



**Part 2A of Form ADV: Firm Brochure**

March 30, 2020

**CFI Partners, LLC**

One South Wacker Drive, Suite 3200

Chicago, Illinois 60606

Telephone: (312) 416-4300

Fax: (312) 416-4301

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

**This brochure provides information about the qualifications and business practices of CFI Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 416-4300. 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.**

**CFI Partners, LLC is registered as an investment adviser with the SEC. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.**

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

## **Item 2: Material Changes**

Since CFI Partners, LLC's ("CFIP" or the "Firm") last annual update to its Form ADV Part 2A (the "Brochure"), filed on March 28, 2019, there are no material changes to the contents of the Brochure.

**This Brochure and the information set forth below is intended to provide a general summary of the advisory services provided by CFIP to its Clients. The information below may be both supplemented and superseded by the specific collateral management agreements and indentures for each CLO Vehicle and the confidential private placement memorandum provided to each investor in the relevant Fund.**

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## **Item 4: Advisory Business**

### **4.A: Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

CFI Partners, LLC ("CFIP" or the "Firm") is a Limited Liability Company formed pursuant to the laws of the State of Delaware on November 7, 2005.

CFIP was founded by Bradford B. Couri and Levoyd Robinson to provide investment advisory services to institutions and pooled investment vehicles. CFIP is owned by a group of minority shareholders as described in its Part 1 ADV filing. CFIP does not have a majority shareholder. CFIP conducts its advisory business from its principal office at One South Wacker Drive, Suite 3200, Chicago, Illinois 60606, United States.

### **4.B: Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

CFIP provides discretionary investment advisory services to (i) collateralized loan obligation vehicles ("CLO Vehicles") in its capacity as a collateral manager to these vehicles and (ii) a closed-end, delayed draw private investment vehicle via a mini master-feeder fund structure (each a "Fund" or collectively referred to herein as the "COST Fund"), which consists of the:

- CLO Opportunistic Secondary Tranche Master Fund, LP, a Cayman Islands exempted limited partnership (the "Mini-Master Fund"); and
- CLO Opportunistic Secondary Tranche Overseas Fund, LP, a Cayman Islands exempted limited partnership (the "Feeder Fund").

The Feeder Fund invests substantially all its assets in the Mini-Master Fund. An affiliate of CFIP, CFI Partners GP, LLC (the "General Partner"), serves as general partner of the Feeder Fund and the Mini-Master Fund. The COST Fund's investment objectives and strategies are set forth in a confidential private offering memorandum (and any applicable supplements) provided to each investor in the relevant Fund. The COST Fund's strategy primarily involves using CFIP's leveraged loan experience and proprietary analytics to exploit systemic inefficiencies in the structured credit markets by primarily taking long positions in the mezzanine and equity tranches of special purpose vehicles ("SPVs"). See Item 8.A for further details regarding the COST Fund's investment strategy.

The CLO Vehicles and the COST Fund are collectively referred to herein as "Clients."

### **4.C: Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

CFIP does not tailor its advisory services to the individual needs of investors in the CLO Vehicles, and advisory services provided are based upon each CLO Vehicle's specific investment program and objectives. Investment programs for the CLO Vehicles may include limitations to CFIP's investment discretion imposed by the terms of the collateral management agreement and indenture for each CLO Vehicle.

CFIP does not tailor its advisory services to the individual needs of investors in the COST Fund ("Investors") but has entered into side letters and other agreements and arrangements with certain Investors that provide terms and conditions that supplement or alter those set forth in the applicable

Funds' offering memoranda and may include without limitation those related to special transfer rights, confidentiality, and most favored nation provisions.

**4.D.: If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

CFIP does not participate in wrap fee programs.

**4.E.: If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.**

As of December 31, 2019, CFIP managed approximately \$1,906,469,069 in discretionary, regulatory assets under management.

## Item 5: Fees and Compensation

**5.A.: Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

### CLO Vehicles

Subject to the terms included in the governing agreement(s) between CFIP and a CLO Vehicle, CFIP is typically entitled to receive both a senior fee and a subordinate fee, both of which are based on a fixed percentage of the assets of a respective CLO Vehicle. Separate from these fixed fees, the Firm is entitled to receive an incentive fee based on the performance of a CLO Vehicle. The terms of these fees are more fully described in each CLO Vehicle's collateral management agreement, indenture and other underlying and governing documents.

The rate or amount at which the fees are charged, the basis on which such fees are calculated, and the timing of payment may vary among the CLO Vehicles and, may also vary across investment options available to underlying investors in the same CLO Vehicle. CFIP may launch, manage, advise, or sub-advise other CLO Vehicles with higher or lower fees and/or different compensation structures. Different facts and circumstances, including the CLO Vehicle's investment strategy, liquidity profile, and prevailing market terms, will be considered in determining applicable fees.

### COST Fund

Detailed disclosures about the fees and other expenses applicable to an investment in the COST Fund are provided in the confidential private placement memorandum and should be carefully reviewed prior to committing capital to the COST Fund.

The COST Fund is a closed-end, delayed draw investment vehicle that held an initial close on January 2, 2019 (the "Initial Close"). The final close for sales of interests in the COST Fund was held on September 30, 2019 (the "Final Close"). The period during which the COST Fund may make investments (the "Investment Period") commenced on the Initial Close and will end on the eighteen (18) month anniversary of the Final Close.

The commitment period for Investors is generally expected to be the date of Investor admittance through the wind-down of the COST Fund. The ability of an Investor to transfer their interest or substitute another Investor will be limited and subject to the discretion of the General Partner. The COST Fund's term will expire three (3) years from the Final Close, subject to the discretion of the General Partner to extend the term for up to two (2) additional one-year periods, and, thereafter, additional one-year period extensions by the General Partner with the consent of at least two-thirds of aggregated capital commitments of Investors unaffiliated with the General Partner and its affiliates. Extensions of the term are intended to facilitate orderly disposition/realization of investments and maximize the economics of investment harvest. Available cash will be distributed to Investors on a periodic basis during term extensions.

Generally, the COST Fund may re-invest principal recoveries of investments during the Investment Period, subject to certain adjustments/limitations set out in the Funds' governing documents. However, all other amounts received by a Fund from Fund investments generally will be distributed semi-annually to Investors, based on the sole discretion of the General Partner.

*Management Fee.* Investors are typically charged a management fee, payable quarterly in advance, based on an Investor's allocated cost basis of all investments in the Fund as of the first day of each calendar quarter. The management fees range from 1.0% per annum to 1.5% per annum depending upon whether the Investor made a capital commitment to the Fund as of the Initial Close or a subsequent closing date.

The management fee may be waived or modified for Investors that are members, directors, officers, employees (and/or their related persons) of the General Partner or CFIP or for certain large or other strategic investors. For the avoidance of doubt, to the extent that the General Partner waived or modified the management fee for a particular Investor, the applicable Investor will not be required to make capital contributions called for the payment of management fees with respect to the amount by which its management fee has been so reduced. However, the amount of such reduction will nonetheless reduce the amount of the remaining capital commitment of the Investor.

*Profits Interest.* The General Partner is eligible to receive an allocation of profits. All Fund distributions (including liquidating distributions) will be apportioned among Investors (the limited partners) and the General Partner pro rata in accordance with their capital contributions (as adjusted for specific items outlined in the Funds' governing documents). The amount apportioned to each Investor will then be divided between each Investor (limited partner) and the General Partner in a manner and order of priority specified in the Fund's governing documents, where such allocation to the General Partner (the "Profits Interest") is subject to a hurdle rate on the date of the distribution and clawback obligation, should economics fall below such hurdle, through the date of an Investor's exit from a Fund or the wind-up of the Funds.

