

## **Item 1 – Cover Page**

Dynamic Credit Partners, LLC

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[www.dynamiccredit.com](http://www.dynamiccredit.com)

March 28, 2012

This Brochure provides information about the qualifications and business practices of Dynamic Credit Partners, LLC (“Dynamic”). If you have any questions about the contents of this Brochure, please contact us at [info@dynamiccredit.com](mailto:info@dynamiccredit.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.

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

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

## **Item 2 – Material Changes**

This Brochure dated March 28, 2012 is our annual update to our Form ADV Part 2a Brochure, which was last annually updated on March 15, 2011.

The main material changes to our Form ADV Part 2a include a change of address to 1350 Avenue of the Americas, 2<sup>nd</sup> Floor, New York, NY 10019, which occurred on May 1, 2011, and which was addressed in a prior interim update, and the liquidation of one of our CDO managed funds, Dalton CDO, Ltd.

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

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

Currently, our Brochure may be requested by contacting Meghan C. Burns, Chief Compliance Officer at 212-710-6601 or [mburns@dynamiccredit.com](mailto:mburns@dynamiccredit.com).

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

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#### **Item 4 – Investment Advisory Business**

Dynamic Credit Partners, LLC (“Dynamic”) is a specialist structured finance investment advisory firm and a Registered Investment Advisor, formed by Jim Finkel and Tonko Gast in 2003, with offices in New York. Dynamic has a nine year history of fixed income asset management focusing on fundamental value and high income generation. Dynamic manages approximately \$2.86 billion in structured credit assets based on notional balance.

Dynamic provides investment advice to the pooled investment vehicles described below, which in turn accept investments from institutional investors, as well as financial institutions, foundations, endowments, family offices and a limited number of high net worth individuals.

Dynamic acts as collateral manager to issuers of 7 structured finance collateralized bond obligations (“CDOs”), backed by pools of asset-backed securities and collateralized debt obligations, and as a manager for one private investment fund. All such vehicles are in some state of wind-down, where no reinvestment or new investment is allowed, and where only limited dispositions occur.

The services provided by Dynamic as collateral manager for CDO issuers include, but are not limited to: (a) identifying the collateral to be sold (or in the case of synthetic securities credit default swaps to be terminated or assigned), (b) monitoring the performance of the collateral of the CDO, (c) effecting disposition of collateral, if necessary, in accordance with applicable CDO documentation, (d) exercising certain rights on behalf of the CDO, with respect to the CDO vehicle itself, its indenture, or with respect to the underlying CDO collateral portfolio, or (e) performing any other duties as stated in the applicable collateral management agreements.

As manager for the private investment fund, given that it is in wind-down, Dynamic’s duties generally consist of, but are not limited to: (a) representing the fund in connection with the sale of assets, (b) monitoring the performance of fund holdings, (c) exercising certain rights on behalf of the fund, and (d) with respect to the fund itself, or with respect to its holdings, performing such other activities as specified in the applicable management agreement.

Dynamic, its affiliates and certain of their respective professionals have been eligible to invest in Dynamic sponsored investment funds. None of the CDOs or the fund is regulated by the SEC as investment companies based on specific exclusions from the Investment Company Act of 1940.

Dynamic may seek to provide investment advisory services for managed accounts, but does not do so at such time.

Dynamic may also seek to act as co-investment manager with unaffiliated investment advisers for certain investment vehicles that are joint ventures between Dynamic and unaffiliated entities.

Dynamic may offer investment management services to partnerships and limited liability companies treated as partnerships for tax purposes that invest in structured securities (including CDOs). Dynamic's private investment fund is structured as an offshore corporation, with both an offshore and domestic 'feeder' fund, the latter being a partnership for US tax purposes.

In addition to the securities mentioned elsewhere in this Part II, Dynamic may seek to invest in any type of securities or financial instruments consistent with client investment policies and restrictions. Examples of other types of securities in which the CDO vehicles managed by Dynamic currently are invested include, but are not limited to, asset-backed securities, residential mortgage-backed securities, commercial mortgage backed securities, money market instruments, derivatives (such as synthetic collateralized debt obligations, foreign exchange and interest rate swaps, and other swap structures (e.g. credit default and total return swaps), and private placements of debt.

Legacy DCM, LLC ("DCM") is the administrative affiliate of Dynamic. DCM provides almost all of the resources for Dynamic to perform its investment management business including personnel, office space, technology and data information.

