

# Poet Advisors LLC

## Firm Brochure - Form ADV Part 2A

*This brochure (this "Brochure") provides information about the qualifications and business practices of Poet Advisors LLC ("Poet") and its relying adviser, 10 Northeast II LLC ("10 Northeast II"). If you have any questions about the contents of this Brochure, please contact us at (212) 643-8999 or by email 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.*

*Additional information about Poet and its Relying Adviser is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Poet's CRD number is: 161052*

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

**November 2020**

## Item 2: Material Changes

This Brochure has been updated to reflect the location of Poet's new office.

There are no other material changes to report since March 2020, the date of Poet's previous Brochure.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Poet is a Limited Liability Company organized in the state of New York. Poet was formed in September of 2009, and the principal owner is Adam Berkowitz (the “Principal”).

10 Northeast II LLC is a Limited Liability Company organized in the state of New York. 10 Northeast II was formed in May of 2017, and the principal owner is Samuel Mark.

Poet and 10 Northeast II will be herein referred to as the “Advisers”.

### B. Types of Advisory Services

#### *Investment Management Services*

The Advisers manage private funds (“Funds” or the “Advisory Clients”) that invest in CMO securities, specifically non-agency RMBS. 10 Northeast II co-manages one of the Funds with Poet. All other Funds are managed by Poet exclusively. Where applicable the Advisers means Poet and 10 Northeast II. The Advisers will have discretionary authority from the Advisory Clients to select securities and execute transactions without permission prior to each transaction.

Poet also advises one entity that is primarily owned by the Principal and his family members (the “Poet Proprietary Account”), which is not making new investments in securities or other financial instruments that would be appropriate for the Funds.

The Funds are managed in accordance with their investment and trading objectives, as described in their offering documents and governing agreements. The Advisers do not permit investors in the Funds to impose limitations on the investment activities described in such documents. (See Item 16 - Investment Discretion)

Poetic, a registered investment adviser, is ultimately controlled by the Principal, Samuel Mark and another owner. Poetic provides discretionary investment advice to one or more private funds (the “Poetic Funds”). Poetic is compensated for providing such investment services to the Poetic Funds. In addition, Poetic provides discretionary investment advice to two entities that are primarily owned by the Principal and his family members. (See Item 10 - Other Financial Industry Activities and Affiliations)

#### *Performance Based Fees*

Qualified investors in the Funds may have a percentage of distributions paid to the Adviser which represents a performance fee based on net profits above a hurdle rate.

### *Services Limited to Specific Types of Investments*

The Advisers generally limit their money management to fixed income, debt securities, and other claims and liabilities. The Advisers may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

The Advisers offer the same suite of services to all Advisory Clients. However, specific plans and their implementation are dependent upon the investment policy statement which outlines each Advisory Client's current situation (income, tax levels, and risk tolerance levels), or in the Investment Advisory Agreement, and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

The Advisory Clients may not impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs.

### **D. Wrap Fee Programs**

The Advisers do not participate in any wrap fee programs.

### **E. Amounts Under Management**

As of December 31, 2019, the Advisers have both discretionary and total regulatory assets under management of approximately \$214,368,318. The Advisers do not manage any non-discretionary assets.

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

### **A. Fee Schedule**

#### *Investment Management Services Fees*

Total Assets Under Management	Annual Management Fee
All Investor Committed Capital	1.00%

Management Fees depend upon the Advisory Client, and the fee schedule is disclosed to each Advisory Client in an Investment Management Agreement between the Advisor and the Advisory Client as well as the Operating Agreement or Limited Partnership Agreement (collectively, "Governing Documents"), as the case may be, of the Funds. Management Fees accrue monthly in advance and no refunds are provided. While provisions vary among the Advisers' Investment Management Agreements, generally Clients may not terminate their

accounts except with cause.

### ***Performance Based Fees***

Qualified investors in the Funds are charged an asset-based management fee on all assets under management and have a percentage of distributions allocated to the Fund's General Partner, which represents a performance-based fee of 20% of net profits above a hurdle rate.

