

FORM ADV PART 2A: FIRM BROCHURE

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Alliance Partners LLC (together with its affiliates, “Alliance Partners”).

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

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.

Alliance Partners 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 Alliance Partners also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Since AP Commercial LLC's last amendment of this Brochure on May 11, 2018, we report the following:.

Item 15: Custody was amended to remove the reference to the audit of BancAlliance's financial statements by an independent public accountant and subsequent distribution to Members within 120 days after the end of BancAlliance's fiscal year as this practice was determined to not be necessary.

References to Alliance Partners collateral management activities were removed from this Form ADV as no such activities were performed during the prior year and we do not intend to provide such services for the foreseeable future.

Alliance Partners routinely makes changes throughout its Brochure in an effort to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and firm practices. Alliance Partners also makes routine updates to information previously disclosed in our annual update. Alliance Partners believes that these changes are not material changes and does not describe them in this Item 2 and further believes that other than the changes described above that there have been no material changes to its business or the way in which Alliance Partners conducts and supervises its business.

Alliance Partners will provide clients with a summary of any material changes to this Brochure since Alliance Partners' last annual update to the Brochure within 120 days of the close of Alliance Partners' fiscal year end. Alliance Partners may provide additional interim disclosure about material changes, if warranted. Current or prospective clients may obtain a copy of Alliance Partners' current Brochure at any time by contacting us at (301) 232-5400.

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ITEM 4: ADVISORY BUSINESS

This Brochure describes Alliance Partners' 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 Alliance Partners; and
- (ii) advisory and other services to FDIC-insured depository institutions (or affiliates or holding companies of such institutions) that may participate in the Commercial Loan Program outside of the terms of the BancAlliance membership agreement and are advised or subadvised by Alliance Partners (referred to herein as "Managed Account Clients"). Managed Account Clients may include clients who are also Members.

This Brochure also describes Alliance Partners' provision of certain non-advisory services to Members that may participate in certain other programs (as described herein), including the Consumer Loan Program, the Small Business Loan Program and the Wealth Management Program (collectively, the "Non-Advisory Programs") and other loan programs that may be implemented in the future.

A. General Description of Advisory Firm

Alliance Partners is a Delaware limited liability company that was organized in, and has engaged in its business since, 2011. Alliance Partners' principal owner is Congressional Bank. Congressional Bank has engaged in its business since 2003.

B. Advisory Services

Introduction

BancAlliance Members

Through BancAlliance, Alliance Partners makes the Commercial Loan Program available to Members, under which Members have the opportunity to acquire participation interests in Loans that Alliance Partners 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 and its territories. Alliance Partners expects that all Members will be regulated by U.S. federal and state or territorial banking regulatory authorities with jurisdiction over the Members' activities. Alliance Partners 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") between BancAlliance, Alliance Partners and each Member.

Alliance Partners 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 under the Commercial Loan Program by Alliance Partners. Alliance Partners, as the Members' investment adviser, has no authority to cause a Member to acquire or dispose of any Loan.

Managed Account Clients

Alliance Partners also makes the Commercial Loan Program available to Managed Account Clients. Alliance Partners provides certain advisory and administrative services to Managed Account Clients pursuant to an agreement with each such client (each, an "Advisory and Services Agreement"). Alliance Partners 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.

Future Developments

Alliance Partners 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, advisory services Alliance Partners offers will be described in an amendment to this Brochure and/or one or more separate Brochures.

The Commercial Loan Program

Alliance Partners makes available to Members and may make available to 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 Alliance Partners believes meet both its loan eligibility criteria and the eligibility requirements established by the respective client (collectively, the "Loan Eligibility Criteria").

Alliance Partners has primary responsibility for administering the Commercial Loan Program. As further described below, Alliance Partners 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 or will be provided to Members and Managed Account Clients pursuant to an Advisory and Services Agreement between Alliance Partners and each client.

Purpose

Alliance Partners 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 Alliance Partners (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 Alliance Partners

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

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 Alliance Partners.

