



## Third Avenue Focused Credit Fund Transcript

April 19, 2017 | Edited for Clarity

**JIM HALL:** Good afternoon and welcome to the update call for the Focused Credit Fund. I'm Jim Hall, President of our Fund Company and General Counsel for the Fund's investment Adviser.

As a follow up to our [letter dated March 31, 2017](#), we are pleased to update you on the liquidation of the Focused Credit Fund, the settlement of certain litigations involving the Fund, and our plans for upcoming distributions.

Starting with distributions, as a result of several recent securities sales, the Fund currently has approximately 60% cash. We expect to make the next liquidating distribution on or about May 16th. The distribution will be sized to allow the Fund to maintain sub-chapter M tax status for the second quarter of 2017. The distribution will likely be at least \$0.80 per share and perhaps significantly more, depending on certain possible events involving the Fund's continuing tax planning. The finalized distribution amount will be announced on the record date, which will be on or about May 15th. We believe that the Fund should be able to maintain sub-chapter M tax status for the second quarter of 2017. We currently anticipate making a subsequent distribution on or about July 6th. As a result of these distributions and the concentration of the remaining positions, the Fund may not be able to maintain its sub-chapter M status beyond June 30. In that event, the Fund would likely elect to change its year end to June 30 and become a taxable entity as of July 1. However, Fund Management may determine to manage its future distributions in order to allow the Fund to continue to meet Sub-Chapter M diversification rules for a longer period of time, if that is deemed to be in the best interests of shareholders. We will keep you informed as events progress.

Total distributions to date have been \$2.57/share, and when combined with yesterday's NAV of \$3.91, the \$6.48 compares favorably to the NAV of \$6.46 on December 9th, 2015, when the Fund implemented its plan of liquidation.

Much of the cash to be distributed was generated by a transaction to sell several large positions in the Portfolio. At the end of the quarter, Management announced that the Fund had entered into an agreement to sell investments representing approximately 38% of the Fund's remaining value. The Purchaser of these assets is an investment vehicle managed by ICG Strategic Secondaries Advisors LLC, or "ICG" for short. The following securities were sold as a part of the transaction: Corporate Risk Holdings; Affinion; Ceva; Majestic Star; and Reichold. The result of this transaction was reflected in the NAV change on March 31, a decrease of \$0.20 per share, or 4.8% of the funds value. The two largest positions in the Fund are now Ideal Standard and Liberty Tire. Fund Management continues to evaluate

several alternatives for liquidating these and the other positions in the portfolio. More information about remaining portfolio assets can be found at the Fund's website, [www.focusedcreditfund.com](http://www.focusedcreditfund.com).

Management believes that the ICG transaction was beneficial to shareholders for a number of reasons outlined in our latest shareholder letter, but I will reiterate them here:

1. selling securities in a block transaction at a reasonable price provides significant liquidity which can be distributed to shareholders in the near term;
2. several of the portfolio companies sold would likely require additional capital in the near future, which the Fund is not in a position to provide. This would likely result in the dilution of the value of the Fund's investments in such portfolio companies; and
3. this transaction will help the Fund in its efforts to extend its status as a tax pass-through vehicle (thereby avoiding taxation at the fund level) by helping the Fund to meet the Subchapter M diversification requirements of discussed previously.

We are also pleased to inform our shareholders that there is an agreement in principle to resolve all civil litigation matters involving the Fund. As you may recall, following the suspension of redemptions in FCF, several class action and derivative lawsuits were commenced against the Fund's Adviser, the Fund itself, the Trustees of the Fund and various individual officers of the Adviser. All of the Defendants in those actions have reached agreements with various Plaintiffs' representatives that would resolve all civil litigation matters and the claims presented therein, subject to Court approval of the terms. These terms have now been presented to the relevant Courts and we look forward to their consideration for approval.

The settlement for all cases will be funded by a combination of insurance and a contribution from the Adviser. The Courts have set final settlement approval hearings for late June of 2017. Should the settlements be approved, the process will be as follows:

1. There will be a \$25 million contribution made into the Fund to settle the derivative cases pending against the Adviser and various individuals.
2. Of this money, \$14.25 million will be made available to shareholders who purchased shares from March 1, 2013 – December 9, 2015 in settlement of the various securities class action complaints pending against the Fund and others. Shareholders who are members of the class will be notified soon and shareholders who wish to participate in the settlement payment will need to complete the necessary paperwork.
3. The remainder of the capital (minus attorneys' fees) will remain in the Fund and be paid out to current shareholders as part of ongoing liquidating distributions.

More information about the settlements and how shareholders can participate is available on our website, [www.focusedcreditfund.com](http://www.focusedcreditfund.com). If you have any questions, please call our client service line at 212-906-1160 or e-mail [creditupdates@thirdave.com](mailto:creditupdates@thirdave.com) and please check back with our website for further updates.