

# UrsaMine

Credit Advisors LLC



**MP Senior Credit Partners L.P.**

**Form ADV Part 2A**

## **Brochure**

**70 East 55<sup>th</sup> St. 9<sup>th</sup> Floor  
New York, NY 10022**

**February 14, 2017**

**This brochure provides information about the qualifications and business practices of UrsaMine Credit Advisors LLC and its affiliate MP Senior Credit Partners L.P. If you have any questions about the contents of this brochure, please contact us at 212 601-9101 or [driscoll@matlinpattersonsc.com](mailto:driscoll@matlinpattersonsc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any states securities authority.**

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

## **Material Changes**

As of December 31, 2016, Niall Rosenzweig, a founding member and former President of UrsaMine Credit Advisors LLC, is no longer employed by and acting in the capacity as a portfolio manager for MP Senior Credit Partners LP. Mr. Rosenzweig continues to remain as a board member of MP Senior Credit Partners LP and still retains an ownership percentage of UrsaMine Credit Advisors LLC.

There have been no other material changes to our business as of our last update of this brochure on March 14, 2016.

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**Item 4 Advisory Business**

UrsaMine Credit Advisors LLC (“UrsaMine”), a SEC registered investment adviser, is an investment advisory boutique specializing in the management of below investment grade (high yield) commercial bank loan assignments. Justin Driscoll, Managing Member and Chief Executive Officer and Niall Rosenzweig, Founding Member co-founded the firm in October of 2008 and commenced operations on April 1, 2009. In March of 2008 and shortly after JP Morgan acquired The Bears Stearns Companies, both Justin Driscoll and Niall Rosenzweig negotiated a spin-off of Bear Stearns Asset Management’s high yield bank loan group which became UrsaMine. UrsaMine’s principal place of business is in New York.

As of January 10, 2012, UrsaMine partnered with MatlinPatterson Asset Management L.P. (“MPAM”) in a joint venture to create MP Senior Credit Partners L.P. (“MPSCP”). MPSCP is a limited partnership formed to provide collateral asset management services and focuses on investment opportunities in the below investment grade bank loan market. UrsaMine and MPAM’s affiliate, MatlinPatterson Global Advisers LLC, are both registered investment advisers with the U.S. Securities and Exchange Commission (“SEC”) and MPSCP is relying on UrsaMine’s registration in accordance with the American Bar Association No Action Letter, publicly available January 18, 2012. In this respect, so long as UrsaMine is registered under the Investment Advisers Act of 1940 as amended (the “Advisers Act”), MPSCP will conduct its investment advisory activities in accordance with the Advisers Act and the policies and procedures of both UrsaMine and MPSCP. MPSCP’s supervised persons and activities will be subject to UrsaMine’s supervision and control for regulatory purposes.

MP Senior Credit Partners GP LLC is the general partner to MPSCP. UrsaMine and MPAM are limited partners with each legal entity having 50% ownership interest in MPSCP. MPSCP and its general partner’s principal officers and board members consist of principal officers from both UrsaMine and MPAM.

UrsaMine’s investment management services of its legacy Collateral Debt Obligations (“CDOs”) where UrsaMine was the sole collateral manager are no longer active and all distributions have been made to investors, with the most recent and final CDO closed in October 2015. MPSCP is the collateral manager to all current and future CDOs and/or other Clients.

Since Justin Driscoll is a Principal Officer of UrsaMine and MPSCP, both entities have implemented compliance policies and procedures that address certain business practices and potential conflicts of interests.

For the purposes of this brochure, the term “Principal Officers” refers to Justin Driscoll who is currently acting in the capacity as a portfolio manager for MPSCP. The term “Clients” or “Client Accounts” used in this brochure refers to CLOs and/or separate managed accounts associated with MPSCP.

MPSCP specializes in the analysis of below investment grade commercial bank loans to special purposes vehicles known as CDOs. MPSCP also provides collateral asset management

generally through discretionary separate managed accounts pursuant to separate investment management agreements. Justin Driscoll is a Principal Officer and a member of the board of MPSCP. Niall Rosenzweig is also a board member of MPSCP. Both individuals were appointed by MPSCP's general partner. MPSCP's principal place of business is at the same location as UrsaMine and is separate from the principal place of business of MPAM.