The existence of the Profits Interest may create an incentive for CFIP to cause the Fund to make investments that are more speculative than it would otherwise make in the absence of such performance-based compensation. However, this incentive may be tempered by the significant capital commitment of the members of the General Partner and its affiliates and by the fact that losses will reduce the Fund's performance and thus the Profits Interest (which, as noted above, is subject to clawback).

**5.B.: Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

Fees paid to CFIP by the CLO Vehicles are generally calculated quarterly in advance and deducted from the accounts of the CLO Vehicles by the relevant third-party trustee, administrator, or custodian, as of the end of the period (subject to available proceeds, based on subordination of fees in waterfall of respective CLO Vehicle).

Fees and allocations paid/distributed by the Funds to the General Partner and CFIP, respectively, will be calculated as generally set forth in 5.A, above (quarterly, in advance, based on pro rata share of Fund investment cost). Management fees payable to CFIP will generally be deducted from available proceeds held by the custodian on behalf of the Funds. However, in the event that the Funds are fully-invested or the Funds' investments have not generated commensurate income to satisfy management fees payable as of a certain date, the Funds may issue a capital call (against remaining commitments, if any) for purposes of making such payment. Profits Interest allocations, when applicable, will be made on each of the Funds' distribution dates (from available cash held by the custodian), which are expected to be made, at a minimum, on a semi-annual basis. Management fee and Profits Interest distributions will be calculated by the fund administrator (with approval by CFIP) and actual distributions will be made by the Funds' custodian.

**5.C.: Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

Each Client bears its own expenses as set forth in its respective offering documents, operating agreements, and/or collateral or investment management agreement with CFIP or its affiliates. Expenses borne by one Client may differ from the expenses borne by another Client. In certain

instances, one Client may bear expenses that CFIP or the General Partner has agreed to bear for one or more other Clients.

Consistent with its fiduciary duties, the Fund will seek to allocate expenses across applicable Clients in a manner that is fair and equitable on an overall basis to all such accounts. When an expense relates to multiple Clients, CFIP will allocate the expense to Clients on the basis of benefit incurred, which may or may not approximate a relative percentage of fee-generating assets, depending on the nature of the expense incurred.

The General Partner and CFIP will each be responsible for their own operating and overhead costs, without reimbursement by Clients, including internal expenses related to providing investment management services to Clients. Clients will not have their own separate employees and will not reimburse the General Partner or CFIP for employee salaries, office rent, or other general overhead costs.

Brokerage fees or transactions costs tied to an investment made by CFIP on behalf of a Client are expected to be minimal and, when incurred, allocated directly to such Client/investment. Please refer to section 12, hereof, for a more comprehensive discussion of brokerage and transaction fees for each of CFIP's clients.

#### CLO Vehicles

In addition to CFIP's fees, the CLO Vehicles are typically responsible for certain other costs and expenses. These may include, but are not strictly limited to, the payment of taxes, governmental fees and registered office fees, and various other administrative and allowable expenses as more fully described in each CLO Vehicle's indenture agreement. While CLO Vehicle costs and expenses are the responsibility of and may be paid directly by the applicable CLO Vehicle, the Firm generally pays certain CLO Vehicle costs and expenses directly and submits a record of these costs to the relevant trustee and receives reimbursement.

Certain costs and expenses which may be borne by one CLO Vehicle may not be borne by other CLO Vehicles. In addition, certain costs and expenses may be incurred for the benefit of, or be shared by, multiple CLO Vehicles. Such shared expenses generally will be allocated across the applicable CLO Vehicles pro rata or in such other manner as we deem fair and appropriate. Where certain expenses are incurred on behalf of multiple CLO Vehicles and such resource or service is utilized in varying degrees on behalf of such Clients, complexities may arise in performing appropriate allocations. CFIP will undertake, in each of these cases, to allocate such expense in a manner that is generally reflective of benefit incurred.

#### COST Fund

The Funds will bear all costs and expenses directly related to (i) investments or prospective investments (whether or not consummated), including out-of-pocket costs such as due diligence (including investment-related travel), legal, accounting, administrative, trade settlement and other professional or third-party costs, brokerage commissions and other transaction costs, interest charges, custody fees, fees and expenses of consultants, expert networks, and finders relating to investments or prospective investments, specific expenses incurred in obtaining and maintaining systems, research and other information utilized with respect to the Funds' investment program, and any withholding, transfer or other taxes (including but not limited to, income, excise, franchise, federal, state, foreign taxes) imposed on the Funds; and (ii) the operation and administration of the Funds, including accounting, audit, tax and legal service expenses, costs of any liability insurance for the Funds and those acting on its behalf, (excluding any insurance costs attributable to CFIP, as determined by the General Partner, in its reasonable discretion, which may be in reliance on a third-party's determination), reasonable costs of holding any meetings of Partners, costs of any litigation or investigation involving the Funds' activities, costs associated with reporting and providing information



to existing and prospective Investors, and all costs and fees relating to the preparation and filing of required regulatory filings and reports. Any extraordinary expenses relating to the Funds or their investments, including any legal proceedings of any kind, shall also be borne by the Funds.

**5.D.: If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

#### CLO Vehicles

See Item 5.A. above. Additionally, per Item 5.B above (as it relates to CLO Vehicles), management fees are deducted as of the end of the period. As such, fees will only be paid for period of service provided and refunds are not expected to be necessary.

Further, incentive fees are paid only after inception to date distributions to subordinated tranche holders have cleared the internal rate of return hurdle for the respective CLO Vehicle, such that refunds (or clawbacks) are not expected to be necessary, given nature of the computation.

#### COST Fund

It is very important that Investors refer to their respective Fund's governing documents for a complete understanding of the term of the COST Fund and distributions with respect to their investment in the Fund. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund governing documents.

As noted in Item 5.A. management fees are payable quarterly in advance and are pro-rated for any period that is less than a full calendar quarter. Management fees paid in advance by the Funds will be carried on their respective Fund's statements of financial condition as prepaid expenses. In the event that management fees are unearned by CFIP as of the date of an Investor's withdrawal or as of the anticipated wind-up date of the Funds, CFIP will remit such unearned management fees for purposes of inclusion in final distributions.

Further, as it relates to Profits Interest (discussed in Item 5.A, above) allocated to the General Partner, the General Partner is required, pursuant to a clawback provision, to restore funds to the Funds for distribution to Investors, to the extent that the General Partner received Profits Interest allocation in excess of amounts otherwise distributable to it when taking into account all distributions (reflective of economics) of the Funds (note that such clawback amount shall not exceed the total Profits Interest allocated to the General Partner and shall be net of applicable taxes at a rate of taxation assumed to be applicable and as identified in the Funds' governing documents).

**5.E.: If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Not applicable to CFIP. Neither the Firm nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

As described in Item 5 above, CFIP and/or the General Partner may receive performance-based compensation related to investment advisory services provided to Clients.

CFIP may receive performance-based compensation in the form of an incentive allocation or fee, the terms of which are identified in the CLO Vehicles' collateral management agreements, indentures, and other underlying and governing documents. We may receive higher fees or compensation from some the CLO Vehicles relative to other CLO Vehicles and may therefore have an incentive to cause investments to be allocated to CLO Vehicles who are paying higher fees.

