

**FORM ADV PART 2A: FIRM BROCHURE**

**Poetic Group LLC**

1330 Avenue of the Americas, 14<sup>th</sup> Floor  
New York, NY 10019  
[www.poeticgroup.com](http://www.poeticgroup.com)

**August 22, 2019**

This brochure (this “Brochure”) provides information about the qualifications and business practices of Poetic Group LLC. If you have any questions about the contents of this Brochure, please contact us by phone at (212) 643-8999 or by e-mail at [dsandler@poeticgroup.com](mailto:dsandler@poeticgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Poetic Group LLC or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2. Material Changes**

There are no material changes to report as this is Poetic Group LLC's initial Brochure.

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**Item 4. Advisory Business**

Poetic Group LLC (“we” “us” or “our”) is a New York limited liability company that was formed on February 6, 2018. We are ultimately principally owned by Poet Advisors LLC, 10 Northeast II LLC, and Rouen Advisors LLC, which are managed Adam Berkowitz, Samuel Mark and Daniel Li (our “Principals”), respectively.

We provide discretionary investment advice to Poetic Holdings 8 LP (the “Fund”). The Fund currently offers a single class of interests, but may issue additional classes in the future, each of which will correspond to its own portfolio. References throughout this document to “Client” refers to the Fund and any other private fund or other account that may be managed by us in the future. We also advise two entities that are primarily owned by the Principals and their family members (the “Poetic Proprietary Accounts”), which are not making new investments in securities or other financial instruments that would be appropriate for the Fund.

The Fund is managed in accordance with its investment and trading objectives, as described in its offering documents and governing agreement. We do not permit investors in the Fund to impose limitations on the investment activities described in such documents. (*See Item 16 - Investment Discretion*)

Poetic Holdings 8 GP, LLC (the “General Partner”) serves as the general partner to the Fund.

We do not participate in wrap fee programs.

As of June 30, 2019, we managed \$156,713,000 of regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

Poet Advisors LLC, a registered investment adviser (“Poet”), and 10 Northeast II LLC, a relying investment adviser of Poet (“10 Northeast”) are ultimately controlled by Adam Berkowitz and Samuel Mark, respectively. Poet provides discretionary investment advice to, and serves as managing member of, private funds. In addition, each of our Principals is an owner of one of Poet, 10 Northeast or Rouen Advisors LLC (collectively with Poet and 10 Northeast, the “Advisor Affiliates”) and our Advisor Affiliate provide discretionary investment advice to one or more entities that are primarily owned by the relevant Principal and his family members. Each of the Advisor Affiliates is and / or may be compensated for providing such investment services to these entities. (*See Item 10 - Other Financial Industry Activities and Affiliations*)

**Item 5. Fees and Compensation**

Our fees and compensation are described in our investment management agreement with the Fund, as well as in the Fund’s offering memorandum.

The Fund pays us a monthly management fee of 0.083% (1% on an annualized basis) of the aggregate capital contributions by investors (on a class by class basis). Management fees accrue in advance. Management fees will be refunded if the advisory contract is cancelled before the end of a month. We may, in our sole discretion, defer payment of the management fee for any calendar month, in which case it will be payable to us at a future date at the interest rate specified our agreement with the Fund. We may, in our sole discretion, waive or reduce our management fee for investors who are members of the General Partner.

The General Partner is also entitled to receive carried interest from the Fund, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

