

FORM ADV PART 2A: FIRM BROCHURE

AP COMMERCIAL LLC

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This brochure (the “Brochure”) provides information about the qualifications and business practices of AP Commercial LLC (“AP Commercial”).

This Brochure relates to advisory services provided by AP Commercial to clients that participate in the Commercial Loan Program (as further described herein) managed by AP Commercial.

If you have any questions about the contents of this Brochure, please contact us at (301) 232-5400. 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.

AP Commercial is registered with the SEC as an investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about AP Commercial also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Set forth below is a discussion of the material changes to AP Commercial's Brochure since the last annual update to the Brochure relating to AP Commercial's Commercial Loan Program and separately managed accounts and collateral management services, which was filed with the SEC on March 19, 2015. Capitalized terms used in this Item 2 without definition have the meanings set forth elsewhere in this Brochure.

- **Changes to Client Composition.** AP Commercial has modified this Brochure to describe a new arrangement with a third-party finance company ("FinCo"), pursuant to which each party has the option to make available for purchase by the other party loans it sources or acquires. AP Commercial acts as the subservicer with respect to any loans it sources for, and that are purchased by, FinCo. AP Commercial also has revised its Brochure to reflect that it is not currently providing collateral management and servicing services to clients, but may do so again in the future.
- **Voting Client Securities.** AP Commercial has updated its disclosures to reflect certain revisions to the voting arrangements for members of BancAlliance (as defined herein).
- **Regulatory Assets Under Management.** AP Commercial has updated its disclosures under Item 4 – Advisory Business to reflect that, as of September 30, 2015, AP Commercial had approximately \$98 million of discretionary regulatory assets under management and approximately \$1,201 million of non-discretionary regulatory assets under management.

AP Commercial will provide clients with a summary of any material changes to this Brochure since AP Commercial's last annual update to the Brochure within 120 days of the close of AP Commercial's fiscal year end. AP Commercial may provide additional interim disclosure about material changes, if warranted.

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ITEM 4: ADVISORY BUSINESS

This Brochure describes AP Commercial's provision of:

- (i) advisory and other services to FDIC-insured depository institutions (or affiliates or holding companies of such institutions) that have become parties ("Members") to the membership agreement (the "Membership Agreement") of BancAlliance Inc., a Maryland non-stock corporation ("BancAlliance"), to participate in the Commercial Loan Program (as described herein) managed by AP Commercial; and
- (ii) advisory and other services to institutional accounts that may participate in the Commercial Loan Program and are advised or subadvised by AP Commercial (referred to herein as "Managed Account Clients").

In addition, this Brochure describes advisory services, including collateral management and servicing, that AP Commercial has provided in the past and may provide in the future to investment vehicles owning Loans and interests in Loans (as defined below), including, without limitation, loan investment programs ("Managed Funds"), special purpose vehicles for collateralized loan obligations ("CLOs") and other investment accounts (referred to herein collectively as "Collateral Management Clients"). This Brochure also describes AP Commercial's provision of certain non-advisory services to Members that may participate in the Consumer Loan Program (as described herein) and other loan programs that may be implemented in the future.

B. General Description of Advisory Firm

AP Commercial is a Delaware limited liability company that was organized in 2011. AP Commercial's principal owner is Alliance Partners LLC. Alliance Partners LLC has engaged in its business since May 2011.

C. Advisory Services

Introduction

BancAlliance Members

Through BancAlliance, AP Commercial makes the Commercial Loan Program available to Members, under which Members have the opportunity to acquire participation interests in Loans that AP Commercial believes meet the loan eligibility criteria adopted from time to time by the Board of Directors of BancAlliance. Members include community and regional banks or their holding companies in the United States. AP Commercial expects that all Members will be regulated by U.S. federal and state banking regulatory authorities with jurisdiction over the Members' activities. AP Commercial provides certain advisory services to the Members and certain administrative services to BancAlliance and the Members, in each case pursuant to an advisory and services agreement (an "Advisory and Services Agreement") among BancAlliance, AP Commercial and the Members.

AP Commercial provides advisory services to Members on a non-discretionary basis. This means that each Member decides whether or not to purchase for its portfolio any Loan referred to it for consideration by AP Commercial. AP Commercial, as the Members' investment adviser, has no authority to cause a Member to acquire or dispose of any Loan.

Managed Account Clients

AP Commercial also makes the Commercial Loan Program available to Managed Account Clients. Managed Account Clients may include financial institutions, endowments or pension funds. AP Commercial provides certain advisory and administrative services to Managed Account Clients pursuant to an agreement with each such client (each, an "Advisory and Services Agreement"). AP Commercial may provide advisory services to its Managed Account Clients on a non-discretionary or discretionary basis as set forth in the Advisory and Services Agreement for each Managed Account Client.

Subservicer Arrangement

AP Commercial has an arrangement with FinCo, pursuant to which AP Commercial has the option to make available for purchase by FinCo Loans it sources. Additionally, FinCo may make available for purchase by AP Commercial loans that it originates. AP Commercial has no authority to cause FinCo to acquire or dispose of a loan other than AP Commercial's option, subject to certain limitations, to repurchase for the benefit of its other clients all or any portion of a Loan it sources on behalf of FinCo.

AP Commercial acts as the subservicer for the Loans it sources that are purchased by FinCo or an affiliate thereof and provides certain advisory and administrative services to FinCo. Affiliates of FinCo are equity investors in AP Commercial and hold warrants to purchase significant additional equity interests in AP Commercial if certain conditions are met, including among other things, the satisfaction of certain loan purchase thresholds by FinCo and AP Commercial.

Future Developments -- Collateral Management

AP Commercial has acted, and may in the future act, as the collateral manager and servicing agent (the "Collateral Manager") for a Managed Fund, and it may act as the Collateral Manager for other Managed Funds, CLOs and investment accounts on behalf of Collateral Management Clients. AP Commercial also may provide advisory and administrative services (the "Loan Management Services") to these Collateral Management Clients. Such services will be provided pursuant to agreements between AP Commercial and each client and other multi-party governing documents (collectively, a "Collateral Management Agreement"). These documents will be negotiated prior to the commencement of each advisory relationship between AP Commercial and the client.

Other Future Developments

AP Commercial may from time to time expand its activities to offer additional programs and services to Members, Managed Account Clients, or other clients. As appropriate, such expansion would be accompanied by necessary amendments to the relevant legal agreements, or new legal

agreements. Any material expanded services AP Commercial offers will be described in an amendment to this Brochure and/or one or more separate Brochures.

The Commercial Loan Program

AP Commercial makes available to Members and certain Managed Account Clients a program (the “Commercial Loan Program”) under which its clients have the opportunity to acquire participations or other interests (collectively, “Loan Participations”) in loans, capital leases, pools of such loans or leases, and comparable financial instruments (including assignments thereof, “Loans”) that AP Commercial believes meet both its loan eligibility criteria and the eligibility requirements established by the respective client (collectively, the “Loan Eligibility Criteria”).

AP Commercial has primary responsibility for administering the Commercial Loan Program. As further described below, AP Commercial provides Loan Management Services to clients (and, with respect to Members, certain administrative services to BancAlliance) in connection with interests acquired by such clients through the Commercial Loan Program. Such services are provided to Members and Managed Account Clients pursuant to an Advisory and Services Agreement between AP Commercial and each client.

Purpose

AP Commercial has established the Commercial Loan Program to provide clients with opportunities to purchase Loan Participations to which the clients, due to their size, maximum loan size limitations, staffing or other factors, typically would not otherwise have access. The Loans will generally be commercial loans and capital leases, either originated or acquired by BancAlliance or AP Commercial (or an affiliate thereof) and made available to clients. The Loans acquired on the secondary market generally are expected to be acquired at par or near-par value. The Commercial Loan Program is designed to enable clients to supplement and diversify their historical lending activities; accordingly, clients are generally expected to hold their acquired Loan Participations until maturity or repayment of the underlying Loans.

Role of AP Commercial

Under the applicable Advisory and Services Agreement, AP Commercial identifies, reviews and, in appropriate cases refers to its clients, opportunities to acquire Loan Participations with respect to Loans that AP Commercial believes initially satisfy the Loan Eligibility Criteria. If a client acquires a Loan Participation, AP Commercial will provide ongoing Loan Management Services to the client regarding the Loan Participation and the underlying Loan. The services provided by AP Commercial to clients in connection with the Commercial Loan Program are described in greater detail below in this Item 4.B.

Loan Eligibility Criteria and Sourcing

Any Loan opportunity referred to clients is expected to meet the then-applicable Loan Eligibility Criteria. A Loan opportunity will generally be referred to clients only after being preliminarily approved by the credit committee of AP Commercial.

AP Commercial (or its affiliate) intends to originate Loans or to acquire Loans in the primary and secondary markets, including through contractual programs with lenders and FinCo. AP Commercial generally expects to have lender-of-record status with respect to any Loan that it acquires or originates, either through an affiliate or through a Lending Entity (defined below).

Client Acquisition of Loan Participations

A non-discretionary client interested in acquiring a Loan Participation in a particular Loan will be required to make a binding commitment to acquire such Loan Participation based on procedures established by AP Commercial from time to time. These commitment procedures may entail each interested client providing AP Commercial with a range of possible allocation sizes that the client is willing to accept.

AP Commercial (or an affiliate thereof) may originate or acquire Loans prior to receiving binding commitments or nonbinding indications of interest from clients. Alternatively, AP Commercial (acting on behalf of clients or itself) may arrange for the origination or acquisition of a Loan only after receiving binding commitments or nonbinding indications of interest from clients which, in the judgment of AP Commercial, indicate that sufficient demand for the Loan exists.

In addition, AP Commercial (or an affiliate thereof) may make available for purchase by clients Loan Participations in Loans it holds that, in the judgment of AP Commercial, continue to satisfy the Loan Eligibility Criteria. Further, AP Commercial may make available for purchase by clients Loan Participations in only a portion of a particular Loan it holds, and the respective portions of a Loan retained by AP Commercial and made available for sale as Loan Participations may vary depending on the nature of the Loan, expected demand for the Loan, or other factors. For example, AP Commercial may offer to its clients the opportunity to purchase a Loan Participation in various tranches of a Loan it holds that is disproportionate to the interest in each tranche retained by AP Commercial or sold to other clients.

The lender of record with respect to the Loans in which clients acquire Loan Participations will generally be either an affiliate of AP Commercial or an entity created for the benefit of a client or a group of clients (a “Lending Entity”). For instance, with respect to commercial loans in which Loan Participations are acquired by Members, it is expected that BancAlliance will typically be the ultimate lender of record. For other types of Loans and for other types of clients, an alternative legal structure may be adopted.

AP Commercial may sell a Loan to BancAlliance or another Lending Entity at a price other than the price paid by AP Commercial for the Loan. The purchase price will be determined by AP Commercial and generally will include an amount to compensate AP Commercial for the costs associated with acquiring the Loan, including estimated costs and risks of owning and financing the Loan while it is held by AP Commercial or its affiliate pending distribution to the client. AP Commercial will not sell a Loan at a price greater than fair value.

For purposes of effecting the settlement of any such transactions, a Loan may be originated (including through referrals from clients) or acquired by AP Commercial (or an affiliate thereof) and subsequently assigned by AP Commercial (or its affiliate) to a Lending Entity. In such

situations, interests in the Loan may be transferred initially through the interim sale of a Loan Participation to the Lending Entity. In such situations, once some or all clients have acquired their respective Loan Participations from the Lending Entity, the Loan will be assigned to the relevant Lending Entity. This may result in clients temporarily holding an equivalent subparticipation interest for an interim period during the settlement process.

With respect to Members, AP Commercial has committed, pursuant to the terms of a master loan participation agreement with BancAlliance, to acquire for its own account a minimum interest in each Loan Participation acquired by the client. This commitment may be satisfied by AP Commercial (or an affiliate) acquiring an interest in the Loan Participation or a direct interest in the underlying Loan. AP Commercial may make similar commitments to other clients pursuant to the applicable Advisory and Services Agreement.