However, we do not allocate CLO Vehicle transactions based on CLO Vehicle performance or fee structure. The potential to earn performance-based compensation from certain CLO Vehicles, or greater performance-based compensation from a CLO Vehicle, may provide an incentive to disproportionately allocate shared expenses to those CLO Vehicles from which we receive lower fees or from which we do not receive any performance-based compensation.

Affiliated persons of CFIP and the General Partner hold equity in various CLOs, including the CLO Vehicles and other CLOs in which the COST Fund may invest. In such event, the CFIP will not reduce its compensation from the COST Fund or the CLO (i.e., fees earned by CFIP from a CLO in which the COST Fund invests will not reduce fees earned by CFIP on the holding of such asset in the COST Fund). While CFIP will make the decision to invest COST Fund assets in a CLO based on the best interests of the COST Fund, an investment in a CLO managed by CFIP will directly and indirectly benefit CFIP and its affiliates. Accordingly, there are numerous perceived and potentially real conflicts of interest between the Fund and CFIP and its affiliates.

CFIP has adopted policies and procedures designed to address conflicts of interest, including procedures regarding the allocation and aggregation of investment opportunities among Clients and a Code of Ethics, which includes a standard of business conduct and establishes policies and procedures with regard to personal securities transactions of CFIP's personnel.

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

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

As described in Item 4, CFIP provides discretionary investment advisory services to collateralized loan obligation ("CLO") vehicles and to the COST Fund, a closed-end, delayed draw private investment vehicle.

Underlying investors in the CLO Vehicles are typically subject to investor qualification standards. These investors are required to make certain representations and warranties in the agreement to purchase interests in a CLO Vehicle. Additionally, the CLO Vehicles typically require a minimum equity purchase of \$250,000 to become an investor. Certain of our principals and employees also invest in the CLO Vehicles.

Underlying investors in the COST Fund are also subject to investor qualification standards. The Interests will be offered to (i) U.S. investors who are "accredited investors" as defined in Regulation D under the Securities Act, and (ii) non-U.S. investors. The minimum capital commitment is \$20 million with respect to the initial closing date and \$5 million dollars with respect to the secondary or any subsequent closing date. The General Partner may, in its sole discretion, accept lesser amounts in either case.

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

### **8.A.: Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

In formulating investment advice and in managing assets on behalf of and making recommendations to our Clients, we primarily employ a fundamental research-driven approach. The core of our fundamental research process relies on in-depth “bottom-up” analysis of fundamental qualitative and quantitative data and information to develop a comprehensive fundamental view of issuers and industries. Through this approach, we seek to identify those issuers that we believe will outperform or underperform relative to the industry in which they operate, as well as those securities and instruments which we believe are overpriced or underpriced relative to our internally-generated view of their fair value. Our fundamental “bottom-up” view is supplemented by a “top-down” view of markets, United States, and global fiscal and monetary policies, macroeconomic data, political and geo-political conditions, general trends, and risk across asset classes, as well as by our portfolio and risk management techniques, to identify investment opportunities which we believe to be attractive in light of a discretionary Client’s specific investment program.

Certain of our investment strategies (or sub-strategies), such as relative value/arbitrage strategies, or specific investments may rely more heavily on mathematical, theoretical, statistical, or model-driven analytical methods, in most cases complemented and informed by our fundamental research-driven analytical approach. We anticipate that we will continue to refine our current analytical methods and will from time to time develop and implement new methods.

For each potential Client investment or recommendation, a specific investment thesis is developed and refined, as necessary. We typically seek to underwrite most discretionary Client investments to a long-term investment horizon, although the actual holding period could be longer or shorter than initially contemplated depending on, among other factors, the specific investment strategy, ongoing validity of the underlying investment thesis, intervening events (whether anticipated or unexpected), Client capital structure and activity, availability of financing, prevailing market conditions, and the attractiveness of the investment relative to other uses of Client capital.

### **8.B.: For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

The strategies we employ on behalf of a particular Client are intended to be consistent with the collateral or investment management agreement with the Client, including, where applicable, the Client’s specific investment program and objective, although as with all investment programs, we may not be successful in achieving a Client’s Vehicle’s investment objective.

The principal investment strategies which we typically employ on behalf of our Clients are summarized below, although we may not employ all of them for any particular Client. Accordingly, the summary below is not intended to describe all investment strategies (or sub-strategies) we may utilize on behalf of our Clients. In addition, over time, we expect our investment strategies to expand, evolve and change, perhaps materially. Moreover, there are no clear dividing lines among certain of these categories and there are overlapping aspects of our strategies that may independently generate potential investment opportunities in other strategies.

### **8.C.: If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

An underlying investment in any of our Clients is highly speculative, is not intended as a complete investment program, and is designed only for sophisticated and qualified investors. Investing in securities and financial instruments involves a risk of loss, which may be substantial and which our Clients and underlying investors in our Clients should be prepared to bear. A Client or an underlying investment in a Client can lose value. Our discretionary Clients and underlying investors in our Clients must be prepared to lose all or substantially all of their investment. Moreover, our past performance in any of our investment activities generally, or the past investment performance of any Client or any specific investment recommended to a Client should not be construed as an indication of any future results.

We typically have broad discretion in making investments for our Clients. We may not correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on those investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, may significantly affect Client performance and the value of Client investments or render our underlying investment thesis inaccurate. Our market judgment and discretion will be integral to the implementation and success of any investment and, in respect of our discretionary Clients, each such Client's investment objective and strategy. There can be no assurance that we will achieve the investment objective of any discretionary Client or that any of the investment strategies that we employ or any of the investment recommendations that we make will be successful or profitable.

There are other material risks involved in our significant investment strategies and analytical methods, as well as in our activities as an investment adviser generally, which are summarized below. Not all of the material risks summarized below will be equally relevant to each of our Clients, nor will the exposure of any particular Client or investment to any such risk be present at all times or be constant over time. Additionally, this summary does not identify every risk or provide a full description of relevant risks and is not a substitute for the governing documents of our Clients. For more information on the risks and conflicts of interest entailed in investing in a Client, investors and prospective investors should carefully review the relevant Client's governing documents in their entirety before investing.

#### Analytical Risks

- *Fundamental Analysis:* Fundamental research is based on the gathering, processing and analysis of data and information and the making of a variety of assumptions based on that data and information in order to predict a future course of events. Accordingly, it is inherently an uncertain exercise and is subject to the risk of inaccurate, unknown or incomplete information, as well as the misinterpretation of information. We may fail to gather relevant information, improperly analyze or incorrectly interpret information we do gather, or make incorrect, incomplete or misguided assumptions. Investments relying on fundamental research also are subject to the risk that broader macro-economic trends, market psychology or sentiment, momentum, technical factors, or other external factors or events may overwhelm fundamentally driven determinations and expectations.
- *Use of Models:* Certain of our investment strategies or investments or investment recommendations may be more reliant on the output of quantitative models than others. These models are based on limited information and a variety of assumptions and inputs, which could prove inaccurate. The predictive nature of any model is inherently limited, and the outputs or forecasts generated by a model may differ significantly from actual results. External events or factors which could have a substantial impact on asset value may not be accounted for in our models.
- *Projections.* Investments may be made relying upon projections developed by CFIP or an issuer concerning such issuer's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of CFIP and the issuer in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial

requirements and the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values and/or cash flows.