The Fund is responsible for, and pays or reimburses us for, all fees, costs, expenses and liabilities relating to the operations of the Fund, which will include, but not be limited to: (a) all costs and expenses incurred in the valuing, acquiring, investigating, financing, hedging, holding, maintaining, purchasing, monitoring, selling, exchanging or disposing of investments (whether or not such transaction is ultimately consummated), including, without limitation, expenses associated with forming and operating alternative investment vehicles and other holding vehicles related to an investment, costs and expenses arising out of all financings entered into by the Fund or any investment (including, without limitation, those of lenders, margin accounts, investment banks, and other financing sources), brokerage fees or commissions and other similar charges, interest on and fees and expenses arising out of borrowed money, administrative costs and expenses, research fees, data subscriptions, Intex, Bloomberg terminals, mortgage/economic data services and software, industry conference fees and expenses, travel expenses, taxes on investments (including documentary, recording, stamp and transfer taxes), audit, appraisal and attorneys' fees and expenses, accounting fees and expenses (including internal legal counsel), fees and expenses related to consulting, advisory or professional services relating to investments or proposed investments, and expenses incurred in connection with the exemption or registration of the Fund's investments under applicable securities laws or regulations in connection with transfers of the same; (b) all expenses incurred in connection with the investigation, prosecution, litigation or defense of any claims by or against the Fund, including claims by or against a governmental authority; (c) fees incurred in connection with the maintenance of bank, brokerage or custodian accounts, and interest on, and all fees, costs and expenses arising out of, all borrowings and guarantees made by the Fund, including the arranging thereof; (d) all taxes applicable to the Fund on account of its operations, including all fees, costs and expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund, together with sales or other taxes, fees or government charges which may be assessed against the Fund, and all expenses incurred by the General Partner, in its capacity as the Fund's tax matter partner or Fund representative; (e) the cost of liability and other premiums for insurance protecting us, the Fund, the General Partner, the members of the General Partner and our members, including, but not limited to, their respective partners, members and employees; (f) expenses associated with communications with investors, including preparation and distribution of financial statements and annual or other reports to the investors, expenses associated with preparation and filing of tax returns, expenses of members of the Fund's advisory committee (the "Advisory Committee") to the extent applicable, costs associated with Advisory Committee and Fund meetings (including travel-related costs and expenses other than those for investors); (g) all fees and expenses incurred in connection with the maintenance of a registered agent and office in the State of Delaware and any other states in which the Fund is required to be qualified; (h) all legal (including internal legal counsel), accounting, audit, appraisal, custodian, administration, consulting, advisory, sub-advisory, bookkeeping, recordkeeping or professional services fees and expenses (including tax preparation) relating to the Fund and its activities, and fees and expenses relating to outsourced finance, reporting, fund administration, accounting and back-office services; (i) the Fund's indemnification and contribution obligations pursuant to its operating agreement (including but not limited to legal and accounting fees and expenses); (j) all fees, costs and expenses of liquidating the Fund; and (k) any other fee, cost, expense or liability, whether ordinary or extraordinary, that we in good faith determine relates to the operations of the Fund.

We and the General Partner are responsible for paying our respective day-to-day operating and overhead expenses, including office and clerical expenses, the compensation of our employees, and other internal administrative expenses, to the extent not already paid as Fund expenses.

Expenses generated through the engagement of independent contractors or consultants specializing in professional services such as accounting, compliance, investor relations or operations can be borne directly by the funds. We believe that the role of employees and independent contractors of the foregoing types are typically substantively different, and we intend to make the choices of whether such persons are hired as employees or engaged as independent contractors or consultants in good faith.

Our expense allocations often depend on inherently subjective determinations, but we will make such determinations in good faith. Consequently, the portion that we allocate to the Fund for a particular expense may not reflect the relative benefit derived by the Fund in any particular instance. To the extent expenses are allocated in accordance with the foregoing, we have the right to cause such expenses to be paid or incurred by the entity to which such expenses are allocated.

For a more detailed discussion of brokerage and transaction costs, see *Item 12 - Brokerage Practices*.

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

The General Partner is entitled to receive carried interest from the Fund, which is performance-based compensation that is distributed as Fund investments are monetized. Such carried interest will be charged on a class-by-class basis and will be equal to 20% of profits after a return of contributed capital and a preferred return.

As noted above, we manage the Poetic Proprietary Accounts. Poetic Group LLC does not currently receive any compensation for our management of these vehicles.

Performance-based compensation arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Currently, the Fund is the only account managed by us that is making new investments. To the extent that we advise additional Client accounts in the future, performance-based compensation arrangements could create an incentive for us to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. We have adopted and, when applicable, will follow procedures designed and implemented to ensure that all Clients are treated fairly and equitably. (See *Item 10 – Other Financial Industry Activities and Affiliations*)

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

Investors in the Fund are generally high net worth individuals and family offices that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended), and, if subject to performance-based compensation, “qualified Clients” (as defined under the Investment Advisers Act of 1940, as amended (the “Advisers Act”)). The Fund does not require a minimum initial investment amount.