## **B. Payment of Fees**

### ***Payment of Investment Management Fees***

Management Fees are withdrawn directly from the **Advisory Clients'** accounts with written authorization of the client. Management Fees accrue monthly in advance, at the rate or rates indicated in the Governing Documents, and are drawn by the Advisers periodically after they accrue.

### ***Payment of Performance Based Fees***

Performance-based fees are allocated directly to the General Partner of the Fund when realized.

## **C. Clients Are Responsible For Third-Party Fees**

The Funds will be responsible for, and pay, all their expenses, including, without limitation: (i) all expenses incurred in connection with their operations, including, without limitation, all costs pertaining to employees, bookkeeping, all expenses incurred with the purchase, holding, sale or proposed sale of any Fund property or the incurring of Fund debt to finance the same, including, without limitation, payments for the use of software and data subscription services to assist in the modeling of bonds in the portfolio, debt interest payments, and all travel-related expenses and all third party out-of-pocket costs and expenses of custodians, paying agents, registrars, legal counsel, independent accountants, and others; (ii) all costs incurred in connection with the preparation of, or relating to, reports made to investors; (iii) all costs related to litigation involving the Funds, directly or indirectly, including, without limitation, attorneys' fees incurred and disbursements; (iv) all costs related to the Funds' indemnification or contribution obligations; (v) the costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Funds; (vi) all unreimbursed out-of-pocket expenses relating to transactions that are not consummated including legal, accounting and consulting fees and all extraordinary professional fees incurred in connection with the business or management of the Funds; (vii) all expenses of liquidating the Funds; (viii) any taxes, fees or other governmental charges levied against the Funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds; and (ix) all costs incurred in connection with the preparation of or relating to Funds' formation, their organizational documents, and their private placement offering



memoranda, including, without limitation, attorneys' fees and disbursements incurred in connection therewith, whether paid by the Funds or paid by the Advisers and reimbursed by the Funds. The Funds will also pay all costs of subscription expenses for data services such as Bloomberg and modeling software such as Intex, used for the modeling of bonds in their portfolios.

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

#### **D. Prepayment of Fees**

The Advisers do not collect fees in advance.

#### **E. Outside Compensation For the Sale of Securities to Clients**

Neither the Advisers nor any supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

Qualified investors in the Funds are charged an asset-based management fee of 1.00% on all assets under management and a performance-based fee of 20% of net profits above a hurdle rate. The Advisers maintain best execution practices and uphold their fiduciary duty to all Advisory Clients.

As noted above, Poet manages the Poet Proprietary Account. Poet does not currently receive any compensation for its management of this vehicle.

Each Fund is in the harvesting stage of its life and none of the Funds are making new investments.

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

The Advisers generally provide management services to Funds that invest in CMO securities.

#### ***Minimum Account Size***

There is a Fund investment minimum of \$50,000.00 which may be waived by the General Partner or Managing Member of the Fund at its sole discretion.

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

### **A. Methods of Analysis and Investment Strategies**

#### *Methods of Analysis*

The Advisers' methods of analysis include underwriting non-agency RMBS bonds based on modeling of cash flows using constant prepayment rate, constant default rate, and loan severity assumptions.

#### *Investment Strategies*

The Funds will be primarily engaged in investments in non-agency RMBS bonds and other assets, claims, debts, and rights associated with such securities. The Funds will also be permitted to invest in cash equivalents, short-duration bonds, and hedging instruments to the extent it deems such investments advisable. The Funds will acquire RMBS that in the judgment of the Advisers offer a balance of risk and return when accounting for the underlying risk characteristics of the mortgages and the mix of RMBS in the Funds' portfolios.

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

### **B. Material Risks Involved**

#### *Material Risks of the Investment Strategy*

##### **Market Risk**

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 the securities will be subject to a risk of market interest rate fluctuations, which may cause rise or fall of the securities price. When interest rates rise in the market, the market price of debt securities decreases, and vice versa.

##### **Leverage Risk**

The Funds intend to finance the Funds' investments by borrowing against them through term loans, repurchase agreements and re-securitization trusts. This means that, effectively, the Funds may choose to encumber the investments in exchange for proceeds, which may be used to purchase more investments. Such leverage increases the potential return of the portfolio by increasing the portfolio size. However, if the value of the investments held by the Funds were to fall, the Funds 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 portfolio and impairing the performance of the Funds.

