

# One Point Nine Management, LLC

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Form ADV, Part 2, our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940, is a very important document between Clients (you, your) and One Point Nine Management (us, we, our, the Firm). This Brochure provides information about our qualifications and business practices.

***This brochure provides information about the qualifications and business practices of One Point Nine Management. If you have any questions about the contents of this brochure, please contact us at 215-372-2305 or teds@onepointninecap.com. 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.***

***Additional information about One Point Nine Management also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.***

Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## Item 2 – Material Changes

1. This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
2. There have been no material changes as this is the first filing of the Firm’s ADV.

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## **Item 4 – Advisory Business**

### **Description of Advisory Services**

One Point Nine Management, Inc. (“OPNM”, “we” or “us”) filed to become registered as an investment adviser with the Securities and Exchange Commission (SEC) on May 11, 2020. We filed our Form ADV with the SEC in anticipation of being eligible for SEC registration within 120 days from the date of our initial filing. Our total assets under management as this filing is \$0. One Point Nine Management is a Delaware LLC and is owned by Kiwi Capital Management (55%), a Delaware LLC, REVL Capital Management (30%) a Delaware LLC, and AIM Partners (15%), a Delaware LLC.

We currently are the investment advisor to the OPN SBA TALF Fund I, LLC (the “Fund”), a private limited partnership which intends to utilize the Federal Reserve’s Term Asset Lending Facility to purchase agency and government guaranteed securities and loans, particularly SBA 7A loans. We specialize in investing in agency and government guaranteed loans and other securities containing agency and government guaranteed assets. Using information such as loan data, pre-payment assumptions, industry specific data, competitive dynamics, and other considerations, OPMN determines which assets to purchase for the Fund.

We have several Investment Adviser Representatives who do business at broker dealers discussed in Item 10 – Other Financial Industry Activities and Affiliations, below.

### **Asset Management Services**

The only current client of OPMN is the OPN TALF SBA Fund I.

The Fund will primarily invest the Fund’s assets primarily in asset-backed securities (“ABS”) collateralized by the government guaranteed portions of U.S. Small Business Administration-backed 7(a) program loans (“Eligible Securities”). Such assets constitute eligible collateral under the Term Asset-Backed Securities Loan Facility (“TALF”) offered by a special purpose vehicle created by the Federal Reserve (the “FED”). The full description of current and expected eligible collateral under the TALF, as well as other terms and conditions, is available on the TALF Website, which is expected to be updated from time to time to reflect changes in the TALF as determined by the FED. The TALF is designed to catalyze the securitization markets, which make credit available to consumers and small businesses, by providing financing to investors (such as the Fund) that will be non-recourse under most circumstances to support their purchases of Eligible Securities.

## **Item 5 – Fees and Compensation**

As the investment adviser to the Fund, we charge a management fee. This fee is a monthly asset-based management fee received from each Member of the Fund, calculated and payable monthly in advance as of the close of business on the first Business Day (normally 4:00 p.m. Eastern time) of each calendar month, in an amount equal to one-twelfth of twenty-five (25) basis points (0.025%) (or a lesser amount if certain Investing Members in the Fund pay lower management fees) of the Adjusted Net Asset Value (as defined in the OA) of the Fund or a given Series, as the case may be, multiplied by each Member’s Series Percentage.

### **Termination Provisions**

The only client of the advisor currently is the OPN TALF SBA Fund. The fund’s agreement with OPMN, including termination provisions, is governed by the investment management agreement in place between the fund and OPMN. OPMN has no other advisor agreements with individuals or other funds as of the last update of this ADV.

Please refer to Item 12 of this Brochure for more information.

### **Item 6 – Performance-Based Fees**

OPNM will not receive performance-based fees from the OPN SBA TALF I Fund.

### **Item 7 – Types of Clients**

Our only client at present is the OPN SBA TALF Fund I.

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

The Fund will primarily invest the Capital Contributions (as defined herein) received in respect of Series B Interests primarily in asset-backed securities (“ABS”) collateralized by the government guaranteed portions of U.S. Small Business Administration-backed 7(a) program loans (“Eligible Securities”). Such assets constitute eligible collateral under the Term Asset-Backed Securities Loan Facility (“TALF”) offered by a special purpose vehicle created by the Federal Reserve (the “FED”). The full description of current and expected eligible collateral under the TALF, as well as other terms and conditions, is available on the TALF Website (as defined below), which is expected to be updated from time to time to reflect changes in the TALF as determined by the FED. The TALF is designed to catalyze the securitization markets, which make credit available to consumers and small businesses, by providing financing to investors (such as the Fund) that will be non-recourse under most circumstances to support their purchases of Eligible Securities (as defined below).

The Fund intends to employ substantial leverage when purchasing Eligible Securities. Under the TALF, the FED will lend to each borrower an amount equal to the market value of the pledged Eligible Securities minus a “haircut,” or a percentage of the total purchase price which the borrower must finance itself. The haircut amount represents the equity required to be paid by the borrower to acquire Eligible Securities financed by the TALF. Collateral haircuts vary based on the type and quality of the assets backing the Eligible Securities and the average life of the Eligible Securities as shown in a “haircuts” matrix found on the TALF website at <https://www.federalreserve.gov/monetarypolicy/talf.htm>

which may be modified from time to time by the FED (the “TALF Website”). This means, for example, that if the Fund desires to purchase \$100 million of Eligible Securities with a haircut of 10%, the Fund would borrow \$90 million through the TALF and provide a “haircut” investment of \$10 million. The Fund intends to participate in the TALF financing available for Eligible Securities to the maximum extent permitted. All TALF loans are non-recourse except for breaches of representations, warranties and covenants, as specified in the applicable borrowing documents.