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

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

The Fund is primarily engaged in investments in certain bonds which are residential mortgage-backed securities and other assets, claims, debts, and rights associated with such securities and residential mortgages (“RMBS”). The Fund is also permitted to invest in cash equivalents, short-duration bonds, and

hedging instruments to the extent we deem such investments advisable. RMBS, in general, will not be rated by credit rating agencies or will have below investment-grade ratings. Additionally, neither the RMBS nor the underlying mortgages themselves are guaranteed by government-sponsored agencies such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. As such, RMBS to be purchased by the Fund are considered higher-risk, and typically have higher interest rates associated with them, than more highly-rated securities or residential mortgage-backed securities collateralized by agency-guaranteed mortgages. The Fund will acquire RMBS that in our judgment offer the correct balance of risk and return when accounting for the underlying risk characteristics of the mortgages and the mix of RMBS in the Fund's portfolio.

RMBS are created by assembling a pool of mortgages that have a mix of risk characteristics from loan originators or other loan note holders. These characteristics include loan size, lien seniority, term to maturity, loan rates, prepayment terms, adjustment terms, loan-to-value ratios, geographic location, servicing rates and collateralization levels. The pools are divided into different security interests.

The Fund will generally invest in bonds of differing seniority, various types of structures and secured by several types of collateral, including sub-prime, Alt-A, second lien, and home equity collateral in an effort to diversify its holdings. However, there may exist circumstances in which we decide to focus investments in one particular bond, issuer, or collateral type.

The Fund intends to purchase and hold a mix of RMBS. The schedule for repayment of principal is dependent on the specific mix of RMBS purchased by the Fund, and may be intermittent, depending heavily on the pace of RMBS cash flows. The exact makeup of the pool will only be determined after the end of the Fund's investment period and reinvestment period. The Fund may borrow, including through the use of Re-REMIC trusts, to leverage its portfolio. This means, effectively, that we may use the Fund's securities as collateral for one or more loans used to purchase more investments. Such leveraging increases both the risk and potential return of the portfolio.

Subject to the rights and obligations enumerated in the Fund's governing agreement, we plan to use the ongoing cash flow generated by the assets purchased, as well as the Fund's proceeds from sales and financing activity, by the Fund to purchase additional assets during the Fund's investment period and reinvestment period.

**Investing in securities involves risk of loss that Clients and investors should be prepared to bear.**

*Risk Factors*

Special risks of investing in RMBS – risks related to underlying mortgages. RMBS are assets created from pools of individual residential mortgages. As such, they are susceptible to the risks inherent in the mortgage industry, including but not limited to the risks of: borrower default, foreclosure, prepayment rates, loan modification, loss severity on liquidated home sales, reduced collateral values, loan servicer errors, loan servicer advance rates, government intervention, changes in servicing practices and lawsuits related to fraudulent mortgage creation. These risks, which may reduce the value of pooled residential mortgages and therefore of RMBS, are especially high in an economic environment in which housing prices fall resulting in an increasing number of defaults and lawsuits asserting fraudulent mortgage lending practices and defective foreclosure procedures. Such defaults and lawsuits would cause the value of the RMBS to fall and may lower the ability of the Fund to resell its RMBS investments. A decrease in the value or ability

to resell RMBS could cause the Fund to lose money on its investments and could cause investors to lose money on their investments in the Fund.

Special risks of investing in RMBS – risks related to fraud in RMBS market. The business of buying and selling of RMBS between private parties on an off-exchange basis has experienced a high incidence of fraudulent conduct in recent years, particularly in connection with the sale of fraudulent or phony RMBS. While we believe that experience, the reputation of the Fund's counterparties and the limitations built into the Fund's investment program will significantly mitigate this risk, these safeguards cannot eliminate these risks. Moreover, the incidence of fraud that has occurred in connection with RMBS trading increases the risk that, we, the Fund or the General Partner may be subject to inquiry by the SEC or other securities or financial regulatory authority, which could require the Fund to incur legal fees and expenses related to any such inquiry and/or require the Fund to suspend its investment activities pending the outcome of any such inquiry.