### **Dynamic Credit Opportunities II Master Fund, Ltd. ("DCOF II")**

Dynamic serves as the Investment Manager to DCOF II (a Cayman Islands exempted company). The Master Fund holds investments on behalf of two feeder funds, an Offshore Fund and a Domestic Fund, each of which have accepted subscriptions from investors in the past. All of the assets from Dynamic Credit Opportunities Fund II, Ltd. (the "Offshore Fund") and Dynamic Credit Opportunities Fund II, LP (the "Domestic Fund") are invested in participating shares of the Master Fund. DCOF II was launched in August 2005 and as of December 31, 2007 had an unaudited NAV of \$77.58 million. DCOF II no longer accepts subscriptions, and is currently in wind-down with approximately \$760,000 in cash and one litigation claim it is asserting being the only assets remaining in the fund as of January 31, 2012.

Dynamic is responsible for the analysis, asset disposition and on-going surveillance of the Master Fund.

Dynamic tailors its advisory services to the needs of the particular fund or asset pool as per the terms of the offering memorandum or operative document

Dynamic does not participate in wrap fee programs.

Dynamic maintains the following assets under management on a discretionary basis:

	Cash	Collateral Debt Securities (notional)	Totals	Date as of:
DCOF II	\$760,000.00	\$0.00	\$760,000.00	1/31/2012
Monterey	\$3,290,409.00	\$622,278,959.00	\$625,569,368.00	1/15/2012
Lenox	\$795,848.00	\$126,558,634.00	\$127,354,482.00	2/8/2012
Sheffield	\$421,461.00	\$272,505,347.00	\$272,926,808.00	1/28/2012
Barrington II	\$20,429,051.00	\$949,402,849.00	\$969,831,900.00	1/30/2012
Summit	\$2,934,637.00	\$103,136,340.00	\$106,070,977.00	1/30/2012
Barrington I	\$3,327,187.00	\$723,934,453.00	\$727,161,640.00	1/30/2012
Brookville	\$0.00	\$27,613,331.00	\$27,613,331.00	1/26/2012
Totals	\$31,959,343.00	\$2,825,329,913.00	\$2,857,289,256.00	

Dynamic does not hold assets under management on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In general, as compensation for its services as collateral manager, Dynamic receives a senior management fee ranging from 0.03% to 0.30% per annum of the net performing asset amount of the CDOs. Management fees are generally payable on a quarterly basis, in arrears. In addition, with respect to some of its CDOs, Dynamic has contractual entitlements to receive subordinate management fees, and incentive fees ranging from 5% to 25% once certain internal rates of returns are realized by shareholders. The exact amount of fees and how they are calculated as well as the duties and activities of the collateral manager are described in the offering documents for each respective CDO. As of the date of this submission, Dynamic believes it will not receive any subordinated management fees or incentive fees with respect to the CDOs which it manages. Dynamic also is subject to varying termination provisions in the CDOs which it manages.

With respect to its private investment fund in wind-down, DCOF II, as of November 2010 Dynamic has irrevocably waived all management and other fees. Dynamic may be terminated without cause as manager of DCOF II as disclosed in the applicable offering document. The

specifics of any termination provisions of the collateral management contract involving Dynamic are disclosed to investors in the offering documents for DCOF II.

The Following Is Only Relevant To the Extent Dynamic Engages In New Business:

The fees for funds or managed accounts which Dynamic may seek to launch are subject to negotiation and depend on the size and complexity of the account. Dynamic would seek to receive management fees and varying incentive fees payable only upon the achievement of a certain investor return for managed accounts, which would be disclosed to investors and clients.

The specific manner in which fees are charged by Dynamic is established in a client's written agreement with Dynamic. As has been past practice, Dynamic generally seeks to bill its fees in arrears on a quarterly basis. Management fees would be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of *de minimis* contributions and withdrawals). Accounts initiated or terminated during a calendar quarter would be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees would be due and payable.

Dynamic's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which would be incurred by the fund or client, as applicable. Funds or clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Dynamic's fees and Dynamic does not, and would not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Dynamic considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions). Please see the third bulleted statement in Item 12 regarding Directed Brokerage – Bulk Trades.

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

In some cases, Dynamic has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Dynamic would seek to structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the

Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Dynamic would include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Dynamic to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Dynamic has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

Dynamic provides investment advice to DCOF II, which when it was open for investment, accepted investments from institutional investors, as well as fund of funds, family offices, private investment funds, pension and trust programs and high net worth individuals. The stated minimum investment of DCOF II was \$5,000,000. The minimum amounts were allowed to be, and was on several occasions, waived at the discretion of the General Partner or Investment Manager. Except in the case of the principals of Dynamic and the employees of Dynamic, the absolute minimum investment was \$250,000.

In addition to DCOF II and the CDOs described above as investment management clients, Dynamic previously had a global group of non-investment advisory clients such as banking or thrift institutions and other funds, businesses, and governmental entities. Dynamic ceased its non-investment advisory business on December 15, 2010 upon the sale of such business to Duff & Phelps, LLC.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

Dynamic uses economic, fundamental, technical and quantitative analysis.