All loans under the TALF currently have a maturity of three years. The Fund will hold Eligible Securities that have an expected maturity date later than the maturity date of the applicable TALF loan. It is expected that maturity of Eligible Securities held by the Fund in respect of a Series of Interests will occur after the maturity of the applicable TALF loan.

The Fund’s borrowings from the TALF will be invested in a portfolio of asset-backed securities that are US dollar-denominated and that have a credit rating in the highest long term, or in the case of non-mortgage backed asset-backed securities, the highest short-term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations and do not have a credit rating below the highest investment-grade rating category from an eligible nationally recognized statistical rating organization. All or substantially all the credit exposures underlying Eligible

Securities must have been originated by a U.S. company, and the issuer of eligible collateral must be a U.S. company. All Eligible Securities must be issued on or after March 23, 2020.

The Fund may also use derivatives and other securities to hedge its exposure under certain circumstances, as part of the Investment Program Assets of a Series. The Fund intends to keep any usage of derivatives or futures products within the limits of Commodity Exchange Act Rule 4.13(a)(3) in order to be exempted from registration as a commodity pool operator. The Fund may also use cash, money market funds and instruments and similar investments to hold cash ending investment or distribution.

The TALF loans currently being offered by FED have a three (3) year maturity. However, the Fund currently expects that its investments in Eligible Securities financed by TALF loans will mature at a date later than three (3) years. The Fund may opt to refinance its TALF loans with other credit sources, if the Manager, in its sole discretion, determines that the opportunity presented is in the best interests of the Fund or a given Series; however, any such credit facility is unlikely to have the favorable financing terms of TALF and also such indebtedness is likely to be recourse to the Fund or applicable Series. The Risks of leverage are acute and investors must understand this as a precondition of investment. While leverage amplifies positive returns, it also can amplify losses if the markets move against the Fund's positions.

Any net cash flow (i.e., after payment of any fees and expenses and any required principal and interest payments to the FED) received from interest and principal payments on the investments in Eligible Securities, as well as cash from initial investments that the Fund is seeking to invest in Eligible Securities, may be invested in additional Eligible Securities through the TALF program or the other Investment Program Assets or be distributed to investors in the Fund. As discussed in further detail below, any such net cash flow may be reinvested until the termination of new loan originations by the TALF.

The Fund has been established with a specialized and focused investment program that is designed to enable the Fund to become a borrower of loans under TALF. TALF is a government-sponsored program, is temporary in nature, and is subject to the rules and interpretations of the FED, which may change over time. Moreover, the FED will have the discretion to deny loans to any investors, even when investors and the relevant collateral meet the eligibility criteria. In addition, the Manager may make amendments to the terms of the Fund and its investment program, if necessary, to conform to the TALF eligibility criteria and any applicable rules of the FED with respect thereto. TALF is being implemented in stages and it is likely that the TALF criteria, documents, rules and interpretations relating to how those rules are to be interpreted and applied, will change over time.

**Risk of Loss:**

No guarantee or representation is made that the Fund will achieve its investment objective. An investment in the Fund involves investment considerations and risk factors which prospective investors should consider before subscribing.

There are substantial risks of investing in the Fund that prospective Members should consider carefully. An investment includes risk of the loss of capital. Certain of the characteristics and risks of the portfolio instruments and investment techniques which the Manager may utilize in managing the Fund's investments are set forth below. Other risks that apply to the organization and operation of the Fund and its principals are also set forth below. Potential Members must make their own evaluation of the risk of investing in the Fund. However, this is not intended to be a complete description of portfolio instrument or risks. There is no assurance that the Manager's judgment will result in profitable investments nor is there any assurance that the Fund or any Series will not incur losses. The Fund's investment techniques entail substantial

risks, as described below. There can be no assurance that the Fund or any Series will achieve its investment objective or not lose capital.

**Risks Associated with the TALF Program:**

**Leverage and Financing-Related Risk.** The Fund intends to use leverage in the course of its investment operations, by drawing upon the TALF loans that are available using eligible collateral to secure such loans from the FED. While the collateral securing TALF loans is not required to be marked to market by the FED, it should be noted that the leverage will nevertheless have the effect of amplifying the fluctuations in the market value of the Fund's assets. The level of interest rates generally, and the rates at which the Fund, in particular, is able to borrow through TALF, will affect the Fund's operating results. As in the case of other leveraged investments, losses may result that exceed the amount of the capital or assets of the Fund. For SBA Pool Certificates (7(a) loans), the interest rate will be the top of the federal funds target range plus 75 basis points. For SBA Development Company Participation Certificates (504 Loans), the interest rate will be 75 basis points over the 3-year fed funds overnight index swap ("OIS") rate.

While collateral securing TALF loans is not required to be marked to market by the FED for purposes of the TALF loans, it should be noted that the potential for further disruptions in the market for the assets in which the Fund will invest still exists, and that upon the expiration of TALF loans there is a risk that the Fund could be subject to declines in valuations and liquidations to the extent leverage is employed and that investors in the Fund could lose all of their investment in the Fund. Moreover, the assets held by the fund will be valued periodically by the Manager in reliance on third party pricing services.