It is intended that any Lending Entity, while ultimately remaining the lender of record or record holder of all Loans underlying the corresponding Loan Participations, will not itself retain any net beneficial interest in those underlying Loans. Beneficial interests in the Loans instead will be held by the clients and by AP Commercial (or an affiliate thereof). The Lending Entity in effect will be a nominee holding only record ownership of each Loan.

Any Loans sourced by AP Commercial for FinCo generally are expected to be acquired by FinCo at par or near-par value. FinCo may sell a Loan to an AP Commercial affiliate for the benefit of AP Commercial's clients at a price other than the price paid by FinCo for the Loan. Although the purchase price generally will include an amount to compensate FinCo for the costs associated with acquiring the Loan, AP Commercial does not expect the purchase price to exceed the price that it otherwise would sell a Loan to BancAlliance or another Lending Entity. Neither BancAlliance nor a Lending Entity will purchase a Loan from FinCo on behalf of its Members or Managed Account Clients, or sell a Loan to such clients, at a price greater than fair value.

Allocations

As discussed in Item 11 under the caption "Allocation," AP Commercial has adopted policies with respect to the Commercial Loan Program governing the allocation of Loans among interested Members and Managed Account Clients. Pursuant to this policy (and consistent with direction provided by the Board of Directors of BancAlliance), AP Commercial may treat demand for Loans from each Managed Account Client individually and demand from Members as a collective allocation pool, and allocate a single amount to each Managed Account Client and a single amount to Members collectively. Alternatively, AP Commercial may treat demand for Loans from Members and Managed Account Clients together as one allocation pool and allocate those Loans among the Members and Managed Account Clients. Currently, AP Commercial treats Members and Managed Account Clients (other than FinCo, as described in more detail below) together as one allocation pool. Where significant client demand exists for a particular Loan, it is possible that individual clients (or Members as a collective) will not be allowed to acquire a Loan Participation as large as that for which they committed or, in some cases, any Loan Participation at all.

AP Commercial may source for FinCo a Loan prior to receiving binding commitments or nonbinding indications of interest from Members and other Managed Account Clients. If,

following the purchase of a Loan by FinCo, AP Commercial receives binding commitments from Members or other Managed Account Clients, AP Commercial will repurchase for the benefit of AP Commercial's other clients an amount of such Loan from FinCo equal to those binding commitments. AP Commercial intends to purchase for the benefit of its other clients any such Loan from FinCo for the fair market value of the Loan. Simultaneously with such purchase, the Loan would be allocated to Members and Managed Account Clients (other than FinCo) in accordance with AP Commercial's allocation policy. See Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading -- Allocation".

To the extent any Collateral Management Client were to seek to participate in the Commercial Loan Program, it would first enter into an appropriate Advisory and Services Agreement and, with respect solely to its participation in the Commercial Loan Program, would similarly be subject to the allocation policy as described above. Collateral Management Clients may collectively comprise a separate allocation pool under the allocation policy.

Manager Discretion

Currently, AP Commercial has no discretionary authority on behalf of clients with respect to the acquisition or disposition of any Loan Participations pursuant to the Commercial Loan Program. However, AP Commercial generally has the option, subject to certain limitations, to repurchase for the benefit of its other clients all or any portion of a Loan it sources on behalf of FinCo. Each client will independently evaluate and make a case-by-case, independent decision whether to accept any Loan opportunities referred to it by AP Commercial. No client will be obligated to acquire any Loan Participation. AP Commercial has discretionary authority on behalf of its affiliates with respect to the acquisition or disposition of their proprietary assets.

Member Classification Framework

AP Commercial affords Members participating in the Commercial Loan Program the ability to obtain different benefits and to receive certain fee discounts depending on their member classification. The different tiers of membership are based on designated levels of participation in the Commercial Loan Program, as follows:

- *Premier Members.* A premier Member (a "Premier Member") either has participated in 16 or more Loans in the last 12 months or has outstanding Loan Participations with an aggregate principal amount of \$30 million or greater or in excess of 7.5% of the Member's total assets. Premier Members receive certain fee discounts as well as additional reporting information from AP Commercial. See Item 5 and Item 13 below. Officers of Premier Members also are eligible for nomination to the Bank Alliance board of directors.
- *Select Members.* A select Member (a "Select Member") has (i) participated in eight or more Loans in the last 12 months, (ii) outstanding Loan Participations with an aggregate principal amount of \$20 million or greater or in excess of 5.0% of the Member's total assets, or (iii) participated in four or more Loans within six months of joining BancAlliance. Select Members receive certain fee discounts as well as additional

reporting information from AP Commercial. See Item 5 and Item 13 below. Officers of Select Members also are eligible for nomination to the Bank Alliance board of directors.

- *Standard Members.* A standard Member (a “Standard Member”) has (i) participated in one or more Loans in the last 12 months, (ii) joined Bank Alliance in the last 12 months, or (iii) paid to AP Commercial a \$15,000 Access Fee (as defined below) in the last 12 months. Standard Members receive no fee discounts.

A Member with no commitments in the last 12 months that paid no Access Fee in the last 12 months to AP Commercial is considered an inactive Member. Inactive Members must pay to AP Commercial an Access Fee before they can become a Standard Member. Inactive Members receive limited access to Loan opportunities.

The assessment of a Member’s level of participation for purposes of determining its membership classification is made by AP Commercial on a rolling basis.

Advisory and Other Services Provided by AP Commercial in Connection with Commercial Loan Program

Under the applicable Advisory and Services Agreement, AP Commercial acts as the manager of the Commercial Loan Program. AP Commercial provides advisory services to Members and Managed Account Clients (“Commercial Loan Program Advisory Services”) to assist them in evaluating Loan opportunities under the Commercial Loan Program. AP Commercial also provides Loan Management Services with respect to the outstanding Loan Participations held by such clients. Lending Entities, such as BancAlliance, neither provide advisory services to the clients or other persons, nor receive advisory services from AP Commercial.

Commercial Loan Program Advisory Services

Commercial Loan Program Advisory Services consist of credit evaluation, origination services, loan management and ongoing advisory services; and, with respect to Members, education and training services.

Asset referral and related services include: (1) developing and recommending to clients policies and procedures pertaining to specific credit asset classes, credit evaluation, portfolio management, risk rating, workouts and restructurings, and other policies related to clients’ management of their Loan Participations; (2) identifying, and where appropriate, referring Loan opportunities to the clients that AP Commercial believes are consistent with the Loan Eligibility Criteria; and (3) providing appropriate related services, including (i) delivering documents to clients with respect to Loan opportunities in a manner to facilitate each client’s independent credit evaluation and decision-making, (ii) providing regular updates to clients on new Loan opportunities and the progression of previously identified Loan opportunities through AP Commercial’s internal evaluative processes and (iii) providing regular analyses and updates to clients concerning overall market conditions and asset opportunities.

Credit evaluation and origination services include: (1) providing due diligence, credit evaluation and documentation support to clients consistent with the Loan Eligibility Criteria, including providing upon a client’s request material available information relating to a proposed obligor,

the recommendation of the AP Commercial credit committee on risk ratings with respect to proposed obligors and recommendations or opinions of AP Commercial with respect to the terms and documentation of a Loan opportunity; (2) facilitating the closing and funding of approved Loans; (3) conducting periodic reviews of the performance and credit quality of the Loan Participations; (4) informing relevant clients, where deemed appropriate by AP Commercial, about adjustments to risk ratings made by AP Commercial in its portfolio with respect to the applicable obligors; (5) making available to clients relevant reports and analyses with respect to a Loan or the related obligor; and (6) to the extent required by applicable bank regulatory requirements in connection with the Commercial Loan Program Advisory Services, providing required technological systems.

Education and training services include the provision of general education and training services to Members relating to overall economic, market and regulatory conditions and the Commercial Loan Program-related activities. Additionally, through Alliance Academy, AP Commercial provides live, onsite courses on specific types of loan products offered by AP Commercial to Premier Members. Select Members also have access to all Alliance Academy content, and Standard Members have limited access to the Alliance Academy content.

Loan Management Services

Loan Management Services consist of servicing, monitoring and other services, and reporting and examination services.

Servicing, monitoring and other services include: (1) effecting the acquisition of Loans in which clients have elected to acquire Loan Participations; (2) collecting payments due to the relevant Lending Entity with respect to Loans and disbursing such payments to the clients holding the related Loan Participations; (3) using commercially reasonable efforts to enforce the rights of the Lending Entity (and thus of relevant clients with corresponding Loan Participations) under applicable Loan documents, including provisions relating to payments and any collateral; (4) keeping accurate records and accounts of Loan assets, the collateral and payments on such Loan assets; (5) making available to relevant clients notices, financial statements and reports of obligors that AP Commercial receives under the relevant credit documents; (6) making commercially reasonable efforts to verify obligors' compliance with covenants, representations and warranties, and restrictions on eligible collateral under the relevant credit documents; (7) providing relevant clients with notice when an obligor has not paid any scheduled installment of principal or interest on a Loan, or when AP Commercial receives notice of a default or event of default under the relevant credit documents; (8) communicating with an obligor or administrative agent under the relevant credit documents to reconcile any payment shortfalls; (9) subject to any limitations set forth in the underlying Loan or assignment documents, exercising voting and other consensual rights under a Loan in accordance with applicable AP Commercial or client policies and any requirements of the applicable Loan Participations (including in respect of proposed waivers, amendments, workouts and other actions under the applicable credit documents); (10) maintaining or causing to be maintained back-up systems and data storage; (11) maintaining bank accounts for or on behalf of Lending Entities that are necessary to service payments on the Loans; (12) maintaining copies of credit documents; and (13) fulfilling the obligations of AP Commercial expressly imposed on it under written agreements with respect to particular Loans.

Reporting and examination services include: (1) upon reasonable notice, providing clients with access to the Loan booking, accounting and monitoring system operated by AP Commercial; (2) providing clients with periodic reporting based on information AP Commercial receives under the relevant credit documents setting forth balance information with respect to relevant Loans, including delinquency reports, payment information, exception reports and other information; (3) furnishing any client upon request with a copy of any correspondence or notice sent or received by AP Commercial related to the collection or termination of a Loan in which the client holds a Loan Participation; (4) furnishing any client upon request with copies of all statements and other correspondence or notices sent to any relevant obligor; and (5) cooperating with a client's internal and external auditors and regulatory authorities having jurisdiction over such client, and exchanging information as reasonably requested by individuals responsible for such client's operations, systems and technology, legal affairs and compliance programs.

Future Collateral Management Services

AP Commercial in the future may provide investment advisory, collateral management and related services to Collateral Management Clients with interests in Managed Funds and to CLOs and other investment accounts. Based on the preferences of each collateral management client, a Managed Fund may or may not utilize leverage and may eventually be securitized in the form of a CLO if the loan pool in the Managed Fund reaches a sufficient size and diversity level.

Manager Discretion

For future Collateral Management Clients, AP Commercial may have discretionary authority to acquire or dispose of Loans on their behalf, and such clients may participate in a third-party contractual loan purchase program or the Commercial Loan Program, or obtain Loans from other sources.

D. Availability of Customized Services

Members and Managed Account Clients

As described in Item 4.B, a key feature of the Commercial Loan Program is that clients make their own decisions whether or not to acquire a Loan Participation in respect of any particular Loan opportunity referred by AP Commercial, with the result that each client controls both its exposure to specific Loans and the size of the Loan Participation portfolio it develops through participation in the Commercial Loan Program.

Following approval by the AP Commercial credit committee, AP Commercial will refer each Loan opportunity that it believes meets the applicable Loan Eligibility Criteria to all eligible active clients in good standing with AP Commercial that are participating in the Commercial Loan Program. Clients (or in the case of Members, BancAlliance on behalf of a group of such clients) may have varying Loan Eligibility Criteria. AP Commercial provides clients generally with information and credit analysis concerning each Loan opportunity, as well as due diligence and documentation support. Also, as noted in Item 4.B, AP Commercial may provide to specific clients, upon request, material available information relating to a proposed obligor, the AP

Commercial credit committee's recommendation and preliminary analysis on risk ratings with respect to a prospective obligor, and recommendations or opinions of AP Commercial with respect to the terms and documentation of a Loan opportunity.