Alliance Partners (or its affiliate) intends to originate Loans or to acquire Loans in the primary and secondary markets, including through contractual programs with lenders. Alliance Partners 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 Alliance Partners from time to time. These commitment procedures may entail each interested client providing Alliance Partners with a range of possible allocation sizes that the client is willing to accept.

Alliance Partners (or an affiliate thereof) may originate or acquire Loans prior to receiving binding commitments or nonbinding indications of interest from clients. Alternatively, Alliance Partners (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 Alliance Partners, indicate that sufficient demand for the Loan exists.

In addition, Alliance Partners (or an affiliate thereof) may make available for purchase by clients Loan Participations in Loans it holds that, in the judgment of Alliance Partners, continue to satisfy the Loan Eligibility Criteria. Further, Alliance Partners 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 Alliance Partners 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,

Alliance Partners 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 Alliance Partners 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 Alliance Partners 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.

Alliance Partners will generally sell a Loan to BancAlliance or another Lending Entity at a higher price than the price paid by Alliance Partners for the Loan. The purchase price will be determined by Alliance Partners and generally will include an amount to compensate Alliance Partners for the costs associated with acquiring the Loan, including estimated costs and risks of owning and financing the Loan while it is held by Alliance Partners or its affiliate pending distribution to the client. Alliance Partners 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 Alliance Partners (or an affiliate thereof) and subsequently assigned by Alliance Partners (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, Alliance Partners 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 Alliance Partners (or an affiliate) acquiring an interest in the Loan Participation or a direct interest in the underlying Loan. Alliance Partners 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 Alliance Partners (or an affiliate thereof). The Lending Entity in effect will be a nominee holding only record ownership of each Loan.

Allocations

As discussed in Item 11 under the caption “Allocation,” Alliance Partners 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), Alliance Partners 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, Alliance Partners 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, Alliance Partners treats Members and Managed Account Clients 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.

Manager Discretion

Currently, Alliance Partners 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. Each client will independently evaluate and make a case-by-case, independent decision whether to accept any Loan opportunities referred to it by Alliance Partners. No client will be obligated to acquire any Loan Participation. Alliance Partners has discretionary authority on behalf of its affiliates with respect to the acquisition or disposition of their proprietary assets.

Member Classification Framework

Alliance Partners 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 12 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 6.5% of the Member’s total assets. Premier Members receive certain fee discounts as well as additional reporting information from Alliance Partners. See Item 5 and Item 13 below. Officers of Premier Members also are eligible for nomination to the BancAlliance board of directors.
- *Select Members.* A select Member (a “Select Member”) has (i) participated in six 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 4.0% of the Member’s total assets, or (iii) participated in three or more Loans within six months of joining BancAlliance. Select Members receive certain fee discounts as well as additional reporting information from Alliance Partners. See Item 5 and Item 13 below. Officers of Select Members also are eligible for nomination to the BancAlliance board of directors.
- *Standard Members.* A standard Member (a “Standard Member”) has (i) participated in one or more Loans in the last 12 months, or (ii) joined BancAlliance in the last 12 months. Standard Members receive no fee discounts.

The assessment of a Member’s level of participation for purposes of determining its membership classification is made by Alliance Partners on a rolling basis. Alliance Partners also may, in its discretion waive certain classification criteria.

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

Under the applicable Advisory and Services Agreement, Alliance Partners acts as the manager of the Commercial Loan Program. Alliance Partners provides advisory services to Members and may provide such services to Managed Account Clients (“Commercial Loan Program Advisory Services”) to assist them in evaluating Loan opportunities under the Commercial Loan Program. Alliance Partners 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 Alliance Partners.

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 to the clients Loan opportunities that Alliance Partners 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 Alliance Partners’ 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 Alliance Partners credit committee on risk ratings with respect to proposed obligors and recommendations or opinions of Alliance Partners 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 Alliance Partners, about adjustments to risk ratings made by Alliance Partners 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, Alliance Partners

provides live, onsite courses on specific types of loan products offered by Alliance Partners to Members.