The specific schedule for the repayment of principal cannot be determined prior to investing. The Fund intends to purchase and hold a variety of RMBS. The schedule for repayment of principal is dependent on the specific mix of assets purchased by the Fund and may be intermittent. The exact makeup of the pool will change during the Fund's investment period. As such, investors will not know the schedule for receiving repayment of principal prior to investing, which may be longer than investors prefer.

General market risks, including interest rate fluctuation. The market for securities may be influenced by many factors, such as global capital markets, regulatory initiatives, and technological developments. In particular, the Fund's investment in securities will be subject to a risk of market interest rate fluctuations, which may cause rise or fall of the price of such securities. When interest rates rise in the market, the market price of debt securities decreases, and vice versa.

Leverage risk. The Fund intends to finance investments by borrowing against them through term loans, repurchase agreements and re-securitization trusts. This means that, effectively, we may choose to encumber the Fund's investments in exchange for proceeds, which may be used to purchase more Fund investments. Such leverage increases the potential return of the Fund's portfolio by increasing the portfolio size. However, if the value of the investments held by the Fund were to fall, the Fund could lose all or part of the value of such investments. Additionally, such financing arrangements may require payments of interest, reducing the cashflow of the Fund's portfolio and impairing the performance of the Fund.

Taxation and legislation risk. Any legislation or regulation concerning debt securities or any changes in taxation policy of relevant jurisdictions may affect the attractiveness of the investments acquired by the Fund. Such changes may also reduce liquidity and/or price of the Fund's investments.

General investment risks. An investment in the Fund's interests is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. The Fund's net asset value, yield, and total return will fluctuate based upon changes in the value of its portfolio. The Fund is not a complete investment program and there is no assurance that the Fund will achieve its investment objective. Investors could lose money on their investment in the Fund or the Fund could underperform other investments due to, among other things, poor investment decisions by us.



Absence of insurance and regulation. The Fund's interests are not insured by any governmental or private agency, and they are not guaranteed by any public or private entity. Likewise, the Fund is not regulated or subject to examination in the same manner as commercial banks and thrift institutions. The Fund is not a commercial bank or savings/thrift institution. The Fund is dependent upon proceeds from the acquisition and management of its investments to make distributions to its investors and to conduct its ongoing operations. The Fund's revenues from operations, including the acquisition, servicing and management of its investments and the Fund's working capital represent the sources of funds for distributions to its investors.

There is no assurance that the Fund will turn a profit. There is no assurance as to whether the Fund will be profitable, or earn revenues, or whether the Fund will be able to return any investment funds, to make cash distributions or to meet its operating expenses. The Fund described herein may be construed as high risk and may experience substantial or sudden loss, including total loss of invested capital.

There is no assurance that the Fund will generate immediate revenues. The Fund anticipates that it will incur substantial expenses relating to the acquisition and servicing of its portfolio. Furthermore, no assurance can be made that an investor in the Fund will not lose his or her entire investment.

We and certain third parties may have incentives that are different from those of investors. The allocation of a percentage of investors' net profits to the General Partner may create an incentive for us and our affiliates to cause the Fund to make investments that are riskier or more speculative than would be the case if this allocation were not made.

Dependence on third-party relationships. We and the Fund are generally dependent on relationships with third parties and counterparties, including financial institutions with which we have agreements for the purchase of RMBS, or from which we may seek to borrow funds, as a means of managing and implementing the Fund's investment program, as well as relationships with consultants, agents, information providers, software providers, and certain other service providers. We must be successful in securing and maintaining our third-party relationships to be successful. There can be no assurance that such third parties may regard their relationship with us as important to their own business and operations, that they will not reassess their commitment to the business at any time in the future, or that they will not develop their own competitive services or products, either during their relationship with us or after their relations with us or the Fund expire. Accordingly, there can be no assurance that our existing relationships or future relationships will result in sustained business partnerships, successful service offerings, or significant revenues for the Fund.

Errors are inherent in the operations of any business (including our business), and although we will adopt measures to prevent and detect errors, by and misconduct of, counterparties and service providers, and to transact with counterparties and service providers we believe to be reliable, such measures may not be effective in all cases. Errors or misconduct by such third parties could have a material adverse effect on the Fund and its investors.