Collateral Management Clients

The terms of AP Commercial's management, including the loan eligibility criteria applicable to any Collateral Management Client, will be individually negotiated.

E. Non-Advisory Services

BancAlliance has established a program (the "Non-Advisory Consumer Loan Program") to provide Members the opportunity to source and/or acquire unsecured consumer installment loans. This program is provided in conjunction with one or more loan originators, sourcers and/or servicers with which AP Commercial has partnered (each, a "Consumer Loan Partner"). Members participating in the Non-Advisory Consumer Loan Program may (i) make, on a co-branded basis with the Consumer Loan Partner, offers for consumer loans to their existing retail customers, (ii) retain any such loans that meet defined program eligibility criteria, and (iii) acquire from the Consumer Loan Partner other consumer loans that meet the program eligibility criteria. The Consumer Loan Partner or an affiliate thereof will provide origination services for consumer loans, and will also service the loans on behalf of Members. A Member wishing to participate in the Non-Advisory Consumer Loan Program is required to execute agreements with the Consumer Loan Partner as well as an addendum to the Advisory and Services Agreement addressing the responsibilities of AP Commercial in the program. The Member may be required to commit to purchase a specified aggregate principal amount of consumer loans as a condition to participating under a program with a particular Consumer Loan Partner.

AP Commercial provides, on a pooled basis, a variety of administrative services to Members participating in the Non-Advisory Consumer Loan Program, including evaluation and selection of Consumer Loan Partners, credit model validation, marketing materials design, compliance assessment and audits, reporting and analysis and overall program management and oversight. AP Commercial will not provide any advisory services to Members in connection with the Non-Advisory Consumer Loan Program.

F. Wrap Fee Programs

Not applicable.

G. Client Assets

As of September 30, 2015, AP Commercial had approximately \$98 million of discretionary regulatory assets under management and approximately \$1,201 million of non-discretionary regulatory assets under management.

ITEM 5: FEES AND COMPENSATION

A. Fees and Compensation

Members do not pay any initial or ongoing membership fees to BancAlliance.

It is generally expected that each Member or Managed Account Client will pay fees to AP Commercial pursuant to the applicable Advisory and Services Agreement.

Commercial Loan Program

Members and Managed Account Clients (other than FinCo) participating in the Commercial Loan Program are obligated to pay to AP Commercial fees associated with the purchase by Members and Managed Account Clients of specific Loan Participations (“Loan Participation Fees”).

It is generally expected that each Member or Managed Account Client (other than FinCo) participating in the Commercial Loan Program will pay to AP Commercial a Loan Participation Fee that is a percentage (the applicable percentage, the “Loan Fee Rate”) of the average daily outstanding principal amount of each Loan Participation held by such client. To the extent there are servicing fees associated with the Loan that are payable by AP Commercial, the Loan Participation Fee typically will not include such fees.

The Loan Fee Rate applicable to a particular Loan Participation is based on various factors, including the projected yield over a target LIBOR rate (such excess, the “Spread Rate”) of that Loan Participation, as determined by AP Commercial at the time the underlying Loan is acquired by the client. The per annum Loan Fee Rates applicable to various ranges of Spread Rates, the methodology used in determining a Spread Rate, any applicable discounts and fees associated with revolving lines of credit are set forth in the applicable and current Advisory and Services Agreement.

The Loan Fee Rate applicable to Loan Participations for Members who have achieved certain designated levels of participation in the Commercial Loan Program will be reduced as specified in the Advisory and Services Agreement among BancAlliance, AP Commercial and the Members (the “BancAlliance Advisory and Services Agreement”), and as further described in Item 4 above.

It is generally expected that the Loan Fee Rate, once determined with respect to a particular Loan Participation, will not be adjusted (except as may reflect a correction to an error in the calculation of a Loan Fee Rate). In certain circumstances, however, AP Commercial may request that clients (or, in the case of Members, BancAlliance) prospectively change the Loan Fee Rate. With respect to Members, such change requires the consent of the Board of Directors of BancAlliance. Any changes to the Loan Fee Rate will only affect Loan Participations that are acquired after the date of the change. If AP Commercial has requested that the Loan Fee Rate be changed and AP Commercial and the client(s) fail to agree on a new Loan Fee Rate, then AP Commercial will be permitted to cease identifying, syndicating, originating and/or acquiring potential new Loan opportunities and/or to resign as the manager of the Commercial Loan Program (in which AP Commercial may commence providing Loan-related services to the

Members). In addition, AP Commercial may in its sole discretion waive or reduce the applicable Loan Participation Fees payable to it under the applicable Advisory and Services Agreement.

With respect to Members, it is generally expected that the Loan Participation Fees for Loan Participations purchased at the same time will be the same for all Members (adjusted for client-specific differences such as varying purchase prices and for volume discounts as described above). However, as noted above, certain Members may receive discounted fees depending on their class of membership. See Item 4 above. Additionally, Loan Participation Fees may vary for Members who purchase their Loan Participations at different times. Otherwise, it is expected that Member-specific waivers or modifications will be agreed to in extremely limited circumstances involving compelling reasons, such as to address a Member's compliance with regulatory requirements or in connection with the referral of a Loan by a Member.

If Members purchase Loan Participations in a Loan originated by FinCo or acquired by FinCo upon the recommendation of AP Commercial, AP Commercial is obligated to share a portion of the Loan Participation Fee relating to that Loan with FinCo. AP Commercial does not expect this fee sharing arrangement to have any impact on the amount of the Loan Participation Fee paid by the Members.

As noted in Item 4 above, a Member with no commitments in the last 12 months is considered an inactive Member. Inactive Members must pay to AP Commercial a fee of \$15,000 (the "Access Fee") before they can become a Standard Member. If the Member acquires a Loan Participation, the amount of the Access Fee will be credited against the Loan Participation Fee and other fees payable by the Member in connection with such transaction.

Fees for Non-Advisory Consumer Loan Program

A Member participating in the Non-Advisory Consumer Loan Program is responsible for paying the Consumer Loan Partner a servicing fee for consumer loans serviced on its behalf by the Consumer Loan Partner. The Member also is required to pay AP Commercial certain fees as provided in the agreements governing the program with respect to a particular Consumer Loan Program. These fees include a sourcing fee based on a percentage of any referral fee payable to the Consumer Loan Partner, and an administrative fee based on a percentage of the balance of consumer loans acquired by the Member through the program with a particular Consumer Loan Partner.

B. Payment of Fees

Members and Managed Account Clients

Loan Participation Fees typically are payable by clients on a current basis. In general, AP Commercial is authorized to collect Loan Participation Fees and other cost and expense obligations due from each client either by separate invoice or, for operational convenience and as is typically the case, by withholding the required amount(s) from principal, interest or other payments otherwise due to such client under the Loan Participations.

C. Additional Fees and Expenses

Subject to certain limitations, and unless otherwise agreed, Members and Managed Account Clients are obligated to pay for all costs and expenses incurred by AP Commercial in connection with such client's participation in BancAlliance's loan programs. AP Commercial may reimburse certain costs incurred by Premier and Select Members that attend certain BancAlliance meetings.

With respect to Members, such costs and expenses may include but are not limited to: (a) taxes, governmental fees and charges applicable to BancAlliance and costs of insurance maintained by BancAlliance; (b) expenses with respect to any adviser, auditor, accountant or legal counsel of BancAlliance; and (c) expenses relating to any litigation or other dispute directly or indirectly relating to BancAlliance. In general, the maximum amount of costs and expenses set forth in in clauses (a) and (b) above for which any Member may be liable during any calendar year is \$10,000 and, subject to limitations set forth in the applicable Advisory and Services Agreement, the maximum amount of costs and expenses set forth in clause (c) above, for which any Member may be liable during any calendar year is \$25,000.

Managed Account Clients generally pay all out-of-pocket expenses and disbursements incurred by AP Commercial in performance of its obligations under the relevant Advisory and Services Agreement.

Clients bear their pro rata shares of Loan-related expenses incurred by AP Commercial. However, in the Commercial Loan Program a Premier Member is not responsible for reimbursing AP Commercial for out-of-pocket costs incurred in connection with its purchase of one or more Loan Participations.

See Item 12 for further discussion with respect to fees associated with brokerage practices.

D. Prepayment of Fees

Please see the responses to Items 5.A and 5.B above. AP Commercial does not collect fees in advance.

E. Additional Compensation

Not applicable.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

AP Commercial does not charge clients performance-based fees in connection with the Commercial Loan Program; rather, as described in Item 5 above, AP Commercial charges each client a fee based on the average daily outstanding principal amount of each Loan asset held by the client.

ITEM 7: TYPES OF CLIENTS

As discussed in Item 4 above, AP Commercial's clients consist of Members and Managed Account Clients.

Each prospective client must be approved and accepted by AP Commercial in its sole discretion. With respect to Member clients, each prospective client must also satisfy the BancAlliance membership criteria.

The terms of AP Commercial's provision of advisory services to clients may vary depending on the type of services provided or the type of client, and are set forth in the applicable advisory services contract and related agreements, to which AP Commercial is a party.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies Used in Formulating Investment Advice or Managing Assets

The description that follows describes AP Commercial's methods of analysis and investment strategies used in formulating investment advice or managing assets in connection with Members' and Managed Account Clients' participation in the Commercial Loan Program. These methods and strategies also are expected to apply in all material respects to a Collateral Management Client that chooses to source its Loans from the Commercial Loan Program. AP Commercial also may apply the methods and strategies described below for any Collateral Management Clients that source their Loans through third-party contractual loan purchase programs to the extent they are compatible with the investment parameters and requirements set forth in the applicable Collateral Management Agreement.

Asset Classes

Loan opportunities referred by AP Commercial to clients, or managed on behalf of such clients, are expected to consist generally of commercial lending opportunities, including capital leases. AP Commercial expects that commercial Loans will generally be senior secured loans and that Loans acquired on the secondary market will be acquired at par or near-par value. Clients are generally expected to hold their acquired Loan Participations until the maturity or repayment of the underlying Loans.

Loan opportunities may relate to a variety of loan-related asset classes, including, without limitation, the following:

- (i) *Asset-based loans*, which are a type of loan extended based on the liquidation value of underlying collateral and the quality of the borrower's business model, typically featuring a senior security interest and collateral-control mechanisms;
- (ii) *Senior secured term loans/leveraged loans*, consisting of senior priority, cash flow-based loans that are secured by the assets of the borrower and associated revolving lines of credit;
- (iii) *Equipment finance loans and leases*, generally involving mid- to large-ticket equipment finance with national and/or captive originators; and

- (iv) *Healthcare Finance Loans*, consisting of senior secured loans to healthcare providers that are supported by real estate assets and/or the operating cash flow of the borrowers.

It is expected that the asset classes and Loan Eligibility Criteria will change over time, in response to macroeconomic or market conditions, developments in particular borrower sectors, the nature, preferences and number of clients, perceived opportunities and relative risk-adjusted expected returns, demonstrated patterns of client interest in exposure to certain asset categories, potential risk concentration on the part of clients, and other factors.

Methods of Analysis and Loan Approval Process

Sourcing of Potential Loan Opportunities

To evaluate potential Loan opportunities pursuant to the Commercial Loan Program, AP Commercial relies primarily on internal professionals. AP Commercial screens potential Loan opportunities based on the then-applicable Loan Eligibility Criteria. AP Commercial personnel also may consider various factors relating to a prospective Loan, including, among others, financial measures, company management, borrower capital structure, loan structure, loan size, loan collateral, pricing, yield and sector weightings, industry characteristics and geographic considerations.

Loan sourcing may occur through a variety of channels, including direct origination, joint origination (i.e., “clubbing”) arrangements, client or borrower referrals, secondary market dealers, brokers and/or syndication agents.