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 Alliance Partners 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 Alliance Partners 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 Alliance Partners 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 Alliance Partners 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 Alliance Partners; (2) providing clients with periodic reporting based on information Alliance Partners 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 Alliance Partners 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.

C. 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 to acquire a Loan Participation in respect of any particular Loan opportunity referred by Alliance Partners, 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 Alliance Partners credit committee, Alliance Partners will refer each Loan opportunity that it believes meets the applicable Loan Eligibility Criteria to all eligible active clients in good standing with Alliance Partners 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. Alliance Partners 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, Alliance Partners may provide to specific clients, upon request, material available information relating to a proposed obligor, the Alliance Partners credit committee's recommendation and preliminary analysis on risk ratings with respect to a prospective obligor, and recommendations or opinions of Alliance Partners with respect to the terms and documentation of a Loan opportunity.

D. Non-Advisory Services

Consumer Loan Program

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 Alliance Partners 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 a program participation agreement addressing the responsibilities of Alliance Partners 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.

Alliance Partners 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.

Alliance Partners will not provide any advisory services to Members in connection with the Non-Advisory Consumer Loan Program.

Small Business Loan Program

BancAlliance has established a program (the “Non-Advisory Small Business Loan Program”) to provide Members the opportunity to source small business loans from their customers. This program is provided in conjunction with one or more providers of digital technology to enable such loan sourcing, loan originators, sourcers and/or servicers with which Alliance Partners has partnered (each a “Small Business Loan Partner”). Members participating in the Small Business Loan Program may (i) offer small business loans to their existing retail customers, (ii) underwrite and retain any such loans that meet their individual credit criteria, (iii) refer small business loans to a Small Business Loan Partner, and/or (iv) purchase loans from its retail customers that the Small Business Loan Partner has underwritten and services. The Small Business Loan Partner may provide digital technology to enable a Member’s retail customer to apply for the loan and to enable the Member to underwrite the loan. A Member wishing to participate in the Non-Advisory Small Business Loan Program is required to execute agreements with the Small Business Loan Partner and Alliance Partners.

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

E. Wrap Fee Programs

Not applicable.

F. Client Assets

As of December 31, 2018, Alliance Partners had approximately \$76 million of discretionary regulatory assets under management and approximately \$1,282 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 Alliance Partners pursuant to the applicable Advisory and Services Agreement.

Commercial Loan Program

Members and Managed Account Clients participating in the Commercial Loan Program are obligated to pay to Alliance Partners 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 participating in the Commercial Loan Program will pay to Alliance Partners 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 Alliance Partners, 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 Alliance Partners 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, and 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, Alliance Partners 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, Alliance Partners 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 Alliance Partners has requested that the Loan Fee Rate be changed and Alliance Partners and the client(s) fail to agree on a new Loan Fee Rate, then Alliance Partners 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 Alliance Partners may commence providing Loan-related services to the Members). In addition, Alliance Partners 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.

Fees for Non-Advisory Programs

A Member participating in a Non-Advisory Program is responsible for paying Alliance Partners and or the applicable Partner, as the case may be, certain fees as provided in the agreements governing the Non-Advisory Program. The Member may also be entitled to receive certain fees from the applicable Non-Advisory Program Partner as provided in the agreements governing that Program.

B. Payment of Fees

Loan Participation Fees typically are payable by clients on a current basis. In general, Alliance Partners 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 Alliance Partners in connection with such client's participation in BancAlliance's loan programs. Alliance Partners may reimburse certain costs incurred by several different classes of 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 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 Program-specific expenses and disbursements incurred by Alliance Partners in performance of its obligations under the relevant Advisory and Services Agreement.

Clients bear their pro rata shares of Loan-related expenses (primarily comprising legal fees) incurred by Alliance Partners. However, in the Commercial Loan Program a Premier Member is not responsible for reimbursing Alliance Partners 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. Alliance Partners does not collect fees in advance.

E. Additional Compensation

Not applicable.

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

Alliance Partners does not charge clients performance-based fees in connection with the Commercial Loan Program; rather, as described in Item 5 above, Alliance Partners 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, Alliance Partners' clients consist of Members and Managed Account Clients.