Prior to establishing a new separate managed account with prospective investors, MPSCP will make a reasonable inquiry about the financial background and sophistication, investment experience, investment time frame, investment objectives, risk tolerance, liquidity constraints and tax situation and any other information disclosed by the prospective investor. As fiduciaries, the Principal Officers are required to act in the Clients' best interest and manage portfolios that are consistent with the Clients' investment objectives, guidelines and any investment restrictions that Clients may wish to impose on the separate managed account and consistent with the terms of the CLO indenture.

Because the vast majority of managed assets are held within CLOs which raise capital through the private placement market under Rule 144A Regulation S or Regulation D, these regulations require that investors are pre-qualified as a Qualified Institutional Buyer ("QIB") and a Qualified Purchaser ("QP") (in the case of 144A securities) a QP (in the case of Regulation S securities) or Accredited Investors that are also Knowledgeable Employees and QPs (solely in the case of Subordinated Notes) prior to CLOs accepting any investment.

As of December 31, 2016, UrsaMine's affiliate, MPSCP, manages \$ 1,272,891,524 across 4 CDO portfolios on a fully discretionary basis.

### **Item 5 Fees and Compensation**

MPSCP's fees for the CDO are calculated based on the total portfolio collateral and may include both senior and subordinated components. As compensation for its services, MPSCP is entitled to receive a base collateral management fee ("base fee"), an additional collateral management fee ("additional fee") and an incentive collateral management fee ("incentive fee"). All fees are negotiable. The offering circular for each CDO describes the additional details on the collateral management fees, rates, payment terms, termination provisions and bates (if any). The CDO typically is issued at a discrete point in time, have a finite life and are now closed to further issuances of notes to new investors.

The CDO's management fees are calculated and approved by the Trustees of the deal for distribution on a quarterly basis. Fees are paid at the same time interest and principal distributions are paid to note holders of the CDO. The process is driven by the indenture of the CDO. These fees are deducted from specific expense related accounts established at the commencement of the deal and replenished on a quarterly basis.

CDOs, which are separate legal entities with unique capital structures, will bear additional expenses other than advisory, custodial and transaction fees. These fees will include underwriting fees typically paid to an investment bank to structure and sell the various

tranches of the deal to investors. There will also be separate legal fees, trustee fees and various other fees such as security pricing services, portfolio record keeping, portfolio administration and ratings agency fees. Each deal is unique and may incur other additional fees that other deals may not.

For separate managed accounts, the annual management fee will be 0.50% based on the average month-end net asset value (marked-to-market) including accrued income of the account, with a minimum account size of \$25 million. The fee will be payable on a quarterly basis in arrears, meaning that fees are charged at the end of the quarter. All fees and minimum account requirements are negotiable. Accounts may be terminated at the next quarter-end upon a 60 day written notice by either party. In addition to the annual management fee, MPSCP may charge incentive fees in certain separate managed accounts in accordance with the terms of the investment management agreement as well as federal securities laws.

Separately managed account Clients will sign an investment management agreement directly with MPSCP. MPSCP does not electronically deduct fees from the managed account and will bill Clients pursuant to an invoice sent to the Client on a quarterly basis in accordance with the terms of the investment management agreement. Clients may impose their own procedures related to fee billings.

MPSCP Clients will have the right to terminate the investment management agreement (subject to the provisions of the investment management agreement), and Clients must notify MPSCP in writing of their intention to terminate the account in accordance with the terms of the investment management agreement. Since MPSCP will bill Client's management fees after the end of each quarter, the management fees for a shorter period will be pro-rated and the Client will not bear more than its pro-rated portion of the management fees in the event a Client terminates the investment management agreement during any given quarter.

For CDOs offered through MPSCP, the offering circular for each CDO will describe the details on the collateral management fees, rates, payment terms, termination provisions, expenses and rebates (if any).

Both UrsaMine and MPSCP do not have the capability to custody assets on behalf of Clients. Therefore, MPSCP separate managed account Clients will have to independently contract for custodian's services, which will result in the incurrence of separate fees.

Due to the over-the-counter nature of the high yield bank loan market (no exchange), brokerage commissions are not transparent to the Principal Officers as portfolio managers. Typically, broker-dealer firms provide 'Bid and Ask' quotes with the difference between the two interpreted to be the implied commission. From time to time, there may be additional assignment fees charged by the executing broker that will be passed on to Clients. Please see Item 12 of this brochure for additional information regarding brokerage.