Loans may also be sourced through exclusive or non-exclusive contractual programs between AP Commercial (and/or Collateral Management Clients) and lenders. Under these programs, AP Commercial typically commits to purchase Loans for itself and/or for the applicable Lending Entity or other permitted purchaser, and is required to purchase a minimum amount of each Loan offered under the program that meets pre-determined eligibility criteria. The loan criteria under such programs are expected to be consistent with the Loan Eligibility Criteria. The loan volume commitment may be shared with other purchasers (including affiliates of AP Commercial) for which AP Commercial serves as investment adviser.

Initial Asset Profile

Under the Commercial Loan Program, AP Commercial’s professionals typically create an “initial asset profile,” or IAP, for each potential Loan opportunity (or, for Loans that involve a programmatic approach such as consumer lending, for each Commercial Loan Program opportunity). The IAP, prepared prior to AP Commercial’s performance of more extensive credit analysis and due diligence, is intended to be a brief, high-level review of each potential Loan opportunity that AP Commercial has concluded warrants further consideration. IAPs are generally available for all eligible clients to review via an electronic portal maintained by AP Commercial for the benefit of clients (the “Client Portal”). IAPs may not be produced for Loans sourced outside of the Commercial Loan Program.

Credit Analysis and Due Diligence

In developing its credit analysis under the Commercial Loan Program, AP Commercial reviews information provided by the borrower and/or any financial institution(s) arranging the loan in question. AP Commercial may perform fundamental credit research and may consider quantitative and/or qualitative factors concerning the prospective borrower or other obligor. Examples of factors considered may include corporate capital structure, operating and revenue trends, cash flow consistency, collateral analysis, financial covenants, debt maturities and liquidity, as well as management quality, competitive position within the industry, the presence of equity sponsors, business fundamentals and legal structure.

To the extent AP Commercial believes a prospective Loan opportunity merits further consideration under the Commercial Loan Program, AP Commercial conducts a due diligence process with respect to that opportunity. The due diligence process may evaluate, among other things, the prospective obligor's market position within its operating sector, dependence on access to the capital markets to fund ongoing operations, management quality, the liquidation value of underlying assets in the case of collateralized credits and/or the obligor's competitive environment. Depending on circumstances, AP Commercial may conduct due diligence through any one or more of the following activities: management meetings; review of the borrower's financial information; collateral appraisals; review of publicly available information, including industry or company specific reports published by external financial analysts, SEC filings and company reports, media sources, and subscription services; review of materials from and discussions with research analysts and other sources; review of documents in "data rooms;" background checks on management; and/or bank meetings and review of information provided by the loan arranger or agent.

In connection with Loans sourced outside of the Commercial Loan Program, AP Commercial may modify its credit analysis and due diligence procedures to be consistent with the applicable investment criteria and contracts.

Credit Memorandum and Credit Committee Approval

Upon completion of the analytical and due diligence process described above, the AP Commercial professionals responsible for a particular potential Loan opportunity under the Commercial Loan Program prepare a credit memorandum and present it to the AP Commercial credit committee. Once approved by the credit committee, the credit memorandum is generally available for client review via the Client Portal. The AP Commercial credit committee may confer with the internal loan and credit professionals who prepared the credit memorandum, and may request further analysis and/or due diligence before deciding whether or not the prospective Loan opportunity should be referred to eligible clients. A Loan opportunity will not be referred to clients for their independent approval and commitment unless and until the AP Commercial credit committee has approved the referral.

Generally, AP Commercial will document a Loan acquired outside of the Commercial Loan Program in a manner and format consistent with the specific requirements of the specific client. The manner and format may vary from that utilized by AP Commercial for Loans acquired pursuant to the Commercial Loan Program.

Client Credit and Funding Decisions

Pursuant to the Commercial Loan Program, each Member and Managed Account Client must conduct its own independent analysis and make its own independent credit decision concerning whether or not to purchase any particular Loan asset. No Member or Managed Account Client will be obligated to approve any Loan opportunity referred to it by AP Commercial or to acquire portfolio exposure to any particular Loan.

Any Collateral Management Clients may delegate to AP Commercial discretion with respect to credit and funding decisions, subject to the applicable Collateral Management Agreement.

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This Brochure's descriptions of specific advisory services that AP Commercial offers to clients in connection with the Commercial Loan Program and of Loan opportunities that AP Commercial expects to refer to clients, should not be understood to limit in any way AP Commercial's future advisory activities. Subject to the terms of its contractual obligations to existing clients, AP Commercial may offer any advisory services it considers appropriate, whether concerning assets similar to or differing from the types that are the subject of the Commercial Loan Program, whether pursuant to the Commercial Loan Program or otherwise, whether to existing or future clients, and whether or not described in this version of the Brochure.

The Loan opportunities that AP Commercial refers to clients may entail substantial risks and a client's decision to acquire portfolio exposure to any particular Loan has the possibility of resulting in a substantial loss of capital by the client. There can be no assurance that any client will achieve its return objectives.

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B. Certain Risks

Acquisition of Loan assets in connection with the Commercial Loan Program, a third-party contractual loan purchase program, or a Managed Fund, CLO, or other investment account involves a substantial degree of risk. The following risk factors do not purport to be a complete list or explanation of the risks involved with the acquisition of Loan assets or the activities of AP Commercial. For example, they may not address risks associated with certain credit instrument types and certain market risks.

Asset-Related Risks

The asset-acquisition opportunities that AP Commercial provides to clients are subject to a variety of general risks. The Loan opportunities referred by AP Commercial (or the counterparty to a contractual loan purchase program, if applicable) or acquired by AP Commercial on behalf of a client, even to the extent they consist of senior obligations acquired at par or near par value, may have economic risks as a result of business, financial, market or legal uncertainties. There can be no assurance that AP Commercial (or the counterparty to a contractual loan purchase

program, if applicable), in deciding to refer a Loan opportunity, or a client, in deciding to acquire portfolio exposure to a Loan, will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on a Loan. Moreover, a Collateral Management Agreement may limit the discretion of AP Commercial to reject on behalf of the client certain Loan opportunities that meet the applicable investment and Loan criteria. A variety of factors that are inherently difficult to predict, such as macroeconomic, political or market developments or uncertainties, as well as obligor- or Loan-specific factors (including the size, financial resources and competitive strength of the borrower), may significantly affect the performance of a Loan. In addition, AP Commercial's ability to implement the Commercial Loan Program or otherwise provide asset-acquisition opportunities to clients as currently contemplated may be affected by changes in laws or regulations (including laws or regulations relating to securities, banking activities and/or taxation).

The performance of one or more particular Loans may not be indicative of how a client's entire portfolio will perform. The performance of a client's portfolio of Loan assets over a particular period is not necessarily indicative of the results that may be expected in future periods. Nor should the performance of any particular client's portfolio of Loan assets be expected to match the performance of any other client's portfolio, given that the composition of each client's portfolio will be the result of (i) that client's individual decisions about specific Loans in which to participate (including pursuant to the terms of a contractual loan purchase program, if applicable) and (ii) the allocations of Loans and Loan Participations among clients. Differences in the composition of clients' respective portfolios also will arise due to the fact that any entity that becomes a Member or Managed Account Client (or a Collateral Management Client that participates in the Commercial Loan Program) has the opportunity to acquire only Loan Participations that AP Commercial thereafter refers, while Collateral Management Clients may be required to only acquire Loans or Loan Participations made available under a third-party contractual loan purchase program.

A client may incur losses on its Loan interests. The performance of a client's portfolio of Loan interests will be affected by, among other things, (i) the amount and timing of payments with respect to interest and principal of the underlying Loans (whether through sale, maturity, prepayment, redemption, default or other liquidation or disposition), (ii) the financial condition of the borrowers and (iii) the characteristics of the Loans, including the existence and timing of exercise of any optional or mandatory redemption or repayment features (including applicable redemption or repayment prices), the prevailing level of interest rates, and any actual defaults and the level and timing of recoveries with respect to the Loans. Any of the above factors may be exacerbated, and the performance of Loan interests adversely affected, by macroeconomic factors, including general economic conditions affecting capital markets and their participants (such as the borrowers on the underlying Loans). These macroeconomic factors may include (i) economic downturns and uncertainties affecting specific markets or economies and capital markets worldwide, (ii) the effects of, and disruptions and uncertainties resulting from military conflicts, incidents of terrorism and similar events, (iii) concerns about financial performance, accounting and other issues relating to various companies and (iv) recent and proposed changes in accounting and financial reporting standards.

The risk profile of a Loan may increase due to post-funding developments. It is possible that holders of Loan assets will experience missed and late payments of interest or principal, failures

by borrowers to comply with covenants in their loan agreements and borrower performance below what AP Commercial or the relevant holders expected at the time the underlying Loan was acquired or originated. Any of the events described in the preceding sentence may be an indication that a client's risk of loss with respect to a particular underlying Loan has materially increased. Moreover, the value of a Loan may decline for other reasons that are not possible to predict. None of BancAlliance, AP Commercial or any other person can provide any assurance as to the performance or repayment of any Loan.

Loans may become non-performing; clients' ability to give voting instructions to the Lending Entity may be limited. Loans may become non-performing for a variety of reasons. Non-performing Loans may require workout negotiations or restructurings that may entail, among other things, a reduction in the interest rate, a write-down of principal and/or deferral of payments, any of which could adversely affect the holder of a related Loan interest. Furthermore, the obligor or relevant guarantor may be in bankruptcy or liquidation, which would entail risks relating to contested matters, adversary proceedings and other developments beyond the control of creditors. In a borrower's bankruptcy proceeding, holders of Loan Participations normally would not have a direct claim against the borrower, but would have to rely on BancAlliance or another Lending Entity, as the lender of record under the relevant credit agreement, to prosecute claims against the borrower.

Although BancAlliance or another Lending Entity may exercise voting rights with respect to an individual Loan on behalf of the relevant clients, there can be no certainty that BancAlliance or such Lending Entity will be able to exercise a sufficient percentage of voting rights to affect the outcome of such vote. Further, for Loans acquired under certain contractual programs, the Lending Entity's voting rights may be limited to matters requiring the consent of all lenders (normally, changes in principal, interest rate, maturity, and/or certain material changes to collateral). Consequently, clients holding Loan Participations in such loans would only be permitted to give voting instructions to BancAlliance or the applicable Lending Entity on such limited matters. In all other matters that require a vote of lenders, the counterparty to AP Commercial or any Collateral Management Client under the contractual program may retain discretion to vote the interest in the Loan held by BancAlliance or the applicable Lending Entity. Please see Item 17 for further information about AP Commercial's policies regarding voting in respect of Loans.

Collateralized loans entail risks in foreclosure. Even if a Loan is secured by collateral, holders of the related Loan interest may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each critically important. AP Commercial cannot guarantee that collateral or other creditor's rights will be adequate to protect a client's interests. Nor can AP Commercial assure clients that claims may not be asserted that might interfere with enforcement of creditors' rights. In the event of a foreclosure, the liquidation proceeds upon the sale of collateral may not satisfy the entire outstanding balance of principal and interest on the Loan, resulting in a loss to the holders of related Loan assets. Any costs or delays involved in effectuating a foreclosure of the Loan or a liquidation of the underlying collateral will further reduce the proceeds and thus increase the loss.

The judicial theory of “lender liability” may expose clients to legal risks. In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. AP Commercial cannot assure holders of Loan interests that lender liability claims will not be made against them or that holders will not be subject to significant liability if a claim of this type is made.

Risks Relating to AP Commercial’s Performance

AP Commercial’s due diligence and credit approval processes may fail properly to identify or evaluate all material information relating to a Loan. Credit analysis and due diligence are inherently complex and subjective. There is no assurance that AP Commercial’s procedures for obtaining and evaluating the information necessary to decide whether a prospective Loan opportunity should be referred to clients will identify all material risks and other relevant factors relating to any particular Loan. Moreover, a Collateral Management Agreement may limit the discretion of AP Commercial to reject on behalf of the client certain Loan opportunities that meet the applicable investment and Loan criteria.