- *Valuation of Investments.* Investments may include investments which are illiquid or very thinly traded. It is noted that these investments may be extremely difficult to value accurately. In light of the foregoing, there is a risk that Investors might, in effect, overpay for their Interest if the actual value of the illiquid or thinly traded investment is lower than the value designated by the Fund. Further, because of overall size or concentration in particular markets of positions held by Client portfolios or securities laws restrictions on the ability to trade securities as a result of a Client owning a controlling stake in, having representation on a board of directors or creditors' committee of, or being deemed an affiliate of, a particular company, the value at which its investments can be liquidated may differ, sometimes significantly, from the valuations arrived at using the methodology described herein. In addition, the timing of liquidations may also affect the values obtained on liquidation.

If, in the reasonable judgment of the General Partner or CFIP, the price for any investment held by a Client determined in accordance with the procedures contained in the applicable governing documents does not accurately reflect the value of such investment, the General Partner may value such security at a price which is greater or less than the price determined in accordance with the procedures contained therein for such investment. With respect to privately placed and/or illiquid investments, it is anticipated that the General Partner will value such investments in accordance with its internal policies and procedures. The General Partner is entitled to rely, without independent investigation, upon pricing information and valuations furnished by third parties, including pricing services.

#### Principal Strategy Risks

- *Directional:* Directional strategies attempt to predict absolute movements in the price of underlying assets, either on a hedged or unhedged basis. Investments in directional strategies are subject to adverse price movements contrary to expectations, often without a corresponding hedge position that could partially or wholly offset losses. Directional investments that anticipate the occurrence of certain events bear the additional risk of an adverse price movement if the event does not take place, takes considerably more time than anticipated or occurs in a different form.
- *Distressed:* Distressed strategies seek to identify investment opportunities in the securities of a stressed or distressed issuer, generally an issuer experiencing significant financial or business difficulties and/or involved in (or likely to be involved in) a bankruptcy, insolvency, work-out, liquidation, or restructuring. Distressed investments are highly uncertain and subject to significant process and timing risk. There are considerable risks in stressed/distressed situations that information on an issuer's true condition will be difficult to obtain, any restructuring or work-out will fail, a bankruptcy will be of considerable length and cost, a liquidation or reorganization will not generate material value, or that the issuer's distress will be too great for it to survive as a going concern. Distressed investments also are subject to heightened legal risk, including potential exposure to additional liabilities or the possible recharacterization or subordination of claims or the claw-back of payments received. In addition, our involvement in or recommendation of a distressed investment could subject us or our Clients to bankruptcy court or public scrutiny, litigation, or require us to restrict trading in the issuer's securities across our Clients.

- *Relative Value/Arbitrage:* Relative value/arbitrage strategies seek to capture and take advantage of the relative mispricing of similar or related assets or sets of assets. Relative value/arbitrage strategies depend on identifying inefficiencies and pricing discrepancies between or among related assets and/or anticipating a convergence toward theoretical relationships and values. These strategies are subject to the risk that a perceived inefficiency or mispricing fails to materialize as expected, does not converge within an expected timeframe or diverges further from expectations. Moreover, market disruptions (including in the availability of credit), disruptions in historical price relationships or other unexpected events or price movements may intervene to thwart or delay the realization on a relative value/arbitrage investment. Relative value or arbitrage opportunities may be rapidly reduced or eliminated by the investment activities of other market participants.

#### Portfolio-Level Risks

- *Use of Leverage:* Leverage is achieved in numerous ways, including through margin borrowings and structured financings. While the use of leverage can enhance returns under certain circumstances, it also exposes Clients to greater losses from investments than would otherwise have been the case had leverage not been used. The use of leverage also subjects Clients to the risk of default and the potential material adverse consequences to the Client of a default. A Client also may be exposed to margin calls or collateral requirements which may force premature liquidations of investments at undesirable prices. In the event of a sudden, precipitous drop in value of Client assets, for example, Client assets may not be able to be liquidated quickly enough to repay Client borrowings or post additional margin, further magnifying losses. The credit available to a Client could be materially reduced for a significant period of time, including in situations that are outside of our or the Client's control. A Client's inability to access credit on reasonable terms could significantly impact its performance.
- *Competition:* We and our Clients compete for attractive investment opportunities with other investment vehicles, the public markets, and institutional and other investors, many of which may have greater financial resources. This competitive environment reduces the number and availability of investment opportunities and may cause potential opportunities to be short-lived. Moreover, increased competition for, or reduced supply of, attractive investments could result in less favorable terms or results for Client investments.
- *Interest Rate Risk:* The value of a Client's portfolio may fluctuate as the general level of interest rates fluctuates. Generally, the value of debt instruments changes inversely with changes in interest rates, with the impact typically greater for long-term debt securities than for short-term debt securities. To the extent we seek to minimize a discretionary Client's exposure to interest rate changes, we may not be successful in hedging or mitigating the impact of those changes.
- *Liquidity:* Certain Client investments may by their nature be illiquid, may not be readily marketable or may trade in less active markets. Moreover, overall liquidity in the market or in certain asset types also can be negatively impacted by market-wide events, developments, or sentiments. An investment's liquidity may change, at times rapidly and substantially. The purchase or sale of such investments at desired times, at desired prices or in desired quantities may be difficult or impossible. Moreover, the sale of illiquid investments may be possible only at a substantial discount which may not represent fair value and often requires more time and results in higher costs than the sale of more liquid investments. A significant concentration of illiquid investments in a Client's portfolio or stress on Client capital in times of depressed market liquidity could expose a Client to material risk.

- *Lack of Diversification.* A Client's portfolio may not be diversified among geographic, industry, or sector areas or types of securities or other investments. Further, the Fund's portfolio may not be diversified among a wide range of issuers. Accordingly, the investment portfolio of the Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a broader diversification.
- *Failure to Make Capital Contributions.* If Limited Partners fail to fund their Capital Commitment obligations or to make required Capital Contributions when due, the Fund's ability to complete its investment program or otherwise continue operations may be substantially impaired. A Default by a substantial number of Limited Partners, as described above, would limit opportunities for investment diversification and likely reduce returns to the Fund. Any Partner who Defaults in making a required capital contribution may be subject to certain significant penalties pursuant to the provisions of the Partnership Agreement.

### Investment Risks

- *General Market Risk:* The general risks posed by Client investments, which can be extremely complex, include: credit risk, market risk, legal risk, operations risk, documentation risk, liquidity risk, systemic risk, concentration risk, and counterparty/settlement risk.
- *Debt Investments:* Debt investments, including investments in corporate and sovereign bonds and corporate bank loans, are subject to the risk of the issuer's inability to meet principal and interest payments. Certain debt investments may be rated by one or more credit ratings agencies, and therefore may be sensitive to future actions taken (or not taken) by these agencies. Moreover, certain debt investments may be in "high-yield" securities and instruments which are lower-rated by credit rating agencies (or perhaps unrated) and/or in issuers which are experiencing financial or business stress or distress. These securities are generally considered to be subject to greater risk of loss than higher-rated securities. Certain lending activities may subject a foreign Client to adverse tax consequences.
- *Structured Finance Securities:* Structured finance securities, such as equipment trust certificates, collateralized debt obligations, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations, or similar instruments, present risks unique to each structure and the nature of the underlying assets being securitized, which may include: prepayment risk, structural and legal risk, the risk of counterparty default, and the risk of default on the underlying assets. The performance of a structured finance security is affected by a variety of factors, including its priority, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying other assets being securitized, the remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral, and the capability of the servicer.
- *Collateralized Loan Obligations.* Purchase agreements with originators, assignments, or participations in mezzanine and equity tranches of CLOs and other SPVs, usually have a contractual relationship only with the selling institution, and not the borrower, and do not give any control over the management of the CLO or other SPV. Clients may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution. The underlying collateral of CLOs is usually comprised of levered loans and high yield notes, which may be rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Loans in the lower rating categories are subject to



greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Such loans are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated loans, the yields and prices of such loans may tend to fluctuate more than those for higher-rated securities. The market for lower-rated loans may be thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these loans can be sold. In addition, adverse publicity and investor perceptions about lower-rated loans, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated loans.