Financial projections provided may prove inaccurate. Financial projections concerning the estimated operating results of the Fund may be prepared by us. These projections would be based on certain assumptions which may prove to be inaccurate and which are subject to future conditions which may be beyond our control, such as fluctuations in interest rates, changes in global credit and derivatives markets, revisions to laws pertaining to the rating of corporate obligations, changes in local and national

unemployment rates, variations in the local and national economy and occurrences of natural disasters or other such disasters. The Fund has a limited operating history. The Fund may experience unanticipated costs, or anticipated agreements or contracts may not materialize, resulting in lower revenues than forecasted. There is no assurance that the results that may be illustrated in financial projections would in fact be realized by the Fund. The financial projections would be prepared by us and would not be examined or compiled by independent certified public accountants. Accordingly, neither independent certified public accountants nor counsel to the Fund could provide any level of assurance on them.

The Fund is entirely dependent on us. We make all decisions with respect to the Fund's assets, including investment decisions and the day-to-day operations of the Fund. Other than as specified in the Fund's governing agreement, investors have no right or power to take part in the management of the Fund. As a result, the success of the Fund for the foreseeable future will depend largely upon the ability of the Principals, all our members and managers and members and managers of the General Partner. If the Principals are unavailable to the Fund, for instance due to illness, disability or death, the Fund is likely to be adversely affected.

The Fund may suffer from cybersecurity breaches. Our information and technology systems and the same systems of key service providers to us and the Fund may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we have implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for us to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of us and the Fund and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including investors' personal information.

We may not successfully identify or manage risks. Although we attempt to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by us, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of the Fund may be incomplete or altogether ineffective. Similarly, we may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to the Fund.

Our Systems and Operations may be defective. We rely on certain financial, accounting, data processing and other operational systems and services that are employed by us and/or by third-party service providers, including prime brokers, a third-party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, we and the Fund could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the Fund's operations.

The Fund is subject to certain institutional risks. The institutions with which the Fund (directly or indirectly) does business, such as banks and other financial institutions, may encounter financial difficulties

that impair the operational capabilities or the capital position of the Fund. The Fund relies heavily on various counterparties to perform many of the functions required for the acquisition and disposition of RMBS. Should any of these counterparties encounter financial, regulatory or other difficulties that effect its operations, the Fund's operational capabilities and financial position would be adversely affected.

There may be changes in laws applicable to the Fund. The Fund must comply with various legal requirements, including requirements imposed by the state and federal securities laws, pension laws and state licensing requirements. Should any of those laws change, the legal requirements to which the Fund may be subject could differ materially from current requirements.

The Fund is subject to various economic risks. Local, national and international economic conditions may have a substantial adverse effect on the Fund's operations, including, but not limited to, the availability and pricing of portfolios of RMBS, and the rate of success in collection of mortgage debt. The Fund cannot guarantee its anticipated results of operations against the possible eventuality of any of these potential adverse conditions.

The Fund may suffer uninsured losses. Certain types of losses of a catastrophic nature, such as losses resulting from floods, tornadoes, thunderstorms, and earthquakes, are uninsurable or not economically insurable to the full extent of potential loss. Such Acts of God, work stoppages, regulatory actions or other causes, could adversely affect the Fund's business, results of operations, and profitability.

Risks related to terrorist attack, war or natural disaster. Our operations, the operations of the Fund, and counterparties with which we, our affiliates and the Fund do business could be severely disrupted in the event of a major terrorist attack or the outbreak, continuation or expansion of war or other hostilities. The situations in Iraq, Iran, Afghanistan and North Korea, global anti-terrorism initiatives and political unrest in the Middle East and Southeast Asia continue to fuel this concern. Additionally, a serious pandemic, such as avian influenza, or a natural disaster, such as a hurricane, could severely disrupt the global economy.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or our management.

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

### *Advisor Affiliates*

As noted above, each Advisor Affiliate is ultimately controlled by one of our Principals. Poet provides discretionary investment advice to, and serves as managing member of, private funds. In addition, each of our Principals is an owner of one of our Advisor Affiliates and our Advisor Affiliate provide discretionary investment advice to one or more entities that are primarily owned by the relevant Principal and his family members. Such vehicles are not currently making new investments in securities or other financial instruments that would be appropriate for the Fund. Nonetheless, investments made by such vehicles are subject to our personal trading policy. (*See Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*)

We have an established relationship with Poet, one of our Advisor Affiliates, whereby Poet will seek to engage our employees to work on specific projects. Such engagements will be subject to review by our Chief Compliance Officer (our “CCO”) in the same manner as other outside employment. Our CCO will review each engagement in an effort to highlight any potential for conflicts of interest, taking into account, among other things, whether the resources dedicated thereto would negatively impact our Clients.