AP Commercial and BancAlliance are exposed to operational risks, including the risk of systems failure and the risk of employee fraud. The commercial finance industry is highly dependent on communications and information systems and is exposed to many types of operational risk, including the risk of fraud by employees or other parties, record-keeping errors, errors resulting from faulty computer or telecommunication systems, computer failure, and damage to computer and telecommunication systems caused by internal or external events. Any of these events could have a material and adverse effect on AP Commercial’s clients.

AP Commercial is reliant upon proper staffing and key personnel. AP Commercial must employ and retain management and skilled staff to provide the key services contemplated under the Commercial Loan Program and any Collateral Management Agreements. The failure to employ and retain sufficient numbers of appropriately skilled management and staff could delay, prevent or negatively affect the provision of AP Commercial’s services. AP Commercial is particularly dependent upon the efforts, experience, contacts and skills of its senior management team. The loss of any such individual could have a material adverse effect on AP Commercial or the quality of services provided pursuant to the Commercial Loan Program, and such loss could occur at any time due to resignation, death, disability or other reasons.

AP Commercial may not have control over how Loans are administered or controlled. AP Commercial typically is not the agent for Loans. When AP Commercial is not the agent for a Loan, it and/or BancAlliance may be prohibited or otherwise restricted from taking actions to enforce the Loan or to foreclose upon the collateral securing the Loan without the agreement of other lenders holding a specified minimum aggregate percentage, generally a majority or two-thirds of the outstanding principal balance. It is possible that an agent for one of these Loans may not manage the Loan to AP Commercial’s and/or BancAlliance’s standards or may choose

not to take the same actions to enforce the Loan or to foreclose upon the collateral securing the Loan that AP Commercial and/or BancAlliance would take if it were agent for the Loan.

BancAlliance, AP Commercial and/or the operation of the Commercial Loan Program could be subject to banking-related regulation. Financial services institutions operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations, as well as supervision, examination and enforcement by regulatory authorities at various governmental levels. While none of BancAlliance, AP Commercial and their affiliates is expected to be a bank or a bank holding company, it is possible that, as a result of the nature of services provided under the Commercial Loan Program, they will be subject to supervision by federal or state bank regulatory authorities with jurisdiction over one or more clients. In addition, in the future BancAlliance may consider seeking designation as a bank services company, which would directly subject it to the supervisory jurisdiction of one or more federal or state regulatory authorities. Failure to comply with any applicable U.S. federal or state banking laws, rules or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of material adverse consequences to BancAlliance, AP Commercial and/or the operation of the Loan Program, including civil penalties, fines, suspension or expulsion, and termination of deposit insurance.

U.S. federal and state banking laws and regulations can and do change significantly from time to time, and may be changed in ways that could have a material adverse impact upon the business plans of BancAlliance, AP Commercial or the appropriateness of the Commercial Loan Program for certain clients. For example, capital requirements may be increased, or permissible lending may be limited. Insured financial institutions also undergo periodic examinations by one or more regulatory agencies, which may subject them to changes in asset valuations, in amounts of required loan and lease loss allowances and in operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examination. AP Commercial can give no assurance that applicable laws, regulations and regulatory guidance or bank examiners will be favorably disposed to the Commercial Loan Program, and a negative view of the Commercial Loan Program on the part of bank regulators could materially adversely affect the ability of BancAlliance and AP Commercial to offer or continue the Commercial Loan Program as currently contemplated.

AP Commercial may have potential or actual conflicts of interest. AP Commercial may have potential or actual conflicts of interests relating to its provision of services to clients. AP Commercial provides advisory and other services to Members and Managed Account Clients, and may provide such services to other clients, including members of membership-based organizations substantially similar to BancAlliance. Further, AP Commercial has acquired, and intends to continue to acquire, Loans for its own account. These potential or actual conflicts could relate to, among other possible matters: allocations of Loan opportunities; AP Commercial's provision of advisory services to other clients; AP Commercial's relationship with FinCo; AP Commercial's recommendation of Loans it is obligated to purchase under contractual programs; AP Commercial's devotion of time to pursuing advisory or other activities on behalf of other clients and/or related party transactions. While AP Commercial has adopted and intends to adhere to policies and procedures designed to identify and mitigate such potential or actual conflicts, it is possible that AP Commercial's conflict-mitigation efforts will not eliminate all potential negative effects on clients. Please see Items 10 and 11 below.

It may prove difficult for AP Commercial to identify and source a sufficient quantity of appropriate Loan opportunities. AP Commercial expects to encounter competition from other lenders and finance providers as it attempts to acquire or originate Loans. There is no assurance that AP Commercial will be able to provide clients with credit opportunities of a quality, type or quantity that will satisfy their objectives under the Commercial Loan Program. It is possible that competition for appropriate credit opportunities may increase, thus reducing the number or adversely affecting the terms of Loan opportunities. There can be no assurance that AP Commercial will be able to identify or make available Loan opportunities satisfying the Loan Eligibility Criteria or that such opportunities will satisfy the rate of return objectives of AP Commercial's clients.

Risks Specific to BancAlliance and Members

The terms of the Commercial Loan Program, including future fees payable by Members to AP Commercial, may be amended prospectively without consent of the Members. With the consent of AP Commercial, the Board of Directors of BancAlliance prospectively may amend the terms of the Commercial Loan Program. Such amendments to the terms of the Commercial Loan Program would not require the consent of the Members and could include, among other possibilities, changes to the Loan Eligibility Criteria or increases or decreases in the fees charged to Members. Any such fee increases would affect only Loan Participations or the utilization of new services that are acquired or commenced after the fee increase had occurred and each Member had been notified of such increase.

The BancAlliance Advisory and Services Agreement may be terminated by the Members in only limited circumstances and, if terminated without cause, BancAlliance will be wound down. The Members and BancAlliance have limited rights to terminate the BancAlliance Advisory and Services Agreement. If BancAlliance terminates the BancAlliance Advisory and Services Agreement for "cause" (as defined in the BancAlliance Advisory and Services Agreement, including certain instances of gross negligence or willful misconduct by AP Commercial), the "back-up" servicer described below will enter into an agreement with BancAlliance for the provision of services to Members under the Commercial Loan Program. If BancAlliance terminates the BancAlliance Advisory and Services Agreement without cause, BancAlliance and the Commercial Loan Program will enter into wind-down. In addition, BancAlliance and AP Commercial may agree jointly to commence the wind-down of the Commercial Loan Program, in which case AP Commercial has the right to terminate the BancAlliance Advisory and Services Agreement one year after the wind-down has begun.

The BancAlliance Advisory and Services Agreement may be terminated by AP Commercial in certain circumstances in which event services to Members would be curtailed. AP Commercial may terminate the BancAlliance Advisory and Services Agreement on 12 months' prior written notice to BancAlliance. AP Commercial also may choose to terminate the BancAlliance Advisory and Services Agreement at any time, upon shorter notice, if BancAlliance changes certain policies, if BancAlliance has not agreed to AP Commercial's request for an increase in the Loan Fee Rate or if BancAlliance has entered wind-down. Upon such termination, Members and BancAlliance would rely on an agreement with a "back-up" servicer previously identified by AP Commercial. Accordingly, it is possible that the Commercial Loan Program, including the advisory and other services rendered to Members and the fees payable by Members thereunder,

may become managed on relatively short notice by a party that has been approved by the Board but not by individual Members.

AP Commercial has the authority to determine whether a Member continues to satisfy the eligibility criteria for ongoing participation in the any loan program. For a Member to begin and continue participating in a loan program, AP Commercial must determine, in its sole and absolute discretion, that such Member satisfies the eligibility criteria for participation in that loan program, as established and modified from time to time by the Board of Directors of BancAlliance. If AP Commercial determines that a Member no longer satisfies the applicable eligibility criteria, AP Commercial may designate such Member as an “inactive Member” and/or terminate such Member’s participation in the relevant loan program. The consequences of such designation or termination are discussed below.

A Member that is designated as an “inactive Member” continues to pay Loan Participation Fees on Loan interests it continues to hold. AP Commercial, in its sole and absolute discretion, may deem any Member an “inactive Member” if AP Commercial has determined that certain circumstances described in the Membership Agreement apply. These circumstances include, among others, the Member materially breaching any provision of the Membership Agreement, the Member failing to satisfy the then-applicable Member eligibility criteria, or the Member having notified BancAlliance that it does not wish to acquire additional Loan Participations. Inactive Members will retain Loan-related voting rights available to Members generally and will continue to receive Member Administrative Services, but will not receive further Member Advisory Services and will remain obligated to pay Loan Participation Fees on the Loan Participations they continue to hold. Further, inactive Members forfeit their right to vote on matters relating to the membership, including, for example, the election of directors of BancAlliance.

In certain circumstances, a Member can be designated a “Terminated Member.” AP Commercial will designate a Member a “Terminated Member” upon the occurrence of all of the following: (i) such Member has notified BancAlliance and AP Commercial that it no longer wishes to participate in any loan program, or such Member has become an inactive Member; (ii) such Member does not then hold any Loan Participations; and (iii) such Member has fully satisfied all of its obligations then due under all loan programs, including the payment of all fees then owed by such Member and its fulfillment of all binding commitments to acquire Loan Participations and other loans. A Terminated Member will continue to be responsible for its obligations as a Member that arose before or relate to a period before such Member’s termination date, and any obligations under loan program documents that explicitly survive a Member’s termination (including certain confidentiality obligations).

AP Commercial has influence over BancAlliance’s Board of Directors. AP Commercial is entitled to nominate three directors to BancAlliance’s Board of Directors, one of whom serves as Chairman of the Board. Twelve directors are nominated by the Members. As a result of this ongoing influence of AP Commercial, the composition of and decisions made by the Board might not reflect the preferences of all individual Members.

AP Commercial's liability to Members is contractually limited and Members have indemnification obligations to AP Commercial. The BancAlliance Advisory and Services Agreement provides that unless AP Commercial has breached any terms of a loan program document or has committed gross negligence or willful misconduct under a loan program document, it will not be liable to any Member for any loss relating to a Member's acquisition of a Loan Participation or other loan or to any other acts or omissions by AP Commercial in its provision of services to Members. This limitation on liability means that AP Commercial will have no liability to Members for, among other things, any decline in the value of any Loan Participation, the unenforceability of any loan agreement or other credit document, the unenforceability of any security interest over collateral, or any failure by a borrower to meet its payment or other obligations under a loan agreement. In addition, the BancAlliance Advisory and Services Agreement and the BancAlliance Membership Agreement provide that each Member will indemnify AP Commercial and BancAlliance against claims, losses or other liabilities arising due to the breach by such Member of the terms of a loan program document or such Member's gross negligence or willful misconduct under a loan program document, except to the extent such liabilities result solely from the gross negligence or willful misconduct of AP Commercial or BancAlliance, as applicable.

Transfer restrictions may impede a Member's ability to exit its exposure to a Loan. The master loan participation agreement between BancAlliance and each Member participating in the Commercial Loan Program contains restrictions and procedures that limit the liquidity of Loan Participations. For example, a Member is only allowed to assign all (not a portion) of any particular Loan Participation; a Member is only allowed to assign a Loan Participation to another Member or to a non-Member client of AP Commercial that is an FDIC-insured depository institution (or a bank holding company of such an institution); and BancAlliance must consent to the assignment.

If AP Commercial decides to terminate its role as manager of the Commercial Loan Program, the services to BancAlliance Members under the Commercial Loan Program will be provided by a "back-up" servicer which may provide more limited services. Upon such termination, BancAlliance will enter into an agreement with a "back-up" servicer previously identified by AP Commercial and the Board of BancAlliance for the future provision of services to clients under the Commercial Loan Program. The back-up servicer will seek the consent of clients to its provision of advisory services to clients only to the extent as may be required by law. The back-up servicer may lack the incentives or capacity to perform the services to the extent and quality level of AP Commercial.