- *Subordinated Securities.* Subordinated or residual ("first loss securities" or "equity tranches") securities of certain commercial mortgage-backed securities, collateralized debt obligations, and collateralized loan obligations offer significant return potential, and involve greater credit risk of default than the senior classes of the issue or series. Certain subordinated securities ("first loss securities") absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities therefore possess some of the attributes typically associated with equity investments and can add greater volatility to Client returns. *Total Return Swaps.* Total return swap ("TRS") facilities will be subject to various termination and trigger events, which may result in an early termination or adjustment of any TRS. Any TRS will inherently reflect a leveraged investment and will incorporate borrowing costs which are borne by Clients. Borrowing for investment purposes is a speculative technique and involves substantial risks. There is no guarantee that an investment in total return swaps will deliver returns in excess of the inherent borrowing costs in any TRS.
- *Use of Alternative Investment Vehicles/Special Purpose Vehicles.* Economic and other substantive provisions governing an alternative investment vehicle may differ from those applicable to Clients by the specific terms, jurisdiction of, or establishment of, the alternative investment vehicle. In addition, structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain investors. Furthermore, the use of special purpose vehicles to hold Client investments may involve risks not present in direct investments, particularly when Clients participate in the special purpose vehicle in conjunction with others. In addition, a particular special purpose vehicle may hold multiple investments and issue separate classes of interests to reflect each participant's percentage interest in each investment (if any). The special purpose vehicle generally would allocate profits and losses attributable to each class to the participants separately based on their respective economic interests in the assets attributable to each class, although this may not always be possible. Situations could arise where liabilities related to one class exceed the value of the assets available to the class. Were that to happen, outside creditors could in some instances have recourse against all assets held by the special purpose vehicle under applicable law, and the excess liabilities could impair the unrelated assets of the special purpose vehicle.
- *Total Return Swap.* Client portfolios may invest in total return swap ("TRS") facilities. Any TRS will be subject to various termination and trigger events that may result in an early termination or adjustment of any TRS. Any TRS will inherently reflect a leveraged investment and will incorporate borrowing costs which are borne by the Fund. Borrowing for investment purposes is a speculative investment technique and involves substantial risks. There is no guarantee that the Fund's investment will deliver returns in excess of the inherent borrowing costs in any TRS.

- *Loans.* Client portfolios may invest in loans, including mezzanine and equity tranches of CLOs and other SPVs, through purchase agreements with originators, assignments, or participations in loans. In purchasing loans, the applicable Clients will usually have a contractual relationship only with the selling institution, and not the borrower. Clients generally will have no or limited control over the management of the CLO or other SPV. Clients may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.
- *Levered Loans.* The underlying collateral of CLOs is usually comprised of levered loans and high yield notes, which may be rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Loans in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Such loans are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated loans, the yields and prices of such loans may tend to fluctuate more than those for higher-rated securities. The market for lower-rated loans may be thinner and less active than that for higher rated securities, which can adversely affect the prices at which these loans can be sold. In addition, adverse publicity and investor perceptions about lower-rated loans, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated loans.
- *Currency Risks.* While the Firm expects to primarily invest in instruments denominated in U.S. dollars, Client portfolios may have exposure to other currencies. This exposes Client portfolios to fluctuations in currency exchange rates. Client portfolios may, in part, seek to hedge the risks associated with this exposure; however, there is no guarantee that the Fund will implement any hedges or that such hedges, if implemented, will be effective.
- *Small to Medium Capitalization and Private Companies:* Investments in the debt or equity of public companies with a small-to-medium market capitalization or in private companies may involve higher risks than investments in larger companies. For example, prices for securities and financial instruments of or related to smaller or private companies are often more volatile and such investments tend to be more thinly traded (and thus more illiquid) relative to larger companies.
- *Non-United States Investments:* Investments in securities and instruments issued by (or referencing) non-United States governments and issuers, which may be executed on foreign exchanges or with foreign counterparties, carry additional risks not typically associated with investments in the United States government and United States issuers. These considerations include changes in relevant exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing legal rights, lack of uniform accounting, financial reporting and auditing standards, greater price volatility, and lack of basic protections available under certain United States laws and regulations.
- *Phantom Income.* An Investor's tax liability related to its investment in the Fund could exceed the amount distributed to an Investor in a particular year. There can be no assurance that the Fund will have sufficient cash flow to permit it to make annual

distributions in the amount necessary to pay all tax liabilities resulting from Investors' ownership of Interests.

### Business and Operational Risks

- *Dependence on CFIP and its Principals.* The Fund will rely heavily on the skills, talents, abilities and activities of CFIP and particularly Mr. Couri and Mr. Robinson. The loss of the services of Mr. Couri and Mr. Robinson could have a significant impact on the investment performance of the Fund. Moreover, Investors have no right or power to take part in the management of the Fund. Accordingly, each Investor should critically assess the information herein concerning the principals of CFIP and should not invest unless willing to entrust all aspects of the investment management of the Fund to CFIP.
- *Expedited Transactions.* CFIP may from time-to-time need to undertake its investment analysis and decisions on an expedited basis to take advantage of investment opportunities. In those cases, the information available to CFIP at the time of making an investment decision may be limited, and CFIP may not have complete information regarding the investment conditions affecting an investment. Therefore, no assurance can be given that CFIP will have knowledge of all circumstances that may adversely affect an investment. In addition, CFIP may rely upon specialized expert (e.g., appraiser or environmental consultant) input from third party consultants and service providers in connection with their evaluation of proposed Fund investments.
- *Legal and Regulatory Risk:* The legal and regulatory environment in which we operate is continually evolving. Legislatures, regulators, and self-regulatory organizations around the world have been enacting (or contemplating or proposing) measures which impose additional requirements or costs on investment advisers. Changes in laws or regulations may materially adversely affect the value of Client investments or our ability to pursue a discretionary Client's investment strategy, may make our investment strategies or recommendations less profitable or unprofitable, may impose additional costs of compliance (which may be substantial), and/or may expose us (and thereby our Clients) to increased operational risk. The adoption and promulgation of such regulatory measures has at times in the past materially affected the prices, liquidity and volatility of many securities and financial instruments and future actions may have a similar material impact, often with very little warning. Moreover, many laws and regulations have yet to be fully implemented and the parameters and guidance around many recent measures may be uncertain. Legislative or regulatory actions in the future which relate to the securities or financial instruments in which we invest or which we recommend or the financial markets in which we operate, could significantly impact our activities and investment opportunities or alter the liquidity or functionality of such securities or markets. In those circumstances, we may not be capable of, or be successful at, preserving the value of our discretionary Clients' assets or generating attractive risk-adjusted investment returns or effectively managing risks (or making effective recommendations with respect to the foregoing). Various regulatory limits, such as position limits, may affect our ability to make, hold, or liquidate investments on behalf of (or recommended to) one or more of our Clients or to forego or modify certain contemplated investments or recommendations.
- *Counterparty Risk:* Our Clients are exposed to the credit risk of brokerage firms, prime brokers, banks, custodians and other counterparties. A Client could suffer losses if a counterparty were to become bankrupt or insolvent or were to default on a contract with or its obligations to the Client, which losses could be material. In the event of a counterparty failure, we may not be able to access and trade discretionary Client assets. Losses may result from practical or timing problems associated with recovering or enforcing a Client's rights to its assets. Current United States law permits certain assets