- Economic analysis, among other things, emphasizes daily and historical review of economic and financial data which impact short, intermediate and long-term credit (default, recovery and downgrade) and interest rate movements.
- Fundamental analysis, among other things, emphasizes reviewing credit risk characteristics of the respective pool of assets and examining the securities' structural terms.
- Technical analysis, among other things, involves a daily and historical analysis of discount margins, yields, trading levels of applicable securities and other indicators as may be deemed appropriate in the marketplace.
- Quantitative analysis involves, among other things, analysis of risk/return characteristics of the securities and portfolios, using both credit rating agency methodologies as well as proprietary techniques.

As its investment strategy, Dynamic has used both proprietary and non-proprietary modeling capabilities to assess risk and value of CDOs, ABS, CMBS and other structured credit tranches. Dynamic's proprietary methodology includes, among other things, scenario-based cash flow analysis and rating agency criteria. Dynamic assesses the characteristics of the underlying collateral pool, using a variety of publicly available data sources, market data and subscription-based data services.

Investment in CDOs and funds involves certain risks. Prospective investors in any product that Dynamic may seek to launch should carefully consider the following factors:

- **Investor Suitability.** An investment may not be appropriate for all investors as structured investment products are complex instruments that may involve a high degree of risk and are suitable only to sophisticated investors who are capable of understanding and assuming the risks involved.
- **Limited Liquidity.** There is a limited market for these types of investments and in addition, these investments may be subject to certain transfer restrictions.
- **Limited-Recourse Obligations.** The CDO investments are payable solely from the Collateral pledged by the Issuer to secure the investment and there can be no assurance that the distributions on the Collateral will be sufficient to make payments
- **Nature of the Assets.** Asset-Backed Securities are subject to credit, liquidity, interest rate, market, operational, fraud, structural, legal and other risks.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Dynamic or the integrity of Dynamic's management. Dynamic has no information applicable to this Item.

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

David Schwartz, a limited partner of Dynamic, is a registered representative of a broker dealer, Duff & Phelps Securities, LLC, and is a Managing Director of Duff & Phelps, LLC. This relationship is not material to Dynamic's investment advisory business and does not generally pose a conflict of interest.

One of the principals of Dynamic, Tonko Gast, is the CEO of Dynamic Credit Europe B.V. ("DCPE"), located in the Netherlands. As a registered investment advisor with the Netherlands Authority for Financial Markets (AFM), DCPE performs investment advisory services primarily with respect to European structured securities and other debt instruments. DCPE and Dynamic have entered into mutual administrative and support agreements. Mr. Gast is the majority shareholder of DCPE, and Mr. Schwartz has a minority stake. Mr. Finkel is not a shareholder of DCPE, nor an officer or director thereof.

Mr. Finkel is a Managing Director of Duff & Phelps, LLC. He no longer holds a management title at Dynamic, but remains the majority shareholder. Mr. Finkel currently serves as a director of the Dynamic Credit Opportunities II Master Fund, Ltd., Dynamic Credit Opportunities Fund II, Ltd., and ESE Funding SPC Ltd. Mr. Finkel is a member of the Supervisory Board of Ithuba Capital AG, in Vienna, Austria.

## **Item 11 – Code of Ethics**

Dynamic has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Dynamic must acknowledge the terms of the Code of Ethics annually, or as amended.

Dynamic anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Dynamic has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Dynamic, its affiliates and/or clients, directly or indirectly, have a position of interest. Dynamic's employees and persons associated with Dynamic are required to follow Dynamic's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Dynamic and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Dynamic's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Dynamic will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Dynamic's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Dynamic and its clients.

Dynamic's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Meghan C. Burns, Chief Compliance Officer at [mburns@dynamiccredit.com](mailto:mburns@dynamiccredit.com) or 212-719-6601.

Dynamic may purchase and sell securities for its own account.

Dynamic may on a limited basis recommend funds it manages to buy tranches of other funds managed by Dynamic, in which Dynamic (and in some cases senior employees) have a direct financial stake. Dynamic may in limited instances permit certain of its employees to invest in private investment funds advised by Dynamic.

With regard to certain securities recommended to clients, Dynamic or its respective affiliates may have acted as investment manager or structuring agent in respect to certain of the Collateral Debt Securities securing the notes in various pooled securities when such Collateral Debt Securities were originally issued. Dynamic may have provided or will be providing financial advisory services and other services to issuers of certain Collateral Debt Securities.