Risks Related to the Commercial Loan Program and Third-Party Contractual Loan Purchase Programs

AP Commercial's clients may be exposed to nonpublic information about borrowers, which may limit clients' ability to trade in Loan interests or securities or other instruments issued by those borrowers. The flow of Loan- and borrower-related information that AP Commercial makes available to clients may include material nonpublic information or otherwise confidential information about the companies that are the borrowers under or obligors on the Loans. As a result, clients may be restricted, potentially for significant periods of time, from trading in certain instruments, including Loan interests or securities or other instruments issued by such borrowers.

In the event of BancAlliance or AP Commercial's bankruptcy (or any affiliate), creditors might challenge the "true sale" nature of Loan Participations granted by BancAlliance or AP Commercial (or any affiliate). AP Commercial intends that its and BancAlliance's grants of Loan Participations to clients will be respected as "true sales" for purposes of U.S. bankruptcy law. For this and other reasons, BancAlliance expects to have only minimal net assets at all times. If BancAlliance or AP Commercial entered bankruptcy and a court found any Loan Participations not to be true sales, such Loan Participations would be the property of BancAlliance or AP Commercial rather than of AP Commercial's clients and the Loan Participations potentially could be available to satisfy claims against BancAlliance or AP Commercial by their creditors. Further, in the event of BancAlliance or AP Commercial's bankruptcy, a holder of a Loan Participation may face procedural or other obstacles if it seeks to take control of the related Loan and Loan proceeds from BancAlliance or AP Commercial.

AP Commercial's advisory services with respect to the Commercial Loan Program are non-discretionary, which means that clients remain fully responsible for their own Loan evaluations, credit analyses and asset acquisition decisions. AP Commercial performs due diligence and credit analysis with respect to each prospective Loan opportunity, and any prospective Loan opportunity must be approved by the AP Commercial credit committee before it is referred to clients. The Commercial Loan Program Advisory Services also include AP Commercial's provision to Members of certain education and training services. Nonetheless, each client is ultimately responsible for its own decision whether or not to acquire any particular Loan interest. Accordingly, the quality of a client's own credit and risk evaluation capabilities will be critical, and analytical misjudgments or inadequacies on a client's part may expose it to unanticipated risk or loss on one or more Loan interests. This risk may be exacerbated to the extent a client is acquiring Loan interests in types of credit assets with which it has limited or no previous experience. **AP Commercial does not guarantee or make any assurances as to the performance of or economic returns to be realized in respect of any Loan or other credit asset, or as to whether the economic returns on any Loan or other credit asset will be sufficient to repay the amounts owed to any client in respect thereof.**

When purchasing Loan Participations, a client assumes the credit risk associated with the corporate borrower and may only be able to enforce its rights through the lender. Clients may acquire interests in Loans indirectly by purchasing a Loan Participation through the Commercial Loan Program or a third-party selling institution. Holders of Loan Participations are subject to additional risks not applicable to a holder of a direct interest in a Loan. Participations in a selling institution's portion of a Loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a Loan Participation, the client will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling such Loan Participation and only upon receipt by such selling institution of such payments from the borrower. By holding a Loan Participation in a Loan, clients generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and may not directly benefit from the collateral supporting the Loan in which it has purchased the Loan Participation. As a result, the client may assume the credit risk of both the borrower and the selling institution, which will remain the legal owner of record of the applicable Loan.

ITEM 9: DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of AP Commercial's advisory business or the integrity of AP Commercial's management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

Not applicable.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Not applicable.

C. Material Relationships or Arrangements with Related Persons who are Industry Participants

Congressional Bank

AP Commercial may be deemed to be under the control of each of Mr. John Delaney and Mr. Jason Fish by virtue of their membership on Alliance Partners LLC's Board of Directors. Mr. Delaney is not an employee of AP Commercial and Mr. Fish is a part-time employee of AP Commercial. By virtue of its relationships with Mr. Delaney and Mr. Fish, one financial industry participant may be deemed to be under common control with AP Commercial. Mr. Delaney and Mr. Fish have material ownership interests in Congressional Bank, a community bank headquartered in Bethesda, Maryland. Mr. Delaney is co-chairman and Mr. Fish is a director of Congressional Bank. Mr. Delaney's and Mr. Fish's responsibilities with Congressional Bank could require them to devote material professional time that otherwise might be spent pursuing their responsibilities at AP Commercial.

AP Commercial's senior management personnel generally are required only to devote so much of their time to providing services to AP Commercial's clients as is reasonably necessary in good faith.

In addition, Congressional Bank is a Member of BancAlliance and a participant in the Commercial Loan Program, and is thus a client of AP Commercial for whom all advisory fees have been waived. While this fact gives rise to the appearance of potential conflicts of interest with AP Commercial's other clients, the AP Commercial policies by which Loan opportunities are identified, underwritten and allocated to Members of BancAlliance are designed to mitigate the risk of any actual conflicts.

Contractual Loan Purchase Programs

AP Commercial has a contractual loan purchase program with a financial institution pursuant to which AP Commercial commits to purchase Loans. AP Commercial is required to purchase a

minimum amount of each Loan offered under the program that meets pre-determined eligibility criteria. AP Commercial generally makes Loan Participations in such Loans available for purchase by clients through the Commercial Loan Program. If clients do not purchase Loan Participations in any such Loans recommended by AP Commercial, AP Commercial or its affiliates remain contractually obligated to purchase such Loans. Accordingly, AP Commercial may have an incentive to recommend to its clients a Loan, or tranches or portions thereof, sourced under such contractual program to avoid having to hold the Loan (or such tranches or portions) itself. However, any Loan opportunity must satisfy applicable Loan Eligibility Criteria and be approved by the AP Commercial credit committee before AP Commercial will refer it to clients.

Additionally, AP Commercial has an arrangement with FinCo, pursuant to which each party has the option to make available for purchase by the other party loans it sources or acquires. FinCo is a Managed Account Client, and affiliates of FinCo are equity investors and warrant holders in AP Commercial. These warrants will become exercisable for a significant equity interest in AP Commercial if certain conditions are met, including among other things, the satisfaction of certain loan purchase thresholds by FinCo and AP Commercial. If Members purchase Loan Participations in a Loan originated by FinCo or acquired by FinCo upon the recommendation of AP Commercial, AP Commercial is obligated to share a portion of the Loan Participation Fee relating to that Loan with FinCo. These arrangements provide FinCo with financial interests that may create incentives for it to purchase certain loans sourced by AP Commercial as well as to sell to AP Commercial, for the benefit of its clients, certain loans. Before AP Commercial will offer any Loan sourced by FinCo to its other clients, it would need to ensure that the Loan opportunity satisfies applicable Loan Eligibility Criteria and is approved by the AP Commercial credit committee.

AP Commercial receives no fees from FinCo with respect to any Loan sourced by AP Commercial and purchased by FinCo. This fact may give rise to the appearance of a potential conflict with AP Commercial's other clients. AP Commercial has policies and procedures designed to mitigate against the risk of actual conflicts and monitors perceived and actual conflicts of interest arising from its client relationship with FinCo.

Resolving Conflicts Related to Overlapping Credit Opportunities

Loans that are available to any Collateral Management Clients under third-party contractual loan purchase programs or through FinCo may also be available to Members and Managed Account Clients through AP Commercial's Commercial Loan Program, if the Loans meet the Loan Eligibility Criteria and if AP Commercial is able to source such Loan independently from any third-party contractual loan purchase program or FinCo. AP Commercial's decision to offer such Loan Participations to clients, or once acquired, to recommend disposition in whole or in part of such Loan Participations to clients, will be made in accordance with AP Commercial's code of ethics, allocation policies and Loan Eligibility Criteria.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Not applicable.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”), AP Commercial has adopted a code of ethics (the “Code of Ethics”). The Code of Ethics establishes standards of business conduct that all AP Commercial Personnel (defined to include any managing member, partner or employee of AP Commercial and any person who provides investment advice or support on behalf of AP Commercial and is under AP Commercial’s direct or indirect supervision or control) must follow.

The Code of Ethics is predicated on the principle that AP Commercial owes a fiduciary duty to its clients. Accordingly, the Code of Ethics provides that at all times, AP Commercial Personnel must: avoid placing the interests of AP Commercial, its affiliates and AP Commercial Personnel ahead of client interests; help AP Commercial to identify and disclose to clients, when appropriate, potential and actual conflicts; adhere to the personal investing standards set forth in the Code of Ethics; avoid taking advantage of their position to the detriment of clients; maintain the integrity and independence of AP Commercial’s advisory process; and maintain full compliance with applicable laws, including the Advisers Act.

In addition to the elements required by Rule 204A-1, the Code of Ethics includes, among other provisions, restrictions that prohibit AP Commercial Personnel from trading certain instruments for their personal accounts without first obtaining pre-clearance, serving on the boards of directors of any outside companies except with the approval of the Chief Compliance Officer of AP Commercial, or receiving or offering gifts or entertainment worth a substantial monetary value from or to persons doing business with AP Commercial. Certain AP Commercial personnel who are deemed to be “covered associates” as that term is defined under federal “pay-to-play” regulations are required to report certain political contributions to the Chief Compliance Officer at least annually.

The Code of Ethics states that AP Commercial will provide a copy thereof to all AP Commercial Personnel, with a requirement that they provide to AP Commercial a written acknowledgment that they have received the Code of Ethics. Clients or prospective clients may obtain a copy of AP Commercial’s code of ethics upon request by contacting AP Commercial.

Conflicts of Interest Generally

AP Commercial and its affiliates at times may have potential or actual conflicts of interest with respect to AP Commercial’s clients and their holdings. These conflicts of interest may be between or among clients or between AP Commercial and its clients. AP Commercial anticipates that it will resolve potential or actual conflicts of interest without input from disinterested third parties. AP Commercial has adopted policies and procedures designed to make sure any such conflicts are resolved in an equitable manner.

While AP Commercial currently provides advisory services to clients in connection with the Commercial Loan Program, in the future AP Commercial may provide other advisory services, whether discretionary or non-discretionary, to other clients. Such clients may have lending or

investment programs that are different from, are similar to or overlap with the activities of Managed Account Clients and Members. AP Commercial and its affiliates may have conflicts of interest in allocating their time and resources with respect to the Commercial Loan Program or collateral management responsibilities among varying clients. Moreover, AP Commercial may seek to provide advisory services in addition to the Commercial Loan Program and collateral management. AP Commercial may charge clients different management fees and incentive fees and/or allocations due to circumstances such as different contractual rates.

AP Commercial's current or future clients may have similar or overlapping lending or investment strategies and parameters; their lending or investment programs are likely to differ due to, among other reasons, various lending or investment restrictions and types of investors. AP Commercial may give advice, provide services or take action with respect to one or more clients that may differ from the advice given, services provided or the timing or nature of action taken with respect to other clients. The lending opportunities or portfolio strategies that AP Commercial may use for one or more clients could conflict with the transactions and strategies made available or employed by AP Commercial in providing advisory services to other clients and could affect the prices and availability of the loans and other financial instruments that those clients acquire or hold.

AP Commercial's current or future clients may have conflicting interests with respect to their holdings, including with respect to performance, liquidity, timing, taxes and other objectives. The conflicting interests of individual clients may relate to, or arise from, among other things, the nature of credit extensions or investments made by clients, the structuring or the acquisition of credit extensions or investments and the timing of disposition of credit extensions or investments. For example, certain clients may from time to time be selling loan positions or other holdings that other clients may continue to hold and/or purchase. FinCo may sell a Loan, either directly or indirectly through BancAlliance, to AP Commercial clients that AP Commercial recommends to those other clients. AP Commercial may refer to certain clients, opportunities to purchase different classes of debt or equity of the same issuer or borrowers. These and other investments may be deemed to create conflicts of interest, particularly because AP Commercial may take certain actions for some clients that may have an adverse effect on other clients (including in connection with restructuring and reorganization situations). Such conflicts also may arise, without limitation, with respect to the nature or structuring of credit extensions or investments that may be more beneficial for one or more clients than for other clients. Performance results may vary, perhaps substantially, among clients.