UrsaMine, MPSCP and its Principal Officer do not receive any additional compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

For the CDO's, MPSCP is entitled to directly receive an incentive collateral management fee ("incentive fee") as described in the offering circular for each CDO. UrsaMine, as a partner and 50% participation owner of MPSCP, receives an allocable share of adjusted net revenue from MPSCP for any fiscal year. MPSCP's revenues are anticipated to include a base management fee in accordance with the terms of the investment management agreement for separately managed account Clients and any incentive fees as initiated by MPSCP by the CDO. Fees for separately managed accounts are subject to negotiation.

Justin Driscoll as Managing Member and Niall Rosenzweig as Founding Member and 100% owners of UrsaMine are also indirectly compensated by MPSCP due to the fact that UrsaMine has a 50% ownership interest in MPSCP. Incentive fees and different ownership percentages may create an incentive for Justin Driscoll as the Principal Officer to favor investments for MPSCP Clients that are riskier or more speculative than would be the case if such incentive fees were not payable.

Reference Item 12 for additional disclosures, policies and internal controls addressing the conflicts of interests related to side by side management.

#### **Item 7 Types of Clients**

MPSCP's Clients include and/or expected to include various CDOs which make-up a major part of the structured finance market place. The Client is typically a separate and discrete special purpose vehicle ("SPV"). These SPVs maintain their own capital structures which generally consist of note-holders and equity investors. These CDOs are issued at discrete points in time and typically are closed to new investors once a deal has been underwritten. Together, these investors may form the collateral pool to which MPSCP may serve as the investment advisor. Thus, the client is the SPV, not the underlying note-holders and/or equity investors within the structures. The Principal Officer actively manages the pooled collateral in order to pay interest and principal and will regularly report to the underlying investors as to the timely performance of the aggregate portfolios. It is important to note each SPV or CDO has a finite life and has certain time frames during which a manager can actively manage a portfolio. It has been our experience that banks and thrift institutions, insurance companies and various limited liability companies (hedge funds) are the main underlying clients of the CDO note and equity holders.

MPSCP Clients may also include institutional investors through a separate managed account structure. MPSCP currently requires \$25 million to establish a separately managed account, which is negotiable. MPSCP does not provide custodial services or arrangements and will require for the Client to engage directly with a custodian.

MPSCP and its investment advisory affiliates have established two marketing channels targeting institutional investors. One channel, the structured finance market place, which entails managing the investment portfolio of CDOs and the other channel, is geared towards institutional clients such as domestic public and private pension funds, endowment and foundation funds, insurance separate accounts along with sovereign wealth funds and investment and employee benefit consulting firms that also serve the institutional client market place. MPSCP and its investment advisory affiliates also seek to market their services as a sub-advisor to various pooled investment strategies targeting institutional investors such as bank sponsored commingled vehicles and or mutual funds.

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

The Principal Officer's primary method of analysis in formulating investment views on individual issuers is bottom-up fundamental credit analysis. The proprietary credit analysis has been developed by UrsaMine's Principal Officer who is also the Chief Executive Officer and draws extensively on his experience as a commercial banking lending officer and at previous investment management firms prior to forming UrsaMine. The Principal Officer's credit analysis is focused on issuers with the below attributes:

- Issuers that generate consistent positive cash flows (earnings before interest, taxes and depreciation and amortization ("EBITDA") less capital expenditures ("CapEx"),
- The issuer's experienced management teams operate within a leveraged capital structure; and,
- Supported by adequate (target 50%) junior capital relative to the bank loans including bonds, notes and equity (common and/or preferred)

For each issuer, an analyst will generally prepare a financial credit model over a minimum of three years broken down on both quarterly and annual periods to judge earnings predictability, industry positioning and management capability. The analyst will also:

- seek to value the issuer relative to how the issuer is capitalized (i.e. magnitude of leverage and interest coverage),
- compare the issuer to other comparable companies,
- calculate a proprietary private enterprise multiple (market value of an issuer's combined debt and equity capital), similar to what private equity sponsors and mergers and acquisitions analysts will do to evaluate investment merit; and,
- undertake a detailed review of the credit agreement and ascertain the quality and availability of the collateral, securing the debt review various covenants (affirmative, incurrence, negative and maintenance) along with maintaining a private side investor (as opposed to a public investor) status.