**General Economic Conditions and COVID-19 Pandemic.** From March 2020 through the date of this Memorandum, an extreme downturn in the credit markets, the global economy, and other financial markets, has developed and worsened, resulting in dramatic deterioration in the asset quality of many companies in the financial services industry and many ABS securities. These conditions, caused by the novel coronavirus (COVID-19) global pandemic that emerged in December 2019, have continued and, combined with declining business and consumer confidence and increased unemployment, have precipitated a deep economic recession and fears of a possible depression. It is difficult to predict how long these conditions will continue, whether they will continue to deteriorate and which markets, products and businesses will continue to be adversely affected. The success of the Fund may depend on the recovery of the economy and such markets and there is no assurance that these conditions will stabilize or improve so as to allow the Manager to pursue attractive investment opportunities. In addition, the market value and future performance of any ABS securities purchased by the Fund may be negatively affected by current economic conditions. In fact, the whole genesis of the TALF is to facilitate consumer and small business borrowing to enable the economy to recover. COVID-19 presents more than just a generic market risk that businesses may fail or markets may take longer to recover than anticipated. There is an expectation that government assistance will bridge the gap in economic activity to a recovery. There is no assurance that that bridge will be sustainable, or that a change in political control of various levels of government in an election year does not materially change the direction, timing, shape and robustness of a recovery. There is also the possibility of a boomerang pandemic if the measures taken to date do not eradicate the disease or reduce its impact. In short, COVID-19 presents an unpredictable risk to any investment strategy.

**Repayment and Refinancing Risk.** Although the Manager will endeavor to acquire collateral to secure TALF loans with an expected final payment date prior to the maturity date of the related TALF loan (although which may have a longer scheduled maturity date for rating purposes), there can be no assurance that the related collateral will in fact pay in full prior to its expected final payment date. In order to pay such TALF loan at maturity, the Fund may need to sell the eligible collateral or refinance it. There may be no or only a limited market for either the sale or refinancing of such collateral. Furthermore, the pledge of Eligible Securities as collateral to the FED to secure TALF loans may effectively impair or prevent the Fund from being able to sell such Eligible Securities in the secondary market without first pre-paying the TALF loan. If the Fund is unable to repay or refinance the TALF loan by its maturity date, the Fund may deliver a collateral surrender and

acceptance notice to the TALF custodian electing to surrender the eligible collateral in full satisfaction of its obligation under the TALF loan. The TALF loan shall become recourse to the Fund if it fails to deliver such notice.

**Inflation Risk.** The Fund anticipates that most of the securities purchased will be variable rate securities. Generally, inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Fund purchases a three year Eligible Security on which it can realize a coupon rate of five percent (5.0%), but the rate of inflation is six percent (6.0%), then the purchasing power of the cash flow has declined. Because the assets held will generally be floating rate pools and instruments, the Fund is not expected to be exposed to material inflation risk. To the extent that interest rates reflect the expected inflation rate, floating-rate bonds have a lower level of inflation risk.

**Risk of Default or Bankruptcy of Third Parties.** The Fund may engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. Recent disruption in the markets and negative perceptions about the short-term and long-term financial stability of a number of the third parties with which the Fund may do business, including brokerage firms and banks, could have a substantial negative affect on the Fund's performance. Despite the recent willingness of market regulators, including the FED, to take extraordinary actions in the face of market emergencies, a default or bankruptcy by any one of these third parties could result in substantial losses.

**Trading Costs.** The bid/offer spread on certain asset-backed securities ("ABS") may be considerably greater than the commissions or bid/offer spread on other fixed income securities. The Fund bears these costs regardless of its profitability. In order for the Fund or any Series to realize a net profit, its gross profits must exceed its costs, including brokerage commissions, the Management Fee and other costs, fees, expenses, liabilities and indemnities of the related Series or which may be reasonably allocated by the Manager to such Series in the Manager's sole discretion.

**Lack of Diversification.** The Fund is not limited in the amount of capital that it may commit to any type of asset class, and its investment program contemplates that the Fund will invest substantially all of its assets in ABS eligible for TALF loans. While the Manager intends to allocate the Fund's capital among a number of different ABS positions, it is not required to do so. Allocation of a large portion of the Fund's capital to one or a small number of ABS positions or types of ABS could increase risk because of the lack of diversification. Further, the Fund's portfolio may be concentrated in a particular issuer or strategy. The concentration of the Fund's portfolio in any one issuer or strategy would subject the Fund to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns. The Manager maintains investment policies that are tailored to the then current and reasonably foreseeable market conditions and believes these policies will mitigate concentration risk.

**TALF Requirements and Specialized Investment Program.** The Fund has been established with a specialized and focused investment program which is designed to enable the Fund to become a borrower of loans under TALF. TALF is a government-sponsored program, is temporary in nature, and is subject to the rules and interpretations of the FED, which may be modified by the FED throughout the TALF program and posted on the TALF Website. Moreover, the FED will have the discretion to deny loans to any investors, even when investors and the relevant collateral meet the TALF eligibility criteria. In addition, the Manager may make amendments to the terms of the Fund, any Series and its investment program, as applicable, if necessary, to conform to the TALF eligibility criteria and any applicable rules of the FED with respect thereto. TALF is being implemented in stages and it is expected that the TALF criteria (including, without limitation, the nature of TALF eligible collateral and TALF loan interest rates, haircut amounts and maturity dates), documents, rules and interpretations relating to how those rules are to be interpreted and applied, will change over time.