custodied by a prime broker to be pledged, transferred and rehypothecated, and prime brokers should be expected to utilize this ability and other rights to the fullest extent permitted. Moreover, to the extent of any leverage extended to a Client, all Client assets custodied by the lender may collateralize those borrowings. The insolvency of or default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, whether or not a counterparty of any of our Clients, may cause a series of defaults by the other institutions, some of which may be counterparties of our Clients, and also may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms, and exchanges. Losses also could result from actions by other third parties and service providers, including misconduct, misappropriation of assets, breach of contract, or improper use or disclosure of a Client's confidential information. A Client's counterparty relationships may be concentrated in or across a small number of counterparties, and this lack of counterparty diversification could magnify the adverse impact of a default by any single counterparty. Counterparty risk may be heightened with foreign counterparties or in situations governed by laws outside the United States.

- *Systems and Operational Risk:* In our investment or collateral management or advisory (or sub-advisory) activities on behalf of our Clients, we rely extensively on our technology infrastructure and operational and administrative capabilities. We employ computer programs and systems to trade, clear and settle securities transactions for our discretionary Clients, to evaluate certain investments and investment recommendations based on real-time trading information, to monitor discretionary Client portfolios, and to generate portfolio accounting, risk management and other reports. In addition, our business and operations functions and technology interface with and depend on systems operated by third parties, including custodians, banks, prime brokers, market counterparties, and other service providers of our Clients. We may not be in a position to verify the risks or reliability of the systems, processes and controls of third parties. All of these systems are subject to human error and certain defects, failures or interruptions and any error, defect or failure, even if temporary, could have a material adverse effect on our investment or collateral management or advisory (or sub-advisory) activities. There is a risk that systems and operational failures may cause financial loss, the disruption of business, liability to Clients or third parties, regulatory intervention, or reputational damage.
- *Personnel:* Our ability to effectively conduct our investment or collateral management or advisory (or sub-advisory) on behalf of our Clients depends on our ability to retain and motivate our existing team and to attract talented and qualified individuals, and to do so against the backdrop of a highly competitive financial services market. The loss or departure of a key person could adversely affect such activities (and thereby our Clients) to the extent of any resulting dislocation and its duration. Errors or misconduct by our personnel could cause significant losses to one or more of our Clients. In addition, our personnel may violate legal or contractual obligations which could result in litigation or serious financial or reputational harm.
- *Contingent Liabilities.* In connection with the disposition of an investment in an issuer, the Fund may be required to make representations about the business and financial affairs of such issuer typical of those made in connection with the sale of any business. The Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements or other circumstances may result in contingent liabilities. In that regard, Investors may be required to return amounts distributed to them to fund such indemnity obligations.

- *Custody Risk.* There are risks involved in dealing with the custodians who settle the Fund's trades. The Fund maintains a custody account with its custodian (its "Custodian"). Although CFIP monitors the Custodian and believes that it is an appropriate custodian, there is no guarantee that the Custodian, or any other custodian that Client portfolios may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code, as amended, and the Securities Investor Protection Act of 1970, as amended, seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of the Fund's assets, it would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both. In addition, the Fund anticipates that a significant portion of its assets may consist of interests in nonexchange traded debt and equity instruments which generally are not capable of being "custodied" in the traditional sense. Accordingly, at any given time the Fund's account with its Custodian may only contain a relatively small portion of its assets.
- *Third-party Involvement.* The Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of the Fund may at any time have economic or business interests or goals which are inconsistent with those of the Fund or may be in a position to take action contrary to the Fund's investment objectives. In addition, the Fund may be liable for actions of its co-venturers or partners.
- *Lack of Operating History.* The Fund is a newly formed entity that has not commenced operations. Accordingly, the Fund has no operating history upon which potential investors may evaluate their likely investment performance. Although the investment professionals of CFIP have had significant experience in investments similar to those anticipated to be made by the Fund, the past performance of these investments is not necessarily indicative of the future results of the Fund's investments.
- *Investments Longer than Term.* The Fund may make investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund's term or otherwise. Although CFIP expects that investments will be disposed of prior to the Fund's dissolution and the General Partner has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Fund, the General Partner (or the relevant liquidator) will seek to use its best efforts to reduce to cash and cash equivalents such assets of the Fund as the General Partner or such liquidator shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Limited Partners will occur.
- *Restrictions on Transferability and Withdrawal.* Interests in the Funds will not be registered under the Securities Act or any state securities laws and may not be transferred unless registered under applicable United States federal and state securities laws or unless an exemption from such laws is available. The interests are not transferable, divisible or otherwise encumberable, except with the prior written consent of the General Partner which may be withheld in its sole and absolute discretion. In addition, Investors may not make full or partial withdrawals from the Funds.

## **Item 9: Disciplinary Information**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor or potential investor's evaluation of the Firm or the integrity of the Firm's management. CFIP has no disciplinary information to disclose.

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

**10.A.: If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither our Firm nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**10.B.: If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

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

**10.C.: Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it. 1. broker-dealer, municipal securities dealer, or government securities dealer or broker; 2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund); 3. other investment adviser or financial planner; 4. futures commission merchant, commodity pool operator, or commodity trading advisor; 5. banking or thrift institution; 6. accountant or accounting firm; 7. lawyer or law firm; 8. insurance company or agency; 9. pension consultant; 10. real estate broker or dealer; 11. sponsor or syndicator of limited partnerships.**

CFIP serves as the collateral manager of the CLO Vehicles and the investment manager of the COST Fund. The General Partner serves as the general partner of the Feeder and Mini-Master Funds comprising the COST Fund. Certain members and officers of CFIP are also members of the General Partner. CFIP, its affiliates, and certain employees and/or their related persons invest directly in the COST Fund or the CLO Vehicles. Investments in the COST Fund made by such persons generally are not subject to management or performance-based fees. The General Partner may appoint itself or any of its affiliated persons as a service provider to Clients (with any such arrangement being conducted on an arm’s length basis). In addition, CFIP may, from time to time, sponsor new funds and manage additional client accounts.

**10.D.: If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

CFIP does not have any additional arrangements with a related person who is a broker-dealer, financial planning firm, banking or thrift institution, accounting firm, law firm, or investment adviser, etc., that would be deemed material to our advisory services or could create a material conflict of interest with our Clients.

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

### **11.A.: If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.**

Pursuant to Rule 204A-1 of the Advisers Act, CFIP has adopted a written Code of Ethics as part of our overall compliance program and in furtherance of our commitment to compliance and to maintaining high ethical standards. Our Code of Ethics recognizes our fiduciary duty to our Clients and is intended to ensure that we and our personnel adhere to the highest standards of care and diligence required of an investment adviser. Our Code of Ethics also addresses certain areas in which our interests or the interests of our personnel may conflict with the interests of our Clients.