DCM has a Compliance Manual which provides policies and procedures for all employees including full-time and part-time employees and consultants regarding adherence to rules under the Advisers Act. The Compliance Manual sets forth policies and procedures relating to various

aspects of Dynamic's business and is designed to meet the SEC requirements that registered investment advisors implement and maintain policies and procedures appropriate for their investment advisory business. This Compliance Manual is periodically updated as compliance is an ongoing process that requires the continual review, updating and amendment of procedures.

## **Item 12 – Brokerage Practices**

- **Soft Dollar Arrangements:** Dynamic does not currently participate in any “soft dollar” arrangements.
- **Brokerage for Client Referrals:** Dynamic buys and sells securities on behalf of its clients within the constraints set forth within the relevant transaction documents.

Dynamic has discretion to select the broker (dealer) to facilitate the purchase or sale of securities for its clients. Commissions are just one factor taken into account when selecting the broker (or dealer).

Under existing arrangements, certain funds or CDOs managed by Dynamic may bear the expenses of specific research or analytic tools from research services.

- **Directed Brokerage – Bulk Trades:** Dynamic manages several structured product portfolios at any given time. While each Portfolio has its own eligibility criteria, (varying by ratings requirements, diversification requirements, tenor, etc.) it is not uncommon for the Portfolios to have overlapping criteria. When criteria overlap, Dynamic may make a sale of a security in a single trade that may be allocated across any number of different portfolios (a “Bulk Trade”).

When Dynamic executes a Bulk Trade, the trader/portfolio manager must consider many different factors before the trades are executed and allocated. In addition to eligibility criteria, the trader/portfolio manager should also be aware that any/all portfolio(s) may be in a different stage of their “life-cycle”, hence impacting the suitability and/or size of any sale.

A Bulk Trade cannot be allocated to a particular portfolio solely to enhance the return or risk profile of the one investment portfolio without careful consideration of other qualifying portfolios. After careful consideration and analysis of all the factors, the security will be allocated in sizes appropriate to the portfolio(s) and the eligibility criteria of the portfolio(s) – including ratings constraints, subtype constraints, size limitations, correlation, etc. If all factors related to two portfolios were equal, the bulk trade would be allocated equally between the two.

Dynamic must exercise extreme care when acting in its fiduciary capacity as either the Investment Manager or Collateral Manager of the investment portfolio.

### **Item 13 – Review of Accounts**

Dynamic reviews client accounts monthly to ensure the accounts are in compliance with the terms of their indenture or other governing documents, and if non-compliant, attempt to effectuate trades in order to maintain the requisite cash thresholds.

For Dynamic's CDOs, these reviews are initiated by Dynamic in conjunction with the account Trustee and then escalated as necessary to the portfolio manager/trader.

DCOF II investors receive monthly written reports indicating the current unaudited estimated value of the fund. As DCOF II is in wind-down, this is primarily a cash balance.

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

In certain circumstances, and in accordance with the applicable law, Dynamic may pay a fee to entities that introduce business to Dynamic. The amount of fees paid to third-party distributors is negotiated between Dynamic and such persons.

### **Item 15 – Custody**

Dynamic does not have “custody” of client assets according to Rule 206(4)-2 under the Investment Advisers Act of 1940. Dynamic does not: hold, directly or indirectly, client funds or securities and does not have any authority to independently obtain possession of them; hold any client's certificates or cash (even temporarily); have the authority to independently withdraw any funds (other than for its fees) or securities from a client's account; or act in any capacity that gives it legal ownership or independent direct access to client funds or securities.

There are no longer securities as part of the portfolio of DCOF II as all holdings are cash and legal claims. The cash is custodied at JP Morgan Chase Bank.

Securities held in Dynamic's managed CDOs are all subject to formal custody arrangements, and the vast majority are custodied with the Bank of New York Mellon Trust Company, N.A.

Clients should receive at least quarterly statements from the broker dealer, trustee, bank or other qualified custodian that holds and maintains client's investment assets. Dynamic urges investors to carefully review such statements and compare such official custodial records to the estimate statements that it provides. Dynamic's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of holdings.

## **Item 16 – Investment Discretion**

Dynamic usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Dynamic observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Dynamic's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Dynamic in writing.

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

Dynamic exercises voting authority with respect to most client securities and must review and weigh the issues under consideration in the proposed "vote" to ensure that Dynamic votes in a manner consistent with the best interests of such client. The SEC has indicated that a discretionary investment manager is required to exercise voting authority with respect to client securities, even if the investment advisory agreement is silent on this point, unless the client has specifically retained voting authority.

Clients may obtain a copy of Dynamic's complete proxy voting policies and procedures upon request. Clients may also obtain information from Dynamic about how Dynamic voted any proxies on behalf of their account(s).

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Dynamic's financial condition. Dynamic has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.