**Recourse Nature of TALF Loans in Certain Circumstances.** Under the TALF master loan and security agreement (as amended, restated or supplemented from time to time, the "MLSA"), the TALF loans may cease to be limited recourse, and



the FED will have recourse to the assets of the Fund with respect to a particular TALF loan or in respect to all of the Fund's obligations to the FED in certain circumstances, including the following: (i) the borrower is or becomes not an eligible borrower based on the criteria for eligible borrowers in effect at the time the loan was originated; (ii) certain of the borrower's representations and warranties are inaccurate with respect to enforceability of the TALF loan agreement against the borrower and pertaining to the eligibility of the borrower and the collateral including a perfected security interest with respect to the collateral; (iii) a payment is erroneously made by the issuer of the eligible collateral and is later reversed or the borrower receives principal relating to eligible collateral that includes a revolving period as to which an early amortization event has occurred and is continuing, in either case giving the FED reimbursement and repayment rights therefor under the MLSA against the borrower; or (iv) if, on or prior to the maturity date of the loan, the borrower has not delivered to the TALF custodian a collateral surrender and acceptance notice electing to surrender the collateral in full satisfaction of its obligations with respect to the loan. Borrower recourse survives the termination of the TALF loan agreement and payment in full of the borrower's obligations relating to the TALF loan. If any particular TALF loan ceases to be limited recourse, the interest payable by the Fund to the FED in respect of such loan shall increase by two percent (2%) per annum.

**TALF Requirements to Use Principal and Interest Receipts from Eligible Securities that would otherwise be Payable to the TALF Borrower to Repay Principal on TALF Loans in Certain Circumstances.** Unless otherwise provided in the MLSA, principal received on eligible collateral must be used immediately to reduce the principal amount of a TALF loan in proportion to the haircut amount/TALF loan advance amount. For example, if the original haircut was 10%, 90% of any principal received with respect to the eligible collateral must be used to pay down principal on the TALF loan.

In addition, with respect to eligible collateral that includes a revolving period, if an "Early Amortization Event" as defined in the MLSA occurs and is continuing (i.e. an event occurs that results in the commencement of principal payments on such eligible collateral during a period that would otherwise be the revolving period and/or if an event occurs after the revolving period which increases the amount of principal payments that would otherwise have been required to be made thereon or accelerates the timing of the making thereof), then 100% of the principal receipts with respect to such eligible collateral will be applied to reduce the TALF loan principal. If the borrower receives any such principal receipts while such an early amortization event exists, the borrower is obligated to repay the FED such amount promptly upon request to do so and if borrower fails to do so by the fifth business day preceding the next TALF loan payment date, the FED has the right to apply all interest receipts in respect of the applicable eligible collateral to repay such amount and such amount constitutes a recourse obligations of the borrower.

The application of such provisions of the MLSA to a particular TALF loan financing any Eligible Securities owned by the Fund will delay and reduce payments with respect to such Eligible Securities which would otherwise be received by the Fund and delay and reduce Available Cash.

**TALF Restrictions on the Exercise of Certain Voting, Consent or Waiver Rights.** The TALF program restricts the borrower from exercising any voting, consent or waiver rights with respect to each Eligible Security with respect to which an Early Amortization Event exists (including, without limitation, declaring or waiving an Early Amortization Event or recommencing a revolving period) without the prior written consent of the FED in its sole discretion.

**Failure of a Primary Dealer to Release Assets.** The Fund can only access the TALF loans through a primary dealer who, as agent for the borrower, will receive on behalf of the Fund all moneys and securities paid or released to the Fund by the FED. Once such moneys or securities are transferred to a primary dealer, the FED has fulfilled all of its obligations with respect thereto. The Fund therefore has a counterparty exposure to its primary dealers while such moneys and securities are held by the primary dealers and the primary dealers may fail to pay to the Fund any cash received under the TALF loans or collateral assets.

**Other Investments.** The Fund may invest its excess cash in U.S. government and agency obligations, certificates of deposit, money market funds, and other similar obligations, and derivative and hedging instruments, and such investments will not be subject to any limitation. Investments in private cash management investment funds will (and investments in special-purpose vehicles may) result in additional management fees (regardless of performance of the investment) and/or performance compensation at the level of the private investment fund or special-purpose vehicle. These fees will be borne on a pro rata basis by the Members.

**Bankruptcy Rules and other Laws may Limit the Remedies Available.** Operation of the federal bankruptcy code and related state laws may interfere with the ability of the loan servicer to foreclose upon collateral and to take other actions to enforce its remedies against the borrower that pledged property to support a loan purchased by the Fund.

**Call Option Risk.** Many bonds contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Fund is exposed to reinvestment rate risk – the Fund will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**“Spread Widening” Risk.** For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances, market illiquidity or other market forces), the prices of the securities in which the Fund invests may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even greater “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

**Future Governmental Regulations Impacting Participants in TALF.** It is possible that the U.S. government may implement new or additional rules or regulations governing participation in TALF and some of these rules or regulations may have retroactive effect. It is impossible to predict the scope or focus of any such new rules or regulations.

#### **Risks Associated with Asset Backed Securities:**

**Investments in TALF Eligible Collateral.** The Fund is intended to serve as a privately offered investment vehicle for making investments in ABS eligible to serve as collateral under the TALF program, and therefore intends to invest primarily in ABS issuances that are eligible to serve as collateral under TALF. ABS are debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Issuers of ABS are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators. ABS include, but are not limited to, securities for which the underlying collateral consists of certain SBA loans. Under current TALF eligibility criteria, the ABS credit exposure must be, for purposes of the Fund, certain small business loans that are guaranteed by the Small Business Administration, or eligible servicing advance receivables. It is possible the FED will expand the list of Eligible Securities to include additional categories of ABS. The Fund intends only to invest in loans guaranteed by the Small Business Administration, as discussed in this Memorandum. And ABS securities backed by such loans, whether created by the Fund or a Series of the Fund or otherwise available in the market. The TALF program allows other forms of ABS collateral; however, the Fund will focus exclusively on the SBA loans as noted above.