To address these potential conflicts of interests in its material relationships, AP Commercial has adopted policies and procedures, including the Code of Ethics and allocation and voting policies.

Cross-Trades

AP Commercial currently does not have discretion to cause purchases or sales of Loan Participations, including transfers of any previously acquired Loan Participation, on the part of clients. However, AP Commercial has the option, subject to certain limitations, to repurchase for the benefit of its other clients all or any portion of a Loan it sources on behalf of FinCo. Except for any potential cross trade that may result from AP Commercial's repurchase right described

above, AP Commercial does not expect to engage in “cross-trades” in connection with the Commercial Loan Program.

From time to time, AP Commercial may be alerted by a client that it desires to reduce or eliminate its exposure to a particular Loan. Additionally, FinCo may desire to sell a Loan, either directly or indirectly through BancAlliance, to AP Commercial clients. In each case, AP Commercial may identify one or more other clients or other parties who may be interested in obtaining the relevant Loan interest. AP Commercial generally will not provide advice regarding any such transfer or purchase except if the Loan is sourced by FinCo. In those circumstances, AP Commercial may recommend such a Loan to its other clients if the Loan satisfies the clients’ Loan Eligibility Criteria. AP Commercial will not exercise any discretion over any client’s decision as to whether or not to acquire a Loan interest from another client. AP Commercial does not expect to receive any separate compensation in connection with any transfers of Loan interests by clients.

In the event of a transaction between client accounts, AP Commercial will disclose its role in the transaction and obtain client consents, as appropriate. Any principal transaction will be conducted in accordance with the procedure below under the caption “– Principal Trades.”

Principal Trades

AP Commercial and its affiliates may acquire Loans or Loan Participations in Loans which subsequently will be made available for purchase by clients. Clients may acquire such Loans or Loan Participations directly from AP Commercial (or an affiliate thereof) or from a Lending Entity. Members acquire Loan Participations from BancAlliance, which is also a Lending Entity. AP Commercial may sell a Loan to BancAlliance (or another Lending Entity) at a price other than the price paid by AP Commercial for the Loan. If a client acquires a Loan Participation from a Lending Entity, the Loan or Loan Participation held by AP Commercial (or its affiliate) will be transferred by assignment of a participation interest to the Lending Entity, in part or in full, and an offsetting Loan Participation will be sold by the Lending Entity to the client. The two contemporaneous transactions will be at the same price, which will be reflective of the then fair value of the Loan. Notwithstanding the foregoing, to the extent AP Commercial sells portions of the same Loan to BancAlliance (or another Lending Entity) at different times, the prices paid by BancAlliance (or such other Lending Entity) for such portions may also be different. Clients explicitly consent to AP Commercial (or its affiliate) acting in this principal capacity in the applicable Advisory and Services Agreement and at the time of the transaction. The purchase price will be determined by AP Commercial and generally will include an amount to compensate AP Commercial for the costs associated with acquiring the Loan, including estimated overhead costs and the cost of financing the Loan while it is held by AP Commercial or its affiliate pending distribution to the Members or other clients. AP Commercial generally will not sell a Loan at a price greater than fair value. In such transactions, AP Commercial will comply with the requirements of Section 206(3) of the Advisers Act, if applicable.

As described in Item 4.B, AP Commercial (or an affiliate thereof) also may acquire contemporaneously, and retain for its own account, an interest in the Loans or Loan Participations originated by or acquired on behalf of clients under the Commercial Loan Program.

In addition, it is possible that if a client indicates to AP Commercial (or an affiliate thereof) that it wishes to sell a Loan Participation previously purchased under the Commercial Loan Program, AP Commercial (or an affiliate) may offer to purchase that Loan Participation from the client through procedures designed to ensure that the transaction occurs on a fair-value basis. For instance, a Lending Entity may elect to purchase for the benefit of AP Commercial's clients Loans originated by FinCo. In those and other circumstances in which AP Commercial or its affiliates purchase Loan Participations or other interests from a client for its own account, AP Commercial will comply with the requirements of Section 206(3) of the Advisers Act, if applicable, including the requirement that AP Commercial notify the relevant client in writing of the transaction and obtain the consent of the relevant client.

Further, AP Commercial may refer to clients Loan opportunities relating to borrowers in which AP Commercial (or an affiliate thereof) already hold loan interests or other credit exposures. For example, it is conceivable that AP Commercial might present to clients a Loan opportunity relating to a borrower that had previously been the subject of a Loan opportunity, such that AP Commercial (or an affiliate thereof) would already hold a Loan or Loan Participation relating to that borrower. In the case of such a Loan Participation being held by AP Commercial (or an affiliate thereof), a conflict generally should not arise because, among other reasons, AP Commercial and its related persons have no discretion over Members and Managed Account Clients' acquisitions of Loan Participations.

Allocation

The allocation of a Loan opportunity offered to clients pursuant to the Commercial Loan Program is governed by policies adopted by AP Commercial. AP Commercial's current policies with respect to allocation of a Loan opportunity provide, among other things, as follows:

- Each Loan opportunity is assigned a Loan type based on its characteristics and/or the nature of the assets being financed by the Loan and/or the borrower's industry or business. For Loans that satisfy the applicable Loan Eligibility Criteria, AP Commercial will establish which clients are eligible to be allocated Loans of that type. Each eligible client is assigned to an allocation group for purposes of Loan allocation. Currently, BancAlliance Members as a collective, together with all Managed Account Clients (other than FinCo), are considered a single allocation group.
- For each Loan opportunity, the amount available for allocation to clients is the aggregate commitment amount of the Loan acquired by or available to AP Commercial which AP Commercial determines to make available to its clients (the "Available Loan Amount"). For each Loan opportunity, interested clients notify AP Commercial of their commitment amount with respect to the Loan. The commitment amount for BancAlliance Members as a collective is the sum of each Member's individual commitment as of the relevant commitment date.
- A client may also instruct AP Commercial to establish a minimum Loan amount for such client. For BancAlliance Loan opportunities, the minimum Loan amount is the lowest minimum Loan amount of any Member with a valid commitment on such Loan.

- Within each Loan type, priority rotates among allocation groups, such that the allocation group which enjoyed the highest priority on a given Loan within a given Loan type moves to the lowest priority on the next Loan opportunity within such Loan type while each other allocation group moves up in the rank order for that Loan type.
- In the initial syndication process for each Loan opportunity, the Loan will be allocated to each allocation group in turn in order of its allocation group priority with respect to the particular Loan, until the Available Loan Amount is fully allocated or all commitment amounts have been satisfied. As noted above, there currently is a single allocation group; however, in the event of more than one allocation group, if the commitment amount of the first allocation group in the rotation is less than the Available Loan Amount, the Loan will be presented to the next allocation group in the rotation, and so on. Each allocation group in turn in order of its priority with respect to the Loan will be allocated the lesser of its commitment amount and the Available Loan Amount, except that an allocation group will not receive an allocation to the extent the Available Loan Amount is less than such allocation group's minimum Loan amount.
- In limited cases, the rotating priority process described above will not be observed, and a client will have priority over other clients with respect to a Loan opportunity. Generally, this occurs either where the Loan opportunity represents a refinancing or modification of an existing Loan already held by that client, or where a client directs AP Commercial to buy a specific Loan in a specific amount and upon specific terms, where such Loan is not otherwise generally available to clients in connection with an existing syndication.
- The policy also provides that if, as a result of an allocation in accordance with the policy, AP Commercial would be required to retain a portion of any Loan in excess of the amount it desires to retain, AP Commercial may adjust the allocations to avoid or reduce such excess amount.

To the extent such amount is allocated to a group of clients, such as Members, AP Commercial will further sub-allocate that amount pursuant to policies and procedures applicable to that group, policy provides:

- Any Member may commit to acquire a Loan Participation in any Loan opportunity referred to it by AP Commercial; each Member that approves a specific Loan opportunity referred to it by AP Commercial must indicate its affirmative interest in purchasing a Loan Participation; for each Loan Participation in which the Member expresses an interest, the Member must indicate its preferred dollar amount of the Loan Participation; for each Loan opportunity referred to the Members, AP Commercial will tally all of the preferred dollar Loan Participation amounts and will attempt, if possible, to deliver to each Member its preferred dollar amount allocation; and in cases of opportunities that are oversubscribed or undersubscribed, AP Commercial will follow specific procedures that are directed to ensuring that allocations among Members are made on an equitable basis.
- AP Commercial has discretion to adjust allocations to reflect situations not explicitly addressed in the policy in accordance with the authority granted to AP Commercial by the board of directors of BancAlliance.

The BancAlliance Member Loan Allocation Policy is provided to all Members. As described in Item 4.B above, AP Commercial is generally required to commit, pursuant to the terms of a master loan participation agreement with BancAlliance, to acquire for its own account an interest in Loan Participations (or the underlying Loans) acquired by the Members. If required by the terms of the agreement, AP Commercial (or its affiliate) will acquire this Loan or Loan Participation whether or not an opportunity is oversubscribed or undersubscribed.

AP Commercial may source for FinCo a Loan prior to receiving binding commitments or nonbinding indications of interest from Members and other Managed Account Clients. If, following a purchase of a Loan by FinCo, AP Commercial receives binding commitments from Members or other Managed Account Clients, AP Commercial will repurchase for the benefit of AP Commercial's other clients an amount of such Loan from FinCo equal to those binding commitments. AP Commercial intends to purchase for the benefit of its other clients any such Loan from FinCo for the fair market value of the Loan. Simultaneously with such purchase, the Loan would be allocated to Members and Managed Account Clients (other than FinCo) in accordance with the allocation policy described above.

Personal Trading

AP Commercial may refer to clients Loan assets of borrowers that have issued securities or other instruments in which AP Commercial or its affiliates or their respective employees have already invested. Conflicts of interest may arise if AP Commercial or its affiliates or employees refer a particular transaction because of a financial interest held by any such person in such securities or instruments. As mentioned above in this Item 11 under "Code of Ethics," AP Commercial has implemented policies relating to personal account trading by AP Commercial Personnel that are designed to reduce, monitor and resolve conflicts of interest presented by such trading activities and to ensure such trading activities are carried out in accordance with applicable law and regulatory requirements. AP Commercial maintains a list of issuers about which a determination has been made that it is prudent to restrict trading activity (the "Restricted List") by AP Commercial personnel for a certain period of time. All publicly traded companies with respect to which AP Commercial personnel are reviewing loan opportunities will be added to the Restricted List and will remain on the Restricted List for as long as AP Commercial or its personnel have access to nonpublic information regarding such company. The Chief Compliance Officer may identify additional issuers to be subject to restriction. These issuers will include, for example, a company about which AP Commercial personnel may have acquired material nonpublic information, although the presence of an issuer on the list is not an indication that AP Commercial in fact has material nonpublic information about that company. Except for Loans and Loan Participations, AP Commercial personnel may not recommend or effect trades for themselves or others in the securities of any issuer that is on the Restricted List.

ITEM 12: BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

AP Commercial may use brokers or dealers to acquire Loans on behalf of clients. There are no limitations on which broker-dealer is used or on the commission rates paid. However, Loan

acquisitions are allocated to brokers and dealers consistent with AP Commercial's fiduciary duty of best execution. The factors considered may include, but are not limited to: a dealer's quality of execution, reputation, financial strength and stability, ability to effect the transactions, its facilities, reliability, access to primary and secondary markets, overall cost of Loan transaction, nature of the Loan, desired timing and size of the transaction, and the receipt of brokerage or research services which are of benefit to clients.

1. Research and Other Soft Dollar Benefits

The research or brokerage products and services provided to AP Commercial by broker-dealers generally may include, without limitation, information on the economy, industries, asset classes, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting relevant asset classes, technical market action, credit analysis, risk measurement analysis, performance analysis, and/or post-trade services or communication services related to executing and settling transactions. Such research services may be received in the form of written reports, telephone contacts, personal meetings with analysts, or otherwise. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives.