### **Joint Financing Facilities**

The Funds have entered into, and may in the future enter into additional, joint financing arrangements whereby a single financing arrangement is jointly used by certain Funds to finance the Funds' investments. Such joint financing arrangements may entail the use of a special purpose entity ("SPV") which, depending on the type of such joint financing arrangement, may be managed by one of the Advisers. The existing joint financing arrangement is a long term repo facility. Under the terms of the existing long term repo facility, five of the Funds sold RMBS to a Poet-managed SPV that went on to post such RMBS as collateral to a third party lender in exchange for such Fund's pro rata share of the purchase price or financing proceeds. Under this joint financing facility, each participating Fund is obligated, on a full recourse basis, to fund its proportionate share of repayment of principal, interest and, in the case of the long term repo facility, margin, if any, subject to true-up agreements, as described below. Initial allocation of the purchase price or financing proceeds among the Funds was based on (x) in the case of the re-securitization, model cash flows for each RMBS sold or financed in such facility, and (y) in the case of the long term repo facility, market value determinations provided by the lender in such facility.

With respect to the joint financing facility, the participating Funds have entered into a true-up agreement to ensure that each of the participating Funds ultimately receives its fair share of the purchase price or financing proceeds based on the actual cash flow contributions of the respective RMBS that each Fund financed in such facility. Under each true-up agreement, to the extent that actual cash flows from the RMBS financed by a particular Fund are less than its initial pro rata share of the purchase price or financing proceeds, that Fund will pay the amount of excess proceeds that were allocated to it to the Funds whose initial allocation was less than a pro rata share that is commensurate to the actual cash flows from the RMBS financed by such Funds.

Under the terms of the long term repo facility, in the event that any participating Fund fails to honor its obligations (e.g., to satisfy a margin call), the other participating Funds may (but are not required to) cure such failure in order to prevent a default that otherwise could result in the loss or liquidation of the RMBS sold by all the Funds under that facility. In that case, the performing Funds will be subrogated to the rights of the SPV against the defaulting Fund and the defaulting Fund will be obligated to reimburse the performing Funds.

**See Item 11.D. below for disclosure of conflicts of interest that might arise in connection with the existing joint financing facilities.**

### **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 Funds. Such changes may also reduce liquidity and/or price of the investments.

### **General Investment Risks**

An investment in the Funds described herein is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other governmental agency. The Advisers' net asset value, yield, and total return will fluctuate based upon changes in the value of its portfolio. The Advisers' investment strategies do not represent a complete investment program and there is no assurance that the Advisers will achieve their Advisory Clients' investment objective.

Investors could lose money on their investment with the Advisers or in the Funds and investments made by the Advisers could under perform other investments due to, among other things, poor investment decisions by the Advisers.

### **Lack of Liquidity**

There is no public market for the securities of the Funds described herein, and no market is expected to develop for the securities in the future. Certain restrictions on transferability will preclude disposition and transfer of the securities of the Funds other than pursuant to an effective registration statement or in accordance with an exemption from registration under applicable securities laws.

### **Counterparty Risk**

The Advisers and the Funds are generally dependent on relationships with third parties and counterparties, including financial institutions with which the Advisers have agreements for the purchase of RMBS, or from which the Advisers may seek to borrow funds, as a means of managing and implementing its investment program, as well as relationships with consultants, agents, information providers, software providers, and certain other service providers. Errors or misconduct by such third parties and counterparties could have a material adverse effect on the Funds.

### **Financial projections provided may prove inaccurate.**

Financial projections concerning the estimated operating results of the Fund may be prepared by the General Partner. 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 the control of the General Partner, 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 the General Partner of the Fund 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.

### **Cybersecurity Risk**

The information and technology systems of the Advisers and of key service providers to the Advisers and its Advisory Clients 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 the Advisers 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 the Advisers 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 the Advisers and the Funds and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information of the Limited Partners.

**Investing in securities involves a risk of principal impairment or total loss that Advisory Clients and investors should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

Fixed Income securities are investments that guarantee fixed periodic payments in the future and may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

### **RMBS-Specific Risk**

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 Funds to resell its RMBS investments. A decrease in the value or ability to resell RMBS could cause the Funds to lose money on its investment and could cause investors to lose money on their investment in the Funds.