The main sources of information that the Principal Officer uses include prospectuses, filings with the Securities and Exchange Commission, annual company reports, offering memorandums, quarterly company earnings press releases and conference calls, financial newspapers and magazines, inspection of corporate activities and research materials prepared by others. In addition, the Principal Officer and all employees may obtain non-public information directly from the borrower in keeping with the terms of the credit agreement which may present a conflict of interest. Such conflicts are described in Item 11.

Clients should be prepared to bear a potential significant principal loss related primarily to credit risk. Credit risk is the risk that the issuers to which our Clients lend money will not be able to repay their obligations. Due to the below investment grade nature of the strategy, credit risk is higher relative to other higher grade fixed income strategies. Credit losses could arise if loans are sold below cost prior to default if we believe there could be further losses over time after default.

Other risks Clients should be aware of are counter-party brokerage related. Due to the over-the-counter nature of bank loan trading and non-standard delivery vs. payment settlement methods of loan assignments, bank loans are subject to delayed settlement and issuers in distress may take much longer than a standard 7-day settlement cycle.

Other risks include the underlying agent banks (the issuing bank that underwrote the loans we purchased assignments from), may fail to implement instructions received from the manager regarding amendment or loan agreement modification requests. This action collateral could lead to price erosion if additional tranches of loans are created at better terms.

Further, Clients should also be aware that the Principal Officer and all employees may obtain private (material non-public) information of the portfolio issuers in the manner described above which may subject Clients to confidentiality agreements and restrict trading in other securities of portfolio issuers if such information were transferred to Clients.

The Principal Officer's principal strategy is fundamental credit analysis. The Principal Officer seeks to analyze each loan on an issuer by issuer basis, sometimes referred to as bottoms-up analysis. The credit analysis could prove to be wrong and subject the portfolios to principal-related losses through defaults or default-like events. The Principal Officer seeks to mitigate this risk by diversifying portfolios across individual issuers and not concentrate highly in any one industry of the market. An additional trading risk in a work-out situation (issuer in default) is that the Principal Officer could sell a loan at a significant loss prior to bankruptcy exit only for that loan to actually recover more than what we sold it for upon exit.

Our strategy primarily invests in below investment grade commercial bank loan assignments. As mentioned in Item 8, principal risks are credit loss and counter-party related performance on trades. Bank loan assignments are not securities and thus rely on the underlying agent bank to efficiently distribute information about the issuer's financial

performance, coupon payments and principal re-payments distribution and administering the legal aspects of the loan documentation. This reliance risk is higher if invested in private transactions which we expect to comprise a majority of our Clients' portfolios. The Principal Officer tracks all the information related to each issuer and appropriately monitor each credit on a timely and informed basis.

The Principal Officer also applies the same methods of analysis and investment strategies and associated investment risks for the MPSCP separately managed account Clients. Any conflicts of interest in regards to the investment process in relation to MPSCP are described in the various items in this brochure.

### **Item 9 Disciplinary Information**

None of UrsaMine, MPSCP or any of their respective management persons had any legal or disciplinary events within the past ten years that are material to a current Client or prospective Client's evaluation of our advisory business.

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

None of UrsaMine, MPSCP or any of their respective management persons is registered or has any pending registrations as a broker dealer or a registered representative of a broker dealer. None of UrsaMine, MPSCP or any of their respective management persons is registered or has any application pending registrations as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

MPSCP manages pooled investment vehicles and acts as collateral manager for various collateralized bond and loan obligations vehicles. MPSCP also performs certain other administrative and reporting functions. Neither UrsaMine nor MPSCP is affiliated with a broker-dealer or any other financial services firm which eliminates potential conflicts of interest related to broker-dealer affiliated transactions.