Research obtained from brokers may be used by AP Commercial to service all of its clients, including clients that have not participated in the transaction generating the commission. AP Commercial anticipates that brokerage firms generally will not charge AP Commercial a separate fee for research, brokerage and certain other services, and AP Commercial does not intend to negotiate "execution only" commission rates; thus, AP Commercial may be deemed to be paying for research, brokerage or other services provided by a broker that are included in the commission rate. While the continued provision of such services to AP Commercial is not conditioned on AP Commercial directing any particular level of transactions to these brokerage firms, such services are provided without separate charge in consideration of AP Commercial's use of such brokerage firms to execute transactions on behalf of all clients that have determined to fund a Loan opportunity. AP Commercial receives a benefit in this instance because AP Commercial does not have to produce or pay for such research products or services, and AP Commercial may have an incentive to select or recommend a broker-dealer based on AP Commercial's interest in receiving such services rather than the clients' interest in receiving the most favorable execution.

2. Brokerage for Client Referrals

Not applicable.

3. Directed Brokerage

Not applicable.

B. Order Aggregation

AP Commercial, in originating or acquiring a Loan on behalf of BancAlliance, another Lending Entity, Managed Account Clients, or other clients, is aggregating the orders of multiple clients.

Except for Premier Members, who do not pay AP Commercial for out-of-pocket costs or expenses in connection with their acquisition of a Loan Participation, all participating clients will bear, through their respective purchases of Loans or Loan Participations, their pro rata shares of the expenses of the same Loan.

ITEM 13: REVIEW OF ACCOUNTS

AP Commercial affords clients participating in the Commercial Loan Program ongoing electronic access, through the Client Portal, to Loan monitoring data and periodic reporting setting forth balance information with respect to outstanding Loans relevant to the particular client. This information may include delinquency reports, payment information, exception reports and other relevant information determined from time to time by AP Commercial.

AP Commercial's credit professionals, under the supervision of the Chief Credit Officer, conduct periodic reviews of outstanding Loans in the Commercial Loan Program through the date of review. Each periodic review will address with respect to each Loan the continued appropriateness of the risk rating that AP Commercial has assigned to each Loan, the borrower's record of covenant compliance and other topics as may be considered relevant by AP Commercial. A review of Loans other than on a periodic basis may be triggered by unusual activity or special circumstances on a case-by-case basis. AP Commercial makes available to clients participating in the Commercial Loan Program on an ongoing basis via the Client Portal information about the performance of outstanding Loans, typically on a quarterly basis.

In addition to the quarterly and other reports described above, each Premier and Select Member receives an additional analysis of the Member's portfolio of Loans, including with respect to Loan concentrations in different industries. AP Commercial does not believe this additional reporting would be meaningful to Standard Members given the amount of Loan Participations these Members hold.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

Not applicable.

B. Compensation to Non-Supervised Persons for Client Referrals

AP Commercial may from time to time enter into agreements with independent third parties to assist in identifying potential clients or to refer such potential clients to AP Commercial. Such agreements generally are expected to require AP Commercial to pay the qualified third party a fee in cash, equity or a combination of both in regard to each identified prospective client that becomes a client and actively participates in the Loan Program. Payment of such fees would not be conditioned on referring or recommending specific assets or types of assets to clients or obtaining assets through or from specific third parties. Any agreement providing for direct or indirect cash payments by AP Commercial to a person that is a "solicitor" as defined in Rule 206(4)-3 under the Advisers Act will comply with that rule and any other applicable regulatory requirements. Clients that are referred to AP Commercial by way of such solicitation

arrangements do not pay higher fees or otherwise absorb any portion of the solicitor's fee paid by AP Commercial.

ITEM 15: CUSTODY

Members and Managed Account Clients

AP Commercial facilitates the flow of funds to and from Lending Entities (such as BancAlliance) and clients pursuant to the terms of participation agreements between such Lending Entities and each client, in the ordinary course of acquiring or managing Loan Participations. As a result, cash amounts ultimately originating from or destined to clients pass through a bank account maintained by such Lending Entity over which AP Commercial has authority. These transient amounts represent Loan Participation funding amounts sent by clients and due to the relevant Lending Entity, and principal and interest payments on Loan Participations due to clients from the Lending Entity pursuant to the respective participation agreement (collectively, "Client Loan Payments"). The Loan Participations on which AP Commercial advises its clients are owned directly by the client and are maintained directly as a Loan on the client's books and records.

Custody occurs when an adviser or related person directly or indirectly holds client funds or securities, or has the ability to gain possession of them. AP Commercial is authorized to deduct advisory fees and expenses from certain customer accounts, which the SEC considers constructive custody. AP Commercial generally deducts its fees from the Client Loan Payments it collects for the benefit of its clients. AP Commercial's fees, as well as the Client Loan Payments, are calculated by its loan servicing system and are disclosed in statements sent to Members and Managed Account Clients. AP Commercial has adopted policies and procedures to safeguard client assets throughout the fee and expense deduction process.

All Client Loan Payments are maintained by the relevant Lending Entity in a bank account at a qualified custodian. The Members of BancAlliance are considered one client for custody purposes. AP Commercial intends to maintain a separate bank account for each Managed Account Client; however, AP Commercial does not maintain a bank account for FinCo as AP Commercial does not have custody over its assets. Each such bank account is subject to an annual "surprise audit" by an independent public accountant. A copy of the examination report prepared by the accountant is distributed to each Member and Managed Account Client promptly following the completion of this custody verification. In addition, BancAlliance's financial statements are audited by an independent public accountant and such audited financial statements are distributed to Members within 120 days after the end of BancAlliance's fiscal year.

ITEM 16: INVESTMENT DISCRETION

AP Commercial provides advisory services to its clients on a non-discretionary basis and does not have discretionary authority to buy and sell Loans on behalf of clients. However, AP Commercial has the option, subject to certain limitations, to repurchase for the benefit of its other clients all or any portion of a Loan it sources on behalf of, and was purchased by, FinCo. AP Commercial may exercise discretion in determining the Loan Participation amount allocated to clients within the range of possible allocation sizes that the client has indicated it is willing to

accept. Where significant client demand exists for a particular Loan, it is possible that clients will not be allowed to acquire a Loan Participation as large as that for which they committed or, in some cases, any Loan Participation at all.

The level of discretion that AP Commercial will have in its provision of collateral management services, including the types of Loans that may be purchased on behalf of the client, will be individually negotiated.

In the future, it is possible that AP Commercial will accept clients pursuant to which it may also exercise discretionary investment authority. As appropriate, such authority would be described in an amendment to this Brochure and/or one or more separate Brochures.

ITEM 17: VOTING CLIENT SECURITIES

Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because the Commercial Loan Program and AP Commercial's other advisory services relate only to credit assets such as bank loans, they typically will not give rise to proxy voting in connection with securities. AP Commercial anticipates that there will be circumstances under which the Lending Entity, as the lender of record, will undertake to vote on behalf of Loan Participation holders under a loan agreement. This is because the credit documents underlying many Loans may limit the voting rights of participation holders (as opposed to the lender of record) to a narrow set of significant matters such as changes in principal, interest rate, maturity and/or collateral. Further, for Loans acquired under certain contractual programs, the Lending Entity's voting rights may be limited to matters requiring the consent of all lenders (normally, changes in principal, interest rate, maturity, and/or certain material changes to collateral). In all other matters that require a vote of lenders, the counterparty to AP Commercial under the contractual program may retain discretion to vote the interest in the Loan held by the Lending Entity. Consequently, clients holding Loan Participations in such Loans would only be permitted to give voting instructions to the Lending Entity on such limited matters.

AP Commercial will generally provide clients with its views concerning proposed amendments, waivers, consents, modifications, restructurings and similar matters in respect of credit agreements related to the Loans underlying Loan Participations. In doing so, AP Commercial will act in accordance with its fiduciary duty as an investment adviser. In addition, AP Commercial will administer clients' elections with respect to, or voting decisions related to, instructing the respective Lending Entity how to vote as the lender of record concerning proposed amendments, waivers, consents, modifications and restructurings in respect of credit agreements, to the extent lenders are afforded the opportunity to vote on such matters. These elections will be made solely as directed by the terms of the applicable Advisory Services Agreement and/or the master loan participation agreement to which the client is a party.

For Collateral Management Clients, if any, in certain circumstances set out in the applicable Collateral Management Agreement and the documents governing the Collateral Management Client, AP Commercial may have authority to vote on certain matters such as whether to call or waive any default or accelerate the maturity of a Loan. AP Commercial will act in accordance

with its fiduciary duty as an investment adviser and in accordance with its duties under the applicable Collateral Management Agreement.

BancAlliance Voting Arrangements

With respect to any matters under the loan agreements or related credit documents as to which lenders are afforded the opportunity to vote, consent or elect (a “Vote”), the Commercial Loan Program documentation provides as follows: (i) with respect to purely ministerial matters (such as correcting an error or ambiguity in a credit document), BancAlliance, as the lender of record, may Vote or refrain from Voting as it determines in its sole discretion; (ii) when a Vote being solicited is, by the terms of the relevant credit documents (and any relevant agent bank procedures), divisible in respect of the Loan Participations, BancAlliance will cast its Vote(s) as directed by each Member holding relevant Loan Participations; and (iii) when a Vote being solicited is, by the terms of the relevant credit documents (and any relevant agreement bank procedure), not divisible in respect of the Loan Participations but may be made only in respect of all Loans held by BancAlliance under the loan agreement, BancAlliance will cast its Vote as directed by Members holding more than 50% of the relevant Loan Participations (on a one-vote-per- Member basis). AP Commercial is prohibited from voting with respect to interests it holds in Loans, except in circumstances where there is a tie vote or where no Members vote at all. In these circumstances, AP Commercial may use its discretion to decide how the Members’ interests in the Loan will be voted.

Accordingly, with respect to material matters under the loan agreements or related credit documents as to which lenders are afforded the opportunity to Vote (such as proposed amendments or waivers), AP Commercial will not exercise discretion over the voting decisions of either (i) BancAlliance, except to the limited extent described above where there is a tie vote or where no Members vote at all or (ii) Members, to the extent Members have direct voting rights or give voting instructions to BancAlliance.

Conflicts of Interest

The BancAlliance voting arrangements described above may give rise to apparent or actual conflicts of interest. For example, in the case of a Vote that is not divisible among Loan Participation holders, different Members could have differing preferences regarding how BancAlliance should vote. The procedure described above for giving instructions to BancAlliance may result in BancAlliance voting in a way that is unsatisfactory to those Members that do not agree with the majority.

In the absence of a majority (e.g., a tie vote), AP Commercial (or its affiliate) may vote its preference (i.e., breaking the tie vote), which may result in BancAlliance voting in a manner that is unsatisfactory to those Members in the resulting minority.

AP Commercial (or an affiliate thereof), Managed Account Clients, Members or other clients of AP Commercial may directly or indirectly hold interests in the same Loans. The exercise of voting rights with respect to these Loans varies, as described above. In such situations, AP Commercial (or its affiliate), Managed Account Clients, Members or such other clients may

exercise a vote separate and apart from any other vote in such Loan, which may be cast contrary to the votes cast by other holders of interests in such Loan.

An apparent conflict of interest also might arise on the part of AP Commercial in connection with its provision to clients of its views concerning non-divisible voting matters. For example, AP Commercial could appear to have an incentive to color the views it gives to clients on a voting matter in order to retain or enhance its relationship with (and receipt of fees from) future clients if the clients express to AP Commercial a desire for a particular voting outcome.

AP Commercial has developed voting policies and procedures designed to address apparent or actual conflicts of interest that may arise between different clients, or between AP Commercial and its clients. These procedures may include, in appropriate cases, disclosure of the potential conflict to the relevant clients or the implementation by AP Commercial's management of other measures to address the potential conflict based on management's judgment of what is in the best interest of the relevant clients.

Clients may obtain a copy of AP Commercial's voting policies and procedures upon request. Clients may obtain information about BancAlliance's Loan-related voting records via the Member Portal (or as otherwise set forth in the Advisory and Services Agreement with any particular client).

ITEM 18: FINANCIAL INFORMATION

Not applicable.