Non-Agency 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 based upon Agency-guaranteed mortgages. The Funds will acquire RMBS that in the judgment of the Advisers offer a balance of risk and return when accounting for the underlying risk characteristics of the mortgages and the mix of RMBS in the Funds' portfolios.

The business of purchasing RMBS is highly competitive and fragmented, and competition from new and existing companies is expected to increase. Many of these competitors are larger and more established and may have substantially greater financial, technological and other resources than the Funds. There can be no assurances that the Funds will be able to compete successfully against current or future competitors or that competition will not have material adverse effect on the Funds' business or financial condition.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that Advisory Clients and investors should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither the Advisers nor their representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither the Advisers nor their representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a

Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither the Advisers nor their representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

The Advisers do not utilize nor select other advisers or third-party managers. All assets are managed by the Advisers.

### **E. Advisor Affiliates**

#### Affiliated Advisers

As noted above, Poetic is ultimately controlled by the Principal, Samuel Mark and another owner. Poetic provides discretionary advice to the Poetic Funds, as well as two entities that are primarily owned by the Principal and his family members.

Poet has established a relationship with Poetic whereby Poet will seek to engage Poetic's employees to work on specific projects. Such engagements will be subject to review by Poet's Chief Compliance Officer (the "CCO"). The 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 the Advisory 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, the Advisers and Poetic have taken, and will continue to take, a number of steps to mitigate these conflicts, including the following:

- The Advisory Clients are no longer initiating new positions, but may exercise existing options and service existing positions (currently, Poetic manages the only account that is that is initiating new positions);
- The Advisers and Poetic have adopted and abide by the same Code of Ethics (*see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*);
- The Advisers and Poetic share the same restricted list;
- The Poetic Funds will not invest in securities that are appropriate for the Funds under their investment objectives.

- On an ongoing basis, the CCO reviews potential and actual conflicts of interest between the Advisers, on the one hand, and Poetic, on the other hand; and
- The Advisers and Poetic are each independently capitalized.

#### Management of Multiple Advisory Client Accounts

The management of multiple accounts by the Advisers and Poetic results in a potential conflict of interests when the Advisers and their related persons (including Poetic) allocate time and investment opportunities among such vehicles. For example, the compensation the Advisers and their related persons earn from Advisory Client accounts (including accounts managed by Poetic) is expected to differ from account to account. Currently, none of the Funds is actively making new investments. To the extent that the Advisers advise additional client accounts in the future, performance-based compensation arrangements could create an incentive for the Advisers to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. The Advisers and Poetic have adopted and, when applicable, will follow procedures designed and implemented to ensure that all of their respective clients are treated fairly and equitably.

The Advisers do not expect to engage in cross trades.

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

### **A. Code of Ethics Overview**

The Advisers have adopted a Code of Ethics and a Personal Investment Policy, which are designed to help ensure that they conduct their respective businesses in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, the Advisers' Code of Ethics and Personal Investment Policy set forth standards of conduct for their employees (including, as applicable, employees of Poetic that are engaged to provide services to Poet) to ensure that they conduct their business on behalf of the Advisers in a manner that enables the Advisers to fulfill their fiduciary duty to their clients.

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

Under the Code of Ethics, employees are required to obtain the written approval of the 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. The Poet Proprietary Account is subject to the Advisers' Personal Investment Policy.

## **B. Participation or Interest in Client Transactions**

The Advisers make available to qualified prospective investors the opportunity to invest in the Funds. The Principal and the Advisers' employees (including, as applicable, employees of Poetic that are engaged to provide services to Poet) and/or other related persons have significant personal investments in the Funds. In addition, the Advisers and their affiliates receive carried interest from the Funds.

The Advisers' have established policies and procedures to comply with the requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), as they relate to principal transactions, including providing any required disclosures and obtaining prior consents to the transaction. If the Advisers' were to engage in a principal transaction, they would follow such policies and procedures.