UrsaMine partnered with MPAM in a joint venture to create MPSCP, an affiliated investment adviser. UrsaMine and MPAM's affiliate, MatlinPatterson Global Advisers LLC, are both registered investment advisers with the SEC and MPSCP is relying on UrsaMine's registration in accordance with the No Action Letter issued to the American Bar Association (publicly available January 18, 2012). UrsaMine's Principal Officer and portfolio manager for MPSCP may be faced with various material conflicts of interests. Such material conflicts of interests include the Principal Officer's allocations of investment opportunities for MPSCP Clients that may also include various incentive fee structures, sharing of proprietary information between both investment advisory entities and the allocation of operating expenses between UrsaMine and MPSCP where a percentage of UrsaMine's operating cost as it relates to MPSCP will be reimbursed to UrsaMine.

As a relying investment adviser to UrsaMine, MPSCP has implemented compliance policies and procedures that address the potential conflicts of interests pertaining to both UrsaMine and MPSCP. The compliance policies and procedures that address these conflicts of interests are described in the Items 6, 11 and 12 of this brochure. In addition, the reimbursement of UrsaMine's operating expenses as it relates to MPSCP is subject to the terms of MPSCP's Limited Partnership Agreement and the approval and oversight of MPSCP's Board of Directors which consist of two members from both UrsaMine and MPAM.

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

All employees and related persons of MPSCP are deemed as "Supervised Persons" as defined in the Code of Ethics and are subject to UrsaMine's and MPSCP's "Code of Ethics and Policy Statement on Insider Trading" ("Code of Ethics"). All MPSCP employees, as defined in the Code of Ethics, are also "Access Persons". Supervised Persons must avoid any personal interest outside of UrsaMine and MPSCP which could be placed ahead of their obligations to UrsaMine and MPSCP's Clients. Conflicts may exist even when there is an appearance of a conflict and no wrongdoing. The opportunity to act improperly may be enough to create the appearance of a conflict. UrsaMine and MPSCP recognizes and respects an employee's right of privacy concerning personal affairs, but requires full and timely disclosure of any situation which could result in a conflict of interest or even the appearance of a conflict. Whether or not a conflict exists will be determined by the Chief Compliance Officer.

MPSCP may recommend to Clients the purchase or sale of securities in which Access Persons may have a financial interest or position. Access Persons may also serve as directors of companies whose related securities MPSCP may also purchase or sell on behalf of Clients. Due to the nature of the below investment grade commercial bank loan market and MPSCP's desire to remain a private investor, Access Persons may be in receipt of potentially material non-public information of portfolio companies. This information typically includes company management forecasts made available to all private side investors and more tangible access to company management. Access to this information presents a conflict of interest related to Access Person's personal trading activities. In such cases, Access Persons will not be free to disclose or act upon such confidential information and MPSCP has restricted all Access Persons' personal trading and Client trading in a portfolio company issuer's public equity securities. The Chief Compliance Officer periodically monitors Access Persons personal and related accounts against the Restricted List for any violations to the Code of Ethics. The Code of Ethics also includes other provisions to comply with the securities laws and to address conflicts of interests such as the following:

- Reporting of personal securities transactions and holdings for Access Persons
- Pre-clearance of private securities transactions for Access Persons
- Certification of compliance for all Supervised and Access Persons

- Employee restrictions on gifts and entertainment
- Approval of employee outside business interests
- Restrictions on political contributions

The Code of Ethics also includes policies and procedures and certain “Chinese Wall” provisions in regards to investment activities of MPSCP applicable to related persons and employees of MatlinPatterson Global Advisers LLC. Such provisions include, but are not limited to, the separate physical locations of MatlinPatterson Global Advisers LLC on the one hand and MPSCP and UrsaMine on the other hand, restricted access to computer systems and servers of these entities, restricted access to MPSCP’s proprietary information including trade reports and material non-public information obtained by MPSCP where applicable, restricting and monitoring the flow of information to employees and related persons on a “need to know” basis for valid business reasons, maintaining a communications policy, requiring a pre-approval process for any “wall crossings” and confining investment decisions only to the Principal Officer.

MPSCP related persons, who are employees of MatlinPatterson Global Advisers LLC and Supervised Persons of MPSCP, who are subject to similar Code of Ethics and related compliance policies and procedures of MatlinPatterson Global Advisers LLC are also subject to certain MPSCP’s Code of Ethics policies. As such, MatlinPatterson Global Advisers LLC’s Chief Compliance Officer has a responsibility to report to MPSCP any conflict of interest activities involving MPSCP, as stated in MPSCP’s Code of Ethics, covering those MPSCP related persons who are not deemed as Access Persons to MPSCP but may conduct activities as Supervised Persons of MPSCP.

