified custodian to each of the Funds. The Bank of New York Mellon acts as qualified custodian for the separately managed accounts and US Bank National Association acts as qualified custodian for the CLOs. In addition, in accordance with the Custody Rule, CVP provides a copy of each Fund's audited financial statements to its investors within 90 days of the end of each fiscal year.

## **Item 16          Investment Discretion**

CVP generally has full discretionary authority with respect to investment decisions, and its advice with respect to the Accounts is given in accordance with the investment objectives and guidelines set forth in the applicable offering documentation or advisory agreement, as the case may be. Except as otherwise may be set forth in such documents, investors in the Funds may not impose restrictions on investing in certain securities or types of securities. Moreover, each of the Funds and the separately managed accounts have entered into an advisory agreement with CVP that, in each case, appoints the relevant CVP entity as its investment adviser or its attorney-in-fact with full power and authority to supervise and direct its investments on a fully discretionary basis. CVP Europe provides non-discretionary investment advice on corporate credit investments, primarily from companies domiciled in the EU and the UK, and may enter into arrangements in which it provides discretionary investment advice, subject to meeting local regulatory requirements.

CVP determines which investment securities or other assets are to be purchased and/or sold for the Accounts. CVP may be limited as to the securities or other assets that may be purchased by the offering documents and other Governing Documents of the Funds or the investment mandate provided by clients with respect to the separately managed accounts, as well as applicable securities laws.

## **Item 17          Voting Client Securities**

Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, CVP has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, in a manner that serves the best interests of the relevant Accounts, as determined by CVP, in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, CVP may refrain from voting proxies when CVP believes that voting would be inappropriate. CVP will consider the cost of voting the proxy and the anticipated benefit to the Accounts when making a determination to refrain from voting proxies.

Investors in the Funds may not direct CVP's vote in a particular situation. Prior to voting any proxies, CVP's portfolio managers will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the General Counsel or the Chief Compliance Officer will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to its set procedures, the portfolio manager will make a decision on how to vote the proxy in question. If a material conflict of interest exists, CVP has the flexibility to abstain from a particular proxy vote or in certain instances, CVP may utilize and empower a third-party vendor to vote certain proxies.

In the event that the portfolio manager favors voting in a manner that is inconsistent with the proxy voting policies and procedures, CVP, after consulting with the General Counsel and Chief Compliance Officer, will disclose this position to the Account along with relevant information relating to any conflicts of interest and obtain client consent before voting. If the applicable Account is an investment fund, the necessary disclosure will be made to any one director, general partner or managing member who is not an "interested person" as that term is defined in the Investment Company Act of 1940, as amended.

A copy of the proxy voting policies and procedures of CVP is available to Accounts upon request by contacting CVP's Chief Compliance Officer at the address and telephone number shown on the cover page of this brochure. Upon request, CVP will also disclose to its Accounts how they can obtain information on their proxy votes.

**Item 18      Financial Information**

CVP believes that there is no financial condition that is reasonably likely to impair CVP's ability to meet its contractual commitments to its Accounts.