## **C. Recommendations Involving Material Financial Interests**

The principal of Poet has invested for himself and for family trusts in each of the Funds, with the largest ownership interest in two of the Funds participating in the existing joint financing facility described in Item 8.B. above. That ownership interest could motivate the Advisers to allocate the purchase price or financing proceeds or take other actions more to the benefit of those two Funds than the other participating Funds in which such ownership interest is less. To address this potential conflict of interest, as noted above, the process for allocating proceeds from each of the existing joint financing facilities is based on an objective allocation method: (i) initial allocations are based on model cash flows and market values for each RMBS contributed into the SPV and (ii) in both cases, final allocations are based on the actual cash flows from each RMBS position financed.

A further conflict of interest exists in connection with the joint financing facility. Specifically, any performance-based compensation will increase as a result of each joint financing facility since performance compensation calculations are based on total assets invested, including borrowed capital. By contrast, management fees are calculated based on called capital contributions. As a consequence, the Advisers have an incentive to maximize financing opportunities to the possible detriment of the participating Funds. Mitigating that conflict of interest is the personal ownership interest of the Advisers' principal and other employees as well as practical limits placed on the Advisers by each Fund's constituent documents concerning the amount of borrowing that can be done with the RMBS in such Fund's portfolios.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Advisers have an obligation to seek to obtain “best execution” for their Clients with respect to their trading activity. While not defined by statute or regulation, “best execution” generally means the execution of Advisory 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 Advisers 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 the Advisers, 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 the Advisers 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, the Advisers 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.

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

## **B. 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 the Advisers generally arise when more than one Advisory Client account is capable of purchasing or selling a particular security. When applicable, the Advisers intend to aggregate orders to the extent it is consistent with Advisory Clients’ investment guidelines.

As noted above, the Advisory Clients are not currently making new investments. However, the Advisory Clients and clients of Poetic may aggregate holdings when selling a particular security if the Advisers determine it is in the best interest of the Advisory Clients.

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

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

## **D. Trade Errors**

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

# **Item 13: Reviews of Accounts**

## **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Advisory Clients’ accounts are reviewed at least monthly by the Principal. The Principal is the chief advisor and is instructed to review accounts with regards to their investment policies and risk tolerance levels. All accounts at the Advisers are assigned to this reviewer.

## **B. Factors That Will Trigger a Non-Periodic Review of Advisory Client Accounts**

Reviews may be triggered by material market, economic or political events.

## **C. Content and Frequency of Regular Reports Provided to Advisory Clients**

Each Advisory Client and each investor in the Funds will receive at least monthly from the Advisers or the administrator of the Funds, a written report that summarizes the Client's account. A report on asset value will be provided annually once the third-party auditor reviews an account.

In addition, investors may be provided with certain information about the Advisers and the Funds 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 the Advisers is sufficient for its needs.

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

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Advisory Clients (Includes Sales Awards or Other Prizes)**

The Advisers do not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Advisory Clients.

## **B. Compensation to Non – Advisory Personnel for Advisory Client Referrals**

The Advisers do not directly or indirectly compensate any person who is not advisory personnel for client referrals.

# **Item 15: Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), the Advisers 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 Funds or their respective investors as long as: (i) the Funds are audited by an independent public

accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) the Advisers deliver such annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

### **Item 16: Investment Discretion**

The Funds are managed in accordance with their investment and trading objectives, as described in their offering documents and governing agreements. The Advisers generally do not permit investors in the Funds to impose limitations on the investment activities described in such documents

### **Item 17: Voting Client Securities (Proxy Voting)**

The Advisers have voting discretion over securities held in the Advisory Clients' accounts and Advisory Clients are not able to direct their votes in a particular situation. The Advisers' proxy voting policy and procedures are summarized below.

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

If a material conflict of interest arises in relation to a proxy, the Advisers will rely exclusively in making their voting decision on the recommendation of an independent third party that is experienced in advising investment managers regarding proxy voting decisions.

Upon request by a Client, the Advisers will disclose to such client how they voted proxies for securities owned by such Client. The Advisers will also provide a copy of their proxy voting policy and procedures to Clients upon request.

### **Item 18: Financial Information**

The Advisers are not required to include their balance sheets for their most recent fiscal year with this Brochure.