MPSCP employees and applicable related persons do not buy securities from (or sell securities to) Clients and other Clients as a principal nor they act as a general partner in a partnership.

These policies and procedures, which are embodied in UrsaMine’s and MPSCP’s Code of Ethics, are intended to comply with the requirements of Rule 204A-1 under the Investment Advisers Act of 1940. Copies of UrsaMine’s and MPSCP’s Code of Ethics will be made available to all Clients upon request.

## **Item 12 Brokerage Practices**

### **Limits on Investment and Brokerage Discretion Authority**

The Principal Officer manages Client Accounts on a discretionary basis. Client Accounts may also be accepted on a non-discretionary basis. For discretionary Client Accounts and without consultation with the Client and within the Client’s specified investment objectives and guidelines, the Principal Officer determines which securities are bought or sold, the total

amount of securities to be bought or sold and the broker or dealer through which the securities are to be bought or sold.

In exercising its investment discretion, the Principal Officer is guided by the investment policies and guidelines for each of the CDOs and any investment policies and guidelines that are imposed on the separately managed accounts. The investment policies and guidelines cover matters such as the degree of risk that Client's may wish to assume and the types and amounts of securities that will comprise the Client's portfolio. Clients may also restrict certain securities from being purchased for their portfolios.

By virtue of its investment advisory business, MPSCP does not engage in any soft dollar arrangements with broker dealers and third parties. Neither UrsaMine nor MPSCP receives Client referrals from any broker dealer or third party from which it buys or sells securities on the Client's behalf nor does it accept any directed brokerage arrangements.

#### Factors Considered in Selecting Broker Dealers

The corporate loan markets differ from equity markets in several areas each of which has a bearing on the process that MPSCP employs in seeking best execution including transparency, liquidity and pricing. MPSCP trades in a non-transparent market. Transparency is often categorized as either pre-trade transparency, which involves the dissemination of quotes (*i.e.*, publicly posted bid-ask spreads) or post-trade transparency, which involves the dissemination of data about completed trades. Markets that disseminate little or no price data such as the corporate loan markets are referred to as being "opaque" or "non-transparent."

MPSCP generally trades with a select group of broker-dealers in an illiquid market that are active participants in the marketplace and can provide liquidity to MPSCP's Clients. MPSCP typically conduct deals in the new issue and secondary markets and will attempt to solicit favorable bids and offers on trades in the best interests of the client. Applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is affected, and the extent to which it is possible to select from multiple dealers capable of effecting the transaction.

The Principal Officer places trade orders for Client Accounts in accordance with the firm's best execution policies. The objective of the best execution policy is to achieve the most favorable net results for portfolios on each transaction considering the circumstances, including the availability of securities, buyers and sellers in the market, market impact as a result of the solicitation process and quality of a broker dealer's services. The key factors under consideration when the Principal Officer selects broker dealers are: timing, order size and execution capability of the broker dealer; specialized access and depth of the market; reputation, integrity, credit standing and financial stability of the broker dealer; clearance and settlement capabilities of the broker dealer, role as a market maker, ability to facilitate transactions, proprietary offerings, capital and new issues available. Commissions are not

charged to the portfolios for these types of investments; however, certain transactions executed with non-agents could incur a transaction fee.

#### Aggregation and Allocation of Trade Orders

The Principal Officer may aggregate orders for the CDOs and/or with other Client orders for the separately managed account Clients for the purchase or sale of the same security. The Principal Officer is not required to aggregate orders if the Principal Officer determines that aggregation would be inconsistent with their investment management duties or the investment guidelines for the Client Accounts. The amount of securities to be purchased or sold for a Client Account participating in the aggregated order is designated at the time of execution. There are no additional costs to Clients if an order is not aggregated.