Management of pooled investment vehicles by affiliated investment advisers could give rise to a variety of potential and actual conflicts of interest, including the possible sharing of material non-public information across such managers. In addition to the processes described above, we and our Advisory Affiliates will take a number of steps to mitigate these conflicts, including the following:

- The vehicles managed by the Advisor Affiliates are no longer initiating new positions, but may exercise existing options and service existing positions (currently, the Fund is the only account managed by us or the Advisor Affiliates that is initiating new positions);
- We and our Advisor Affiliates will adopt and abide by the same Code of Ethics (*see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*);
- We and our Advisor Affiliates will share the same restricted list;
- The vehicles managed by the Advisor Affiliates will not invest in securities that are appropriate for our Clients under their investment objectives;
- On an ongoing basis, our CCO reviews potential and actual conflicts of interest between us, on the one hand, and the Advisor Affiliates, on the other hand; and
- We and our Advisory Affiliates are each independently capitalized.

#### *Services by Related Persons*

As noted above, the General Partner serves as the general partner to the Fund.

#### *Management of Multiple Client Accounts*

The management of multiple accounts by us and the Advisor Affiliates results in a potential conflict of interests when we and our related persons (including the Advisor Affiliates) allocate time and investment opportunities among such vehicles. For example, the compensation we and our related persons earn from Client accounts (including accounts managed by the Advisor Affiliates) is expected to differ from account to account. Currently, the Fund is the only account managed by us that is actively making new investments. To the extent that we advise additional Client accounts in the future, performance-based compensation arrangements could create an incentive for us to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. We and our Advisor Affiliates have adopted and, when applicable, will follow procedures designed and implemented to ensure that all of our respective Clients are treated fairly and equitably.

We do not generally expect to engage in cross trades. However, occasionally, to facilitate an investment opportunity prior to the initial closing of a private fund, we or one of our related persons may warehouse an investment temporarily (including through a proprietary vehicle that we manage). Details of any such transactions typically would be disclosed in the offering documents of the relevant private fund. We would only effect such a transaction if we determine that it is in the best interests of the relevant private fund and the relevant securities would be valued in accordance with our documented valuation procedures.

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

We have adopted a Code of Ethics and a Personal Investment Policy, which are designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics and Personal Investment Policy set forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our Clients.

Among other things, our Code of Ethics and Personal Investment Policy: (i) govern personal trading by our employees, (ii) contain our policies with respect to gifts and entertainment, (iii) contain our policies regarding certain outside activities of our employees, and (iv) set forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics and Personal Investment Policy to any Client or prospective Client upon request.

*Personal Trading Policy*

Under our Code of Ethics, employees are required to obtain the written approval of our CCO prior to making investments in RMBS, initial public offerings or limited offerings. Prohibitions relating to personal trading will also generally apply to an employee's spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

*Participation or Interest in Client Transactions*

We make available to qualified prospective investors the opportunity to invest in the Fund. Our Principals, employees and/or other related persons have significant personal investments in the Fund. In addition, we and our affiliates receive carried interest from the Fund.

We have established policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including providing any required disclosures and obtaining prior consents to the transaction. If we were to engage in a principal transaction, we would follow such policies and procedures.

**Item 12. Brokerage Practices***Selection of Brokers*

We have an obligation to seek to obtain "best execution" for our Clients with respect to their trading activity. While not defined by statute or regulation, "best execution" generally means the execution of Client trades at the best price considering all relevant circumstances. When selecting broker-dealers and, to the extent applicable, determining such broker-dealer's transaction compensation, the Firm may take into account many factors, including but not limited to the following: price, the likelihood of execution within a desired timeframe, market conditions, the ability and willingness of a broker-dealer to execute in desired volumes, responsiveness, the ability of a broker-dealer to act on a confidential basis, the ability of a broker-dealer to act with minimal market effect, the creditworthiness of a broker-dealer in relation to the risk created by a transaction, the level and experience of operational coordination between a broker-dealer and us, the willingness and ability of a broker-dealer to make a market in particular securities, a broker-dealer's reputation for ethical and trustworthy behavior, infrastructure, the willingness of a broker-dealer to commit capital to a particular transaction, the market knowledge of a broker-dealer, the ability of a broker-dealer to