**Risk of Servicer Default.** ABS are complex financial instruments. The value and performance of ABS depend upon the actions of numerous transaction parties and the creation of the appropriate legal structure for the transaction as described herein. ABS are typically created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the ABS.

The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a trust or other special-purpose entity. Interests in, or other securities issued by, the trust or special-purpose entity, that give the holder thereof the right to certain cash flows arising from the underlying assets, are then sold to investors through an investment bank or other securities underwriter in a publicly registered issuance or private placement. ABS transactions include a servicer (which may be the originator of the collateral or an affiliate thereof) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for distributing such funds to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the assets in the pool. A servicer or other transaction party, such as a trustee, may default on its contractual obligations resulting in additional costs, such as increased servicing fees by a substitute servicer or a diminution in servicing performance, including higher delinquencies and defaults, any of which may have an adverse effect on the ABS.

**Fluctuations in Credit-Ratings.** A credit-rating agency will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows, credit enhancement and other attributes of the securities. The initial rating of an ABS security only addresses the likelihood of the payment of interest when due and the ultimate payment of principal by its legal maturity date. The ratings do not address the likelihood of the payment of principal on ABS on or before expected final payment dates nor do the ratings guarantee that ABS will never suffer losses or have a delay in payment. The ratings of ABS may be lowered or withdrawn entirely at any time by the applicable rating agency without notice of such change in rating. The market value of ABS could decrease if the ratings are lowered or withdrawn.

Often ABS issuances are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. The subordinated tranches must absorb credit losses on the collateral before losses can be charged to the senior tranches. The Fund will invest only in ABS eligible to be pledged as collateral to secure TALF loans. In accordance with the eligible collateral requirements of TALF ABS which is currently eligible to serve as TALF collateral must have a credit rating in the highest long-term or short-term investment-grade rating category from two or more major nationally recognized statistical rating organizations. Collateral will not be eligible if such credit ratings are based on a third-party guarantor, or if the ABS has been placed on review or watch for downgrade by a NRSRO. It is also possible that the TALF program may have lower rating requirements for other assets which may be financed with TALF loans in the future. There is no guarantee that ABS, however rated, will not suffer a credit loss or a delay in payment under all scenarios. If losses on the ABS owned by the Fund or any Series, as applicable, exceed the value of the subordinated tranches and any other credit enhancement related thereto, any additional losses will be allocated to the ABS owned by the Fund or any Series, as applicable.

**Prepayment Risk.** ABS and SBA loans may be backed by closed-end installment loans or revolving loans. The loans that form the pool of collateral for the ABS may have varying contractual maturities and may or may not represent a heterogeneous pool of borrowers. While the repayment stream on installment loans is determined by a contractual amortization schedule, prepayment risk still exists on these instruments. Prepayment can occur for a number of reasons, with most tied to the disposition of the underlying collateral.

**Prepayment risk arises from prepayments, repurchases or early termination of an ABS trust or an included SBA loan.** As a result, investors may not be able to reinvest the principal paid to them earlier than they expected at a rate of return that is equal to or greater than the rate of return on the ABS. Prepayments on the receivables by the related obligors and repurchase of the receivables by the depositor or the originator will shorten the life of the ABS to an extent that cannot be fully predicted. Further, the receivables included in the trust may be prepaid, in full or in part, voluntarily or as a result of defaults or for other reasons, such as a call- right. In most ABS transactions, the ABS trust may be terminated by a transaction party if the balance of the outstanding collateral remaining in the ABS trust is significantly reduced. However, under the TALF program no borrower may pledge ABS with a redemption option (other than a customer clean up call

exercised by the ABS servicer or depositor when the remaining assets or liabilities of the ABS issuer has declined below 10% (or by a higher percentage customarily used by the sponsor in its securitizations prior to TALF) of the original balance of such assets or liabilities) without acceptance of such redemption option from the FED. The rate of prepayments on the receivables may be influenced by a variety of economic, social and other factors in addition to those described above.

**Effects of Credit Enhancements.** ABS often use various forms of credit enhancements to transform the risk-return profile of the underlying collateral and to attempt to minimize the exposure of ABS to credit losses on the underlying collateral, including over-collateralization, senior-subordinate structures, reserve accounts and third-party credit enhancements. The rating of a third-party credit enhancement provider may affect the ratings of the ABS. If an ABS trust enters into any third-party credit enhancement arrangement, the rating agencies that rate the trust's ABS will consider the provisions of the arrangement and the rating of any third-party credit enhancement provider. If a rating agency downgrades the debt rating of any third-party credit enhancement provider, it is also likely to downgrade the rating of the ABS. Any downgrade in the rating of the ABS could have severe adverse consequences on their liquidity or market value. There is no assurance that the types of credit enhancement related to ABS will be sufficient to cover all losses.

**Regulatory Risks.** The United States Congress and the individual states could further regulate the consumer credit and SBA lending industry in ways that make it more difficult for the servicer to collect payments on the receivables, resulting in reduced collections. Such laws and regulations may, among other things, regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws and regulations may limit the servicer's ability to collect all or part of the principal of or interest on such loans, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issuance of ABS.