Generally, trade allocations are made on a pro-rata basis based on the percentage of cash available for each Client Account. Each Client Account that participates in an aggregated security order will participate at the average share price for such aggregated order. If an aggregated order is not completely filled, partial fills will typically be allocated on a pro-rata basis based on the percentage of cash available to all Client Accounts. If the allocation for a Client Account is disproportionately small in relation to the size of the Client Account as a result of a partial fill situation, the shares that were intended to be allocated to the Client Account may be reallocated to other participating Client Accounts with the largest available cash balance in terms of a percentage of the assets in the Client Account. The pro-rata calculation is generally rounded-off to a lot size that would fit the Client portfolio as a reasonable investment suitable for the Client. In certain cases, the Principal Officer may determine that pro-rata allocation is not appropriate and, as a result, allocations will be made on the basis of other factors. When evaluating whether a particular allocation is fair and equitable, the Principal Officer will consider the following factors in relation to all suitable accounts such as:

- cash limitations or excess cash;
- Client Account-specific investment guidelines;
- existing portfolio composition and applicable industry, sector or capitalization weightings;
- size of the Client Account (allocation may be adjusted to minimize transaction fees for smaller accounts or otherwise improve the overall efficiency of the transaction);
- undesirable position size (if a pro rata allocation would create an undesirably small or large position);
- refinancing of the existing terms of the loan position and an investment in the refinanced loans;
- tax status;
- regulatory restrictions; and,
- common sense and/or equitable adjustments that clearly lead to meaningful cost savings or other transactional efficiencies.



New issue purchases for MPSCP's Clients are subject to MPSCP's trade allocation policy for all Client Accounts whose investment objectives and guidelines, tax reasons and other potential restrictions allows for participation in the order. In determining the allocation of a new issue to a Client's Account, the Principal Officer takes into consideration the suitability of the investment, whether Client Accounts who are suitable for the investment opportunity are able to participate in the allocation, any reasons for non-participation and the size of the order for the new issue placed by the Principal Officer.

Certain new issue orders granted to MPSCP may be de minimus in nature for a pro-rata allocation across all eligible Clients. For these instances, the Principal Officer may conduct allocations to a specific Client where such issues are traded on a short term basis. The allocation for short term trades, on a trade by trade basis, is contingent on ensuring that all eligible Clients generally receive an equitable distribution over a quarterly period and at year-end.

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

As provided in the Collateral Management Agreement for each of the CDOs, the Principal Officer will review and monitor the performance and credit quality of all of the portfolio collateral on an ongoing basis. The Principal Officer and the supporting staff will conduct ongoing credit monitoring of all Client Accounts. The review seeks to identify problem credits prior to default to establish candidates for a watch-list that is frequently updated. Aggregate portfolios are monitored daily through Wall Street Office that consists of a daily review of the issuer, industry, credit rating and covenants and ad-hoc client requests. On a weekly basis, the Principal Officer conducts a formal credit review with a targeted minimum review of ten issuers including informal daily discussions with the issuer. Aggregate portfolio issuers are formally reviewed, at a minimum, on a quarterly basis. The Principal Officer also utilizes other "top shelf" applications that support proprietary credit models and process. Additional reviews may be triggered by various events including changes in market conditions and other circumstances.

MPSCP does not formally provide Client reports for the CDOs. The Trustees of the CDO sends out a written monthly report to underlying investors that identifies the portfolio holdings and investments in the CDO. MPSCP, through the Trustee, will make themselves available for further discussions with the underlying investors related to the management of the CDO. For separately managed accounts, MPSCP will send out a written monthly report that is customized based on the Principal Officer's consultation with the separately managed account Clients.

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

Currently, UrsaMine, MPSCP and the Principal Officer do not have any arrangements with any third parties or other persons involving any economic benefit in regards to Client referral fees or other compensation.

Generally, employees are prohibited from entering into a solicitation arrangement without first obtaining prior approval of the Chief Executive Officer and the Chief Compliance Officer on behalf of MPSCP.

### **Item 15 Custody**

UrsaMine and MPSCP do not have custody of any Client's funds or securities. A qualified bank custodian acts as the custodian to the CDO's and makes available a Trustee Report identifying the CDO portfolio's cash and positions to the investors on a monthly basis. MPSCP has electronic access of the Trustee Report through a service provider and reviews the Trustee Report that is made available by the Trustee to the CDO investors.

For separate managed account Clients, the Client will direct a qualified custodian to hold the funds and securities in a separate account in the Client's name or in accounts that contain only Client funds and securities. MPSCP would not have authority to access the Client custody account and all management fees would be charged via an invoice to the Client.