execute difficult transactions in unique and/or complex securities, the adequacy and reliability of recordkeeping, whether a broker will treat us fairly in resolving disputes, any contractual arrangements with a broker-dealer, whether a broker-dealer can provide access to underwritten offerings and secondary markets, the ability to establishing financing transactions (see below), and, under appropriate circumstances, the availability of research and brokerage services provided by a broker-dealer.

When utilizing broker-dealers for borrowing through repurchase arrangements, we generally solicit price quotes and take into account the following factors, among others: creditworthiness, ability to agree to transaction terms, ability to provide stability in financing and counterparty exposure limits.

We have established a Best Execution Committee, which meets on a semi-annual basis to evaluate our execution practices and confirm that we are continuing to seek best execution for our Clients. Among other things, the committee will review our trading activity, financing activity, broker-dealers and transaction pricing, taking into account the factors listed above.

#### *Research and Other Soft Dollar Benefits*

We do not currently have any formal soft dollar arrangements, but we occasionally receive bundled products or services from broker-dealers. To our knowledge, such products and services are generally made available to all institutional Clients doing business with these broker-dealers. If we determine to engage in soft dollar transactions in the future, we intend to comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

#### *Trade Errors*

We may on occasion experience errors with respect to trades made on behalf of Client accounts. We will reimburse each Client account for net losses resulting from trade errors that stem from our gross negligence, fraud or willful malfeasance.

#### *Aggregation of Orders*

Aggregation, or “bunching,” describes a procedure whereby an investment adviser combines the orders of two or more Clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one Client account is capable of purchasing or selling a particular security.

As noted above, the Fund is currently the only account managed by us that is making investments. However, we and Clients of our Affiliate Advisors may aggregate holdings when selling a particular security if we determine it is in the best interest of the Fund. Further, to the extent that we manage multiple Client accounts in the future, we may aggregate orders to the extent it is consistent with Client investment guidelines for such fund(s).

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

#### *Review of Accounts*

Our Clients’ portfolios are reviewed, and their performance analyzed, by our Principals on a continuous basis. In addition, our Principals will regularly review our Clients’ portfolios to determine that the securities held by them remain consistent with their investment strategies, objectives and guidelines. Client portfolios are also periodically reviewed by our CCO.



*Reporting*

We furnish investors in the Fund with quarterly unaudited reporting regarding the Fund's performance. In addition, we provide investors with a copy of the Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1).

In addition, investors may be provided with certain information about us and the Fund in response to questions and requests. This information may not be distributed to other investors. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the information provided by us is sufficient for its needs.

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

Other than the products and services that we receive from broker-dealers (described above in *Item 12*), we do not receive any economic benefits from third parties in connection with the provision of investment advice to our Clients.

Currently, we do not compensate any third-party marketers for introductions to potential investors or Clients, but we may do so in the future.

**Item 15. Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody over the Fund's assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Fund or its respective investors as long as: (i) the Fund is audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Fund's audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of the Fund's fiscal year.

**Item 16. Investment Discretion**

The Fund is managed in accordance with its investment and trading objectives, as described in its offering documents and governing agreement. We generally do not permit investors in the Fund to impose limitations on the investment activities described in such documents.

**Item 17. Voting Client Securities**

We have voting discretion over securities held in our Clients' accounts and Clients are not able to direct their votes in a particular situation. Our proxy voting policy and procedures are summarized below.

When we exercise our voting authority over securities, our policy is to vote proxies in a manner that serves the best interests of each Client. In addition, we may determine to abstain from voting a proxy if we believe that such action is in the best interests of a particular Client.

If a material conflict of interest arises in relation to a proxy, we will rely on the recommendation of an independent third party in making our voting decision.

**Item 18.       Item Financial Information**

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

**Item 19.       Requirements for State-Registered Advisers**

We are not a state-registered adviser.