**Changes to federal or state bankruptcy or debtor relief laws may impede collection efforts or alter timing and amount of collections, which may result in acceleration of or reduction in payment on the ABS.** If an obligor sought protection under federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the obligor's obligations to repay amounts due on its receivable. As a result, that receivable would be written off as uncollectible. The ABS could suffer a loss if the related credit enhancement is insufficient to protect against such exposure.

**Risk of Bankruptcy Proceedings.** If the originator, the depositor or the servicer becomes subject to bankruptcy or insolvency proceedings, there could be losses or delays in the payments on the ABS. An ABS transaction has a legal structure designed to minimize the risks associated with a bankruptcy or insolvency proceeding but no assurances can be given that a court or regulator will respect the legal structure of the transaction in every instance. Holders of ABS are subject to the risk that a court or regulator in such proceeding may prevent payments on the underlying collateral from being distributed to the holders of the ABS and liquidate the underlying collateral in satisfaction of creditors' claims.

**Multiplicity of Roles.** Holders of ABS should recognize that the multiplicity of roles that may be played by a single company—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of companies. For example, an originator of the receivables (or an affiliated company) may also serve as servicer, administrator of the securities, underwriter, provider of liquidity and credit enhancer.

**Counterparty Risk.** ABS offerings are also subject to counterparty risk. If the ABS trust enters into a derivative instrument (such as an interest rate cap agreement, currency swap agreement or interest rate swap agreement), payments on the ABS will be dependent on payments made under the derivative instrument. In this regard, the amounts available to the issuing entity to pay interest and principal on all classes of the ABS will depend in part on the operation of the derivative instrument and the performance by the derivative counterparty under the derivative instrument. If the ABS trust does not receive the

payments it expects from the counterparty, the ABS trust may not have adequate funds to make all payments to holders of ABS when due, if ever.

**State Economic Conditions.** Economic conditions in states where obligors are located may result in delays and reductions in payments on ABS. An economic downturn in one or more of the states where concentrations of borrowers, consumers, dealers, manufacturers or distributors are located could adversely affect the performance of the trust as a whole, even if national economic conditions remain unchanged or improve, as borrowers, consumers, dealers, manufacturers or distributors in such state or states experience the effects of such a downturn and face greater difficulty in making payments on the receivables. Economic factors such as unemployment, interest rates and the rate of inflation may affect the rate of prepayments and defaults on the receivables and could delay and reduce payments on ABS.

**Specific Risks Associated with Small Business Loan Investing.** The Small Business Administration (“SBA”) guarantees the guaranteed portion of an underlying SBA 7(a) loan pursuant to one or more Small Business Administration Loan Guarantee Agreements (Deferred Participation) (SBA Form 750), between the related originator and the SBA, and pertinent SBA regulations found at 13 C.F.R. Part 120 of the Code of Federal Regulations (“Underlying SBA 7(a) Loan”). The related originator may hold the guaranteed portion of the Underlying SBA 7(a) Loan or may sell such guaranteed portion in the secondary market pursuant to one or more Small Business Administration Secondary Participation Guaranty Agreements (SBA Form 1086), among the related originator, the SBA and the purchaser of the guaranteed portion. The SBA’s Secondary Market Program Guide and pertinent SBA regulations may be found at 13 C.F.R. Part 120 of the Code of Federal Regulations. The SBA’s guarantee of the guaranteed portion of an Underlying SBA 7(a) Loan is in the nature of a purchase guarantee rather than a payment guarantee. The SBA guarantees to purchase from the registered holder the guaranteed portion of such Underlying SBA 7(a) Loan for an amount equal to the unpaid principal balance of the guaranteed portion of the Underlying SBA 7(a) Loan with accrued interest thereon as of the date of the SBA’s purchase, less deductions for applicable fees. Such guarantee may be called upon if (1) the borrower on such Underlying SBA 7(a) Loan defaults on any payment of principal or interest on such Underlying SBA 7(a) Loan, which default remains uncured for sixty (60) days, (2) the related originator fails to send to the SBA’s fiscal and transfer agent on a timely basis the payments it receives from the borrower, or (3) The SBA’s fiscal and transfer agent fails to send to such registered holder on a timely basis any payments it has received from such related originator. The SBA’s guarantee of each guaranteed portion is backed by the full faith and credit of the United States of America.

The amount and timing of receipts on the Underlying SBA 7(a) Loans will be affected by varying payment terms of those Underlying SBA 7(a) Loans (including but not limited to varying payment frequencies on such Underlying SBA 7(a) Loans (monthly, semi-annually, annually or otherwise)) and the rate of prepayments on the Underlying SBA 7(a) Loans. Typically, prepayment rates will increase as interest rates decline and will decrease as interest rates rise. There is no assurance, however, that prepayments of the Underlying SBA 7(a) Loans will conform to any particular prepayment percentages, and no representation is made that the Underlying SBA 7(a) Loans will prepay in accordance with the assumptions at any of the prepayment percentages identified by any prepayment standard or model or at any other particular prepayment rate, or that all the Underlying SBA 7(a) Loans will prepay in accordance with the assumptions at the same rate. Investors should note that prepayments on the Underlying SBA 7(a) Loans will reduce or terminate interest payments due on the Underlying SBA 7(a) Loans and, therefore, cause payments to the Fund, as holder of the Pool of U.S. Small Business Administration-backed (7a) program loans.