Our Code of Ethics establishes our expectation that all of our personnel act at all times with integrity, competence, professionalism and in an ethical manner when dealing with our Clients and prospective Clients (and their underlying investors) and requires all of our personnel to put Clients' interests before their own and to act honestly and fairly in dealing with Clients. Our standards of business conduct in our Code of Ethics require all personnel to put the interests of Clients ahead of their own personal interests. Among other provisions, our Code of Ethics incorporates our personal securities transaction policy and procedures and includes limitations on the ability of our personnel to engage in certain activities that may present, or have the appearance of presenting, a conflict of interest or involve other ethical issues. Our Code of Ethics also expressly requires all personnel to strictly comply with federal securities laws, specifically including a prohibition on, and policy and procedures designed to prevent, insider trading.

We will provide a copy of our Code of Ethics to any Client, prospective Client, investor or prospective investor, upon request.

### **11.B.: If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise. Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.**

CFIP has adopted policies and procedures designed to address conflicts of interest, including procedures regarding the allocation and aggregation of investment opportunities among clients and a Code of Ethics, which includes a standard of business conduct and establishes policies and procedures with regard to personal securities transactions of CFIP's personnel. CFIP, the General Partner and its affiliated officers, directors and employees serve as the general partner, investment adviser or the investment manager to other funds and client accounts and conduct investment activities for their own accounts. CFIP is also the investment manager to the CLO Vehicles and other accounts that it generally manages as an investment manager with investment strategies that may be similar to those employed by the Fund. Affiliated persons of CFIP and the General Partner hold equity in various CLOs, including the CLO Vehicles and other CLOs in which the Fund may invest. In such event, the CFIP will not reduce its compensation from the COST Fund or the CLO Vehicle (i.e., fees earned by CFIP from a CLO Vehicle in which the COST Fund invests will not reduce fees earned by CFIP on the holding of such asset in the COST Fund). While CFIP will make the decision to invest COST Fund assets in a CLO based on the best interests of the COST Fund, an investment in a CLO managed by CFIP will directly and indirectly benefit CFIP and its affiliates.

Certain Clients have investment objectives or will implement investment strategies similar to, the same as, or different from, those of other Clients. In that regard, CFIP may give advice or take action with



respect to one Client that differs from the advice given with respect to another Client. For instance, a particular security may be bought or sold for certain accounts and not for others. In addition, a particular security may be bought for one or more Clients when other Clients are opening a short position or selling the security. Also, Clients may own different securities of the same issuer resulting in different objectives between Clients.

CFIP anticipates that some or all securities or investments suitable for one Client will also be suitable for other Clients, including those for whom CFIP employs a substantially different strategy. However, due to different holding periods, cash flows and other factors, CFIP may take action with respect to a particular security or securities for one Client that differs from the action taken for another Client. Similar portfolio transactions for multiple Clients may tend to decrease the prices received and increase the prices required to be paid by a Client for its portfolio sales and purchases. To the extent that a particular investment is suitable for both multiple Clients and the timing for the purchase or sale of such security is the same for all such Clients, such an investment will be allocated among the Clients in a manner in which CFIP determines is fair, reasonable, and equitable under the circumstances to all Clients and taking into account available capital, diversification considerations, other anticipated opportunities, and other relevant factors, in accordance with CFIP's allocation procedures. CFIP will not otherwise impose any specific requirement to accord exclusivity or priority to a particular Client in the event of limited investment opportunities. CFIP is authorized to combine the purchase and sales transactions on behalf of the Clients and allocate securities or other assets so purchased or sold among such accounts.

As a result of the foregoing, CFIP, the General Partner and its affiliated persons may have conflicts of interest in allocating their time and activities between Clients, in allocating investments among Clients and in effecting transactions between the Clients, including ones in which a General Partner Party may have a greater financial interest.

CFIP and the General Partner will use their best efforts in connection with the purposes and objectives of each Client and will devote as much of their business time and effort to the affairs of each Client as may, in their judgment, be necessary to accomplish the purposes of the Client. Affiliated persons may conduct other business activities, including any business within the securities industry, whether or not such business is in competition with a Client. Without limiting the generality of the foregoing, CFIP, the General Partner or its affiliated persons may act as the investment adviser or investment manager for others, may manage funds or capital for others, may have, make and maintain investments in their own name or through other entities, and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms. It may not always be possible or consistent with the investment objectives of Clients for the same investment positions to be taken or liquidated at the same time or at the same price.

**11.C.: If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

See Item 11.B. above.

**11.D.: If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

See Item 11.B. above.

## Item 12: Brokerage Practices

### **12.A.: Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

The Firm has adopted guidelines for evaluating brokerage services and determining whether it has obtained best execution for Client transactions. These guidelines have been set to assist the Firm in evaluating the overall quality and costs of a broker-dealer's execution services, including factors other than prices, commissions, and other expenses paid in connection with account transactions, including but not limited to factors such as quality of execution, reputation, willingness to execute difficult transactions, and other factors that the Firm deems important.

#### ***1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.***

Because the Firm's current advisory activities only involves advising CLO vehicles and investment funds that primarily invest in either loans or mezzanine and equity tranches of special purpose vehicles, the Firm does not have any soft dollar accounts or participate in soft dollar programs. The Firm may receive research, conference or educational resources for free or at a reduced cost from service providers or potential service providers of its Clients. The acceptance of such resources is monitored for any potential conflicts of interest.

Nevertheless, if in the future CFIP elects to enter into soft dollar arrangements, it will amend this Brochure to make appropriate disclosure of this activity. If the Firm engages in this activity, the CCO will also review soft dollar activity in connection with its best execution review to ensure that any commission mark ups paid are appropriate and within the bounds of industry standards. The CCO will also ensure that any and all soft dollar benefits obtained by the Firm fall within the SEC's Section 28(e) safe harbor.

#### ***2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.***

Not applicable. CFIP does not select broker-dealers based on client referrals.

#### **3. Directed Brokerage.**

**a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.**

**b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.**

We generally do not permit, or otherwise recommend, request, or require, our Clients to direct brokerage and currently do not have any directed brokerage arrangements with our Clients.

Direct brokerage arrangements may result in the lack of ability to obtain the most favorable execution of Client transactions and may be costlier for the Client.

**12.B.: Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

The Firm may allocate trades between its Clients. To the extent a particular investment is suitable for more than one of its Clients, the investment will be allocated or apportioned by the Firm between (or among) Clients to the extent the Firm determines it is practicable and advisable to do so. The Firm recognizes that it may not always be possible or consistent with the investment objectives of a Client for the same investment positions to be taken or liquidated at the same time or at the same price as other of the Firm's Clients.

Any allocation or apportionment of a particular investment opportunity generally will be made on a trade-by-trade basis pro rata between (or among) relevant Clients based on relative assets under management in the particular asset class (or another relevant metric as determined by the Firm to be fair and equitable on an overall basis to all applicable Clients under the circumstances) or based on a pre-determined allocation methodology.

However, the Firm is not required to allocate on a pro rata basis if, in its sole discretion, the Firm determines that another manner of allocating or apportioning such investment is fair and equitable on an overall basis to all applicable Clients under the circumstances, taking into account relevant characteristics of each applicable Client (in each case, both at the time of the investment and on a prospective basis). Such characteristics may include, among other factors and without limitation, size, the amount of available capital, investment strategy, risk profile, liquidity, overall portfolio composition, trading activity and tax and legal considerations.

As described in Items 5 and 6 above, we may receive greater fees or compensation from some of our Clients relative to other of our Clients and may have an incentive to cause investments to be allocated to higher paying Clients. However, we do not allocate Client transactions based on Client performance or fee structure.