### **Item 16 Investment Discretion**

The Principal Officer, on behalf of MPSCP, manages Client Accounts on a discretionary basis in accordance with the CDO indentures and the terms of the investment management agreements for separately managed accounts. In exercising its investment discretion, the Principal Officer is guided by the investment policies and guidelines for each of the CDOs.

Also reference Item 4 Advisory Business.

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

MPSCP provides investment advisory services as collateral managers to Client Accounts. Typically, MPSCP does not manage securities that require voting proxies on behalf of Clients. The Proxy Voting Policy applies to securities where MPSCP could pursue other investment strategies and have the authority to vote proxies and/or respond to any corporate actions. In the event that any securities held require a proxy vote, the Principal Officer, on behalf of MPSCP, shall exercise such voting rights and monitor such corporate actions in accordance with MPSCP's *Policies and Procedures for Voting Proxies for Clients (the "Proxy Voting Procedures")*, pursuant to Rule 206(4)-6 under the Advisers Act.

Although not considered proxy voting pursuant to SEC rule 206(4)-6, the Principal Officer does vote on amendments to the existing executed credit agreement documents. Such amendment requests usually entail the issuing company soliciting consents from current lenders and typically require at least 51% (in some cases a higher percent), of lenders for the amendment to take effect. These amendment requests happen often and often times a consent fee is offered as an incentive for the lending group to vote in favor. The Principal Officer acts according to their fundamental credit view of the company's credit worthiness which may place them at odds with other security holders and/or the underlying issuing



company's equity holders. It is also possible that MPSCP do not receive the consent fee even if the Principal Officer consented to the request due to the issuer's agents not receiving the consent notification properly or relative to a time sensitive deadline.

What constitutes a conflict of interest for proxy-voting purposes will be determined by the Chief Compliance Officer. The Chief Compliance Officer will deem a conflict to exist whenever MPSCP, its related persons or the Principal Officer has a personal or business interest in the outcome of a particular matter before shareholders. Putative conflicts deemed by the Chief Compliance Officer to be immaterial to a shareholder vote will not disable the Principal Officer from voting proxies. The Chief Compliance Officer will presume the existence of a conflict of interest for proxy-voting purposes whenever:

- a current Client is affiliated with a company soliciting proxies and has communicated its view to the Principal Officer on an impending proxy vote; or
- MPSCP or any one of its affiliates has identified a personal or business interest either in a company soliciting proxies or in the outcome of a shareholder vote; or
- a third-party with an interest in the outcome of a shareholder vote has attempted to influence MPSCP or any of its affiliates.

Assuming no conflict of interest exists, if a Client Account has authorized MPSCP to vote proxies on its behalf and nevertheless instructs MPSCP to vote its proxy in a fashion different from the Principal Officer's recommendation with respect to such vote, the Principal Officer will vote the proxy in accordance with the Client's written instructions.

MPSCP will, for a period of at least five years, maintain or have ready access to the following documents:

- a copy of MPSCP's current Proxy-Voting Policies and Procedures.
- a copy of each proxy statement received by the Principal Officers regarding securities held on behalf of its Clients (which may be obtained from the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system).
- a record of each vote cast by the Principal Officer on behalf of its Clients.
- a copy of any document created by the Principal Officer that was material to a proxy vote on behalf of Clients.
- a copy of each written request received from a Client as to how the Principal Officer voted proxies on its behalf and a copy of any written response from the Principal Officer to any oral or written Client request for information as to how the Principal Officer voted proxies on its behalf and a copy of any written response from the

Principal Officer to any oral or written Client request for information as to how the Principal Officer voted proxies on its behalf.

A copy of MPSCP's *Proxy-Voting Policies and Procedures* will also be made available to Clients upon request. Clients will be provided with a contact at MPSCP from whom Clients may obtain the proxy-voting records with respect to the securities held in the account.

The Principal Officer has the authority to vote proxies and respond to all corporate actions for securities held in separately managed accounts.

### **Item 18 Financial Information**

MPSCP does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and is not required to provide a balance sheet.

UrsaMine or MPSCP does not have any financial condition that is reasonably likely to impair MPSCP's ability to meet contractual commitments to Clients.

UrsaMine or MPSCP has not been the subject to a bankruptcy petition at any time during the past ten years.