Furthermore, defaults by borrowers on Underlying SBA 7(a) Loans are the equivalent of a prepayment and an increase in default rates will reduce the amount of cash flow that is available to the Fund, as holder of the Pool. The Underlying SBA 7(a) Loans have been made to borrowers with differing credit profiles for use in different small businesses in geographic locations that may be diverse or concentrated. All of those factors, as well as the state of the economy in the particular geographic area, and competitors in the particular business segment and the skill and resources of the borrower may affect the default rate of the Underlying SBA 7(a) Loans and, consequently, the performance of the Pool. Upon a default by a

borrower of an Underlying SBA 7(a) Loan, the Fund will not be entitled to enforce rights and remedies against such borrower. Investors should note that defaults that result in repayment or repurchase obligations of the Underlying SBA 7(a) Loans will reduce interest payments due on the Underlying SBA 7(a) Loans and, therefore, cause payments to the Fund, as holder of the Pool, to be lower or zero if all of the Underlying SBA 7(a) Loans are repaid or repurchased.

**Payment speeds of the Underlying SBA 7(a) Loans will significantly affect the yield and average life of the Pool.** The Pool cash flow is principal and interest dependent upon the Underlying SBA 7(a) Loans remaining outstanding. In the event that prepayments and repayments or repurchases of the Underlying SBA 7(a) Loans increase, the average life of the Pool will shorten with significant ramifications on the realized yield on the Pool. Investments in Pool may not be as attractive in times of steadily increasing prepayments and repayments (due to defaults) and can produce negative yields in certain situations where such prepayments or repayments increase dramatically. Delinquent payments of interest on the Underlying SBA 7(a) Loans may result in payment delays.

In addition, The SBA is a United States government agency whose mission is to maintain and to aid, counsel, assist and protect the interest of small business concerns, to preserve free competitive enterprise and strengthen the overall economy of the United States. To that end, the SBA provides financing to small businesses. The most common program is operated by the SBA pursuant to Section 7(a) of the Small Business Act of 1953, as amended (the “Small Business Act”), pursuant to which loans are granted to small business concerns for a variety of purposes (the “SBA 7(a) Program”). Under the SBA 7(a) Program, the SBA does not lend money directly to small businesses, but instead provides loan guarantees for Underlying SBA 7(a) Loans made by regional partner lenders across the country that meet specified SBA guidelines. Accordingly, other factors that may affect the performance of the Pools include the following:

- Changes to legislation governing the SBA and SBA related activities are unknown and may adversely affect the SBA market and, as a result, investments in the Pools;
- Changes to the Financial Accounting Standards Board guidelines may affect the supply and demand in the SBA 7(a) Loan market;
- Changes to the guarantee components of the SBA 7(a) Program could lead to an increased loss of cash flow available to pay the Pool. The ongoing credit worthiness of the U.S. government is unknown and should be considered a risk factor because it acts as a guarantor.

#### **Other Risks:**

**Hedging Transactions.** The Investment Manager may, in its sole discretion, engage in various transactions on behalf of the Fund to seek to hedge the Fund’s assets against movements in the capital markets, interest rates, credit spreads and exchange rates between currencies by the use of options, futures, options on futures, swaps, and other derivative instruments.

The success of the Fund’s hedging strategy will be subject to the Investment Manager’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund’s hedging strategy will also be subject to the Investment Manager’s ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transactions.

**Increased Competition for Eligible Securities.** There currently is, and there is expected to continue to be, a high demand for investment vehicles and accounts that purchase investments similar to those to be purchased by the Fund. Accordingly, there is likely to be an increase in the number of, and flow of capital into, such investment vehicles and accounts. While

the precise effect cannot be determined, such increase may result in greater competition for Eligible Securities. Each investor should understand that the Fund may compete with such investment vehicles and accounts, as well as investment and commercial banking firms, which have substantially greater resources, in terms of financial wherewithal and research staffs, than may be available to the Manager.

### **Item 9 – Disciplinary Information**

We do not have any legal, financial, or other “disciplinary” item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us. This statement applies to our Firm, and every employee.

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

Most of our management persons are registered representatives of a broker-dealer:

John Antolik, our President, is a registered representative of J. Alden Associates, Inc.

Dimitrios Papatheoharis, our Chief Investment Officer, is a registered representative of Revl Securities, LLC.

Ted Swansen, our Chief Compliance Officer, is a registered representative of Revl Securities.

We are also an affiliate of One Point Nine Capital, LLC, the Manager of the Fund. Our employees may be part of portfolio management teams serving numerous accounts for multiple clients. These client accounts may include registered investment companies, other types of pooled accounts, hedge funds, private funds or collective investment funds, and separate accounts (i.e., accounts managed on behalf of individuals or public or private institutions). A summary of certain potential conflicts of interest is provided below. Please note, however, that this summary is not intended to describe every possible conflict of interest that members of the portfolio management teams may face.

**Potential Conflicts Relating to the Interests of Portfolio Management Teams and the Manager.** The Manager may have different compensation arrangements with different advisory clients (e.g., some clients, such as hedge funds, may pay higher management fees than are paid by other advisory clients and/or incentive compensation based on the investment performance of the clients) and each advisory client may be more or less profitable to the Manager than other advisory clients (e.g., clients also may demand different levels of service or have larger, smaller or multiple relationships with the Manager and/or its Affiliates). The Manager may compensate portfolio management team personnel differently depending on the nature of a client’s account. Portfolio management team personnel also may make personal investments in accounts that they manage or support.