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

**13.A.: Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

We provide continuous advisory services to our discretionary Clients. Our Investment Committee is responsible for general oversight of Client portfolios and investment decisions and ensuring that investments executed for a Client's portfolio comply with the Client's investment program, including the relevant collateral management agreement and indenture. Our Managing Principals, Bradford B. Couri and Levoyd Robinson, and each of our other senior investment professionals are members of our Investment Committee.

**13.B.: If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

Discretionary Client investment portfolios are monitored on an intraday and day-to-day basis by relevant portfolio management personnel, subject to the oversight of the Investment Committee. Portfolio managers are authorized to initiate and adjust discretionary Client investments within the constraints and parameters established by the Investment Committee, taking into account market developments and other circumstances which may merit a change in a discretionary Client's portfolio. Our operations personnel generally monitor and reconcile all discretionary Client investment and trading activity on a daily basis to ensure the proper posting and processing of transactions, although for certain of our discretionary Clients, the primary responsibility for this daily operational process may be outsourced to a third-party administrator, custodian or other service provider.

**13.C.: Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

Each underlying investor in a CLO Vehicle receives (or otherwise has access to) relevant data with respect to the investor's investment in such CLO Vehicle, generally as of the end of each month/payment period, as prepared by the Client's third-party trustee, administrator and/or custodian, which includes certain data points required to be disclosed in accordance with the CLO Vehicle's governing documents (namely the indenture), as well as other standard deliverables prepared by the trustee.

Each underlying Investor in the COST Fund receives audited annual financial statements, as well as quarterly capital statements for each Investor's account and a statement summarizing then held Fund investments, in each case as prepared by the fund administrator.

Additionally, CFIP may issue annual letters to the underlying investors of our Clients, which are intended to provide a brief summary of market conditions, as it relates to the industry and the specific Client. Further, certain underlying investors of our Clients may request and receive additional or supplementary information in connection with their investment due diligence and monitoring activities than that regularly provided to other (or all) investors in such Client (or any other of our Clients).

Lastly, each Client will, as applicable, engage a public accounting firm of national reputation to prepare and deliver relevant schedules to Investors of Clients to allow them to meet their obligations under US taxation, if any.

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

**14.A.: If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

At this time, CFIP does not receive an economic benefit from anyone other than its Clients for providing investment advice or other advisory services. Additionally, neither CFIP nor its related persons directly or indirectly compensate any person for Client referrals.

**14.B.: If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

In the course of our advisory relationship with the CLO Vehicles, one or more third parties are engaged to provide structuring advice and assistance, as well as distribution and placement services, in respect of the applicable collateralized loan obligation vehicle. Such arrangements generally are negotiated by us with the third party at the outset of the collateralized loan obligation vehicle transaction. Typically, each such third party is entitled to a fee at the closing of the applicable collateralized loan obligation vehicle transaction based on a fixed percentage of the aggregate debt and equity capital commitments placed by such third party, which fee is paid out of the assets of the collateralized loan obligation vehicle. The private offering memorandum or circular in respect of the applicable CLO Vehicle discloses any such relationship. While we do not receive any portion of the compensation to such third party, we benefit from the successful distribution of interests in, and closing of, each collateralized loan obligation vehicle which we manage or advise.

## **Item 15: Custody**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

The CLO Vehicles utilize the services of a third-party trustee, custodian and/or administrator, which reports directly to the CLO Vehicle. In CFIP's role as collateral manager for any such CLO Vehicle CFIP does not, and is not authorized to, hold, obtain, possess, access, or transfer CLO cash or assets nor is CFIP authorized to open or establish custodial (as opposed to brokerage) accounts in a CLO Vehicle's name. Reports prepared and delivered to investors of CLO Vehicle Clients will be prepared by respective CLO Vehicle trustee (and have been reviewed by CFIP), based, in part (to the extent of holdings and cash/cash equivalents), on information provided by the custodian.

CFIP will maintain the assets of the COST Fund in accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act. CFIP and the General Partner are deemed to have custody of the Funds by virtue of their status as investment manager and general partner, respectively. The qualified custodian currently utilized for the COST Funds is U.S. Bank Global Fund Services (Cayman) Limited. To ensure compliance with Rule 206(4)-2, Investors will be provided with audited financial statements prepared by an independent accounting firm that is registered with, and subject to review by, the Public Company Account Oversight Board, in accordance with U.S. Generally Accepted Account Principles, within 120 days of the end of the Fund's fiscal years. Investors should carefully review such audited financial statements.

Additionally, as set out in 13.C, hereof, Investors in the Funds will receive quarterly capital statements and quarterly summaries of Fund investments. Such reports will be prepared by the fund administrator and reviewed by CFIP. Such reports, however, will not be audited. Further, CFIP may provide additional information requested on an ad hoc basis by certain Investors of a Client. With regard to such reports, CFIP will note here and, in such reports, that the information contained therein will generally be unaudited and should be read in conjunction with reports delivered by trustee, fund administrator or custodian, as applicable.

## **Item 16: Investment Discretion**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

As collateral manager for CLO vehicles, CFIP has the discretionary authority to manage the underlying portfolios which are not comprised of securities, but of loans. The Firm's discretionary authority is subject to the guidelines and procedures in each CLO Vehicle's relevant collateral management agreement (which is executed between the Firm and the relevant CLO Vehicle) and CLO Vehicle-specific indenture, which contain various mandates, covenants and limitations. Additionally, our authority on behalf of the CLO Vehicles is generally subject to the oversight of the relevant CLO Vehicle's board of directors.

CFIP has discretionary authority to manage the COST Fund and is authorized to make investment decisions on behalf of the COST Fund. As explained above, the COST Fund's investment strategy is set forth in detail in the respective confidential private offering memoranda or Investment Management Agreement. Investors in the Funds do not have the ability to impose limitations on CFIP's discretionary authority. Prospective Investors in the Funds are provided with a confidential private offering memorandum (and any applicable supplements) prior to their investment and are encouraged to carefully review such confidential private offering memorandum, along with all other relevant Fund materials, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective Investors should also consult with their legal, tax, or other advisors prior to making any investment. Prospective investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the Investor, enforceable in accordance with its terms.

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

**17.A.: If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

Because the primary business of CFIP does not involve trading equity securities, it is unlikely to vote proxies for Clients. However, should the Firm receive a proxy, it will abide by its proxy voting procedures. CFIP has adopted and implemented written proxy voting policies and procedures reasonably designed to ensure that if and when applicable, we will seek to diligently exercise proxy voting rights on behalf of our Clients and ensure that we act in their best interest when exercising our discretionary voting rights.

In connection with our duty to act in the best interests of our Clients when voting proxies, we would seek to identify and address material conflicts of interest, if any, between us and the applicable Client with respect to the voting of any proxy on behalf of, such Client. In the event of a potential conflict, the Firm may engage third-party proxy voting service providers to provide an independent opinion on the appropriate proxy vote for the Firm's Client.

Any of our Clients, or any underlying investor in any of our Clients, may request a copy of our proxy voting policy and procedures, as well as relevant information concerning how we voted Client securities, if and when applicable, by contacting us at:

CFI Partners, LLC  
Attention: CCO  
One South Wacker Drive, Suite 3200  
Chicago, Illinois 60606

**17.B.: If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

See Item 17.A. above.



**Item 18: Financial Information**

CFIP does not require or solicit the prepayment of more than \$1,200 in fees per Client, six months or more in advance. Additionally, CFIP has never been the subject of a bankruptcy petition and is not aware of any financial condition that could be reasonably expected to impair the Firm's ability to meet its contractual commitments to Clients.