If other advisory clients utilize a management fee structure that could result in higher fees or are otherwise possibly more profitable relationships for the Manager than the Fund, or if the management of such clients could result in potentially higher compensation to the portfolio management team members, or if the members of the portfolio management team make personal investments in certain client accounts, the portfolio management team members may have the incentive to direct a disproportionate amount of: (i) their attention; (ii) limited investment opportunities, such as less liquid securities or initial public offerings; and/or (iii) desirable trade allocations, to such accounts.

**Potential Conflicts Relating to Managing Multiple Advised Accounts.** Even if there is no financial or other advantage to members of the portfolio management team or the Manager, portfolio management teams managing assets for multiple clients must make decisions that could be deemed to benefit some clients more than others, or benefit some clients to the detriment of others. For example, a portfolio management team managing assets using different investment strategies will need to allocate limited resources, such as their attention, investment opportunities and/or desirable trade allocations, among clients with different or competing interests. In addition, a portfolio manager may be in a position to make an

investment that is appropriate for one client, but not appropriate for or against the interests of another client. For example, certain clients may seek more speculative investments that would not be appropriate for some other clients.

**Potential Conflicts Relating to the Manager.** The Manager could, at times, compete with certain of its affiliates, including its control person(s), for investments for the Fund, subjecting the Manager to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Fund's behalf. The Manager or its control person(s) will receive management and other fees from the other entities it manages or its affiliates or control persons manage. If there are different fees, commissions, or other costs or opportunities, the Manager or its control persons or affiliates could have an incentive to favor other entities or persons when competing for investment opportunities.

The Manager has adopted and implemented numerous compliance policies and procedures, including Codes of Ethics, brokerage and trade allocation policies and procedures and conflicts of interest procedures, which seek to address the conflicts associated with managing multiple accounts for multiple clients. In addition, the Manager has a designated Chief Compliance Officer (selected in accordance with the federal securities laws) as well as dedicated compliance staff whose activities are focused on monitoring the compliance policies and procedures of the Manager in order to detect and address potential and actual conflicts of interest. The Manager may also establish an investment committee to provide oversight of any actual or potential conflicts of interest. Furthermore, senior personnel of the Manager periodically review the performance of all portfolio managers. For example, the Manager shall allocate the investment opportunities in Eligible Securities pro-rata among each Series to the extent the investment opportunity is appropriate as determined by the Manager in its sole discretion. However, there can be no assurance that the compliance programs of the Manager will achieve their intended result.

### **Item 11 – Code of Ethics**

As required by regulation and because it is good business, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our Client (or Prospective Client) and to drive home a culture of compliance within our firm.

An additional benefit of our Code is to detect and prevent violations of securities laws, including our obligations we owe to you.

Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and on-going monitoring of employee activity.

Our Code includes the following:

- Requirements related to the confidentiality of your information;
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information);
  - Rumor mongering;
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call “reportable securities” as mandated by regulation); and,



- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership (they “own” the account or have “authority” over the account), securities held in certificate form and all securities they own at that time).

Our Code does not prohibit personal trading by employees (or our firm). As you may imagine, as a professional investment adviser, we follow our own advice. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an employee or related account but not suitable for any client, including you) at the same time that we place transactions for your account and the accounts of our other Clients. We will not put our interests first in doing so by trading ahead of client orders to obtain a better price.

You may request a complete copy of our Code by contacting us at the address, telephone, or email on the cover page of this Part 2; attn.: Ted Swanson, Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

### **General Considerations:**

We have established a relationship with Wells Fargo Securities, LLC and Cantor Fitzgerald & Co. to provide transaction execution for the Fund. We have established a relationship with Bank of New York Mellon to provide custodial services. We may establish other such relationships with additional firms in the future.

The general considerations that we use in selecting the brokerage firms include:

- Ability to provide quality service
- Financial stability and viability
- Industry reputation
- Ability to provide quality reports
- Availability of an efficient trading platform
- Products and services available
- Technology resources
- Educational resources
- Execution capability
- Confidentiality and security of your information
- Responsiveness
- Other factors that may bear on the overall evaluation of best price and execution

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

We currently do not receive soft dollar benefits.

## **Item 13 – Review of Accounts**

We review transactions in the OPN SBA TALF Fund on a daily basis. Reviews are conducted by at least one of the following individuals:

- Tom Tadley, Advisory Representative

- Dimitrios Papatheoharis, Advisory Representative
- John Antolik, Advisory Executive
- Ted Swanson, Compliance Officer

Investors in the fund receive statements at least quarterly from the fund's administrator.

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

We may also receive benefits from product vendors. These vendors may provide us with monetary and non-monetary assistance with client events and provide educational tools and resources in connection with retirement educational presentations. We do not select products based on this assistance.

#### **Item 15 – Custody**

Bank of New York Mellon will serve as the custodian of the OPN SBA TALF Fund I. However, because all Eligible Securities will be pledged to collateralize the TALF loans, such securities will be delivered by the fund's primary dealer(s) or such other entity authorized to deliver the same under the TALF program to the FED's custodian against payment of the TALF loan proceeds. The Manager may select a different custodian in its sole discretion.

#### **Item 16 – Investment Discretion**

One Point Nine Management has full investment discretion over the OPN SBA TALF Fund I.

#### **Item 17 – Voting *Client* Securities (i.e., Proxy Voting)**

It is not anticipated that the OPN SBA Fund I will own any securities that require client voting.

#### **Item 18 – Financial Information**

There is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to you. We have not been the subject of a bankruptcy petition and neither have any of our Investment Advisor Representatives.