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

The terms of Alliance Partners' 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 Alliance Partners 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 Alliance Partners' 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.

Asset Classes

Loan opportunities referred by Alliance Partners to clients, or managed on behalf of such clients, are expected to consist generally of commercial lending opportunities, including capital leases. Alliance Partners 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, Alliance Partners relies primarily on internal professionals. Alliance Partners screens potential Loan opportunities based on the then-applicable Loan Eligibility Criteria. Alliance Partners 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 Alliance Partners and lenders. Under these programs, Alliance Partners 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 Alliance Partners) for which Alliance Partners serves as investment adviser.

Initial Asset Profile

Under the Commercial Loan Program, Alliance Partners' professionals typically create an "initial asset profile," or IAP, for each potential Loan. The IAP, prepared prior to Alliance Partners' performance of more extensive credit analysis and due diligence, is intended to be a brief, high-level review of each potential Loan opportunity that Alliance Partners has concluded warrants further consideration. IAPs are generally available for all eligible clients to review via an electronic portal maintained by Alliance Partners 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, Alliance Partners reviews information provided by the borrower and/or any financial institution(s) arranging the loan in question. Alliance Partners 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 Alliance Partners believes a prospective Loan opportunity merits further consideration under the Commercial Loan Program, Alliance Partners 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, Alliance Partners 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, Alliance Partners 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 Alliance Partners professionals responsible for a particular potential Loan opportunity under the Commercial Loan Program prepare a credit memorandum and present it to the Alliance Partners credit committee. Once approved by the credit committee, the credit memorandum is generally available for client review via the Client Portal. The Alliance Partners 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 Alliance Partners credit committee has approved the referral.

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 Alliance Partners or to acquire portfolio exposure to any particular Loan.

* * * * *

This Brochure's descriptions of specific advisory services that Alliance Partners offers to clients in connection with the Commercial Loan Program and of Loan opportunities that Alliance Partners expects to refer to clients, should not be understood to limit in any way Alliance Partners' future advisory activities. Subject to the terms of its contractual obligations to existing clients, Alliance Partners 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 Alliance Partners 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.

* * * * *

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 Alliance Partners. 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 Alliance Partners provides to clients are subject to a variety of general risks. The Loan opportunities referred by Alliance Partners (or the counterparty to a contractual loan purchase program, if applicable) or acquired by Alliance Partners 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 Alliance Partners (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. 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, Alliance Partners' 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 has the opportunity to acquire only Loan Participations that Alliance Partners thereafter refers.

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 Alliance Partners 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, Alliance Partners 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 Alliance Partners 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 Alliance Partners' 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. Alliance Partners cannot guarantee that collateral or other creditor's rights will be adequate to protect a client's interests. Nor can Alliance Partners 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.

Loans may be amended or incremental facilities drawn such that the leverage profile of the borrower becomes significantly higher than it was when the loan was initially acquired. Loans may be amended and borrowers may draw on incremental loan facilities without the consent of clients holding interests in such loans, which may result in substantially higher leverage for such loans.

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. Alliance Partners 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 Alliance Partners’ Performance

Alliance Partners’ 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 Alliance Partners’ 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.

Alliance Partners 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 Alliance Partners’ clients.

Alliance Partners is reliant upon proper staffing and key personnel. Alliance Partners 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 Alliance Partners’ services. Alliance Partners 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 Alliance Partners 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.

Alliance Partners may not have control over how Loans are administered or controlled. Alliance Partners typically is not the agent for Loans. When Alliance Partners 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. Additionally, with respect to certain loans, BancAlliance’s voting rights are limited solely to those matters that require unanimous consent of the lenders. It is possible that an agent for one of these Loans may not manage the Loan to Alliance Partners’ 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 Alliance Partners and/or BancAlliance would take if it were agent for the Loan.

Alliance Partners relies on its parent, Congressional Bank, for certain functions and services; any material limitation on Congressional Bank's ability to perform such functions could adversely affect Alliance Partners' ability to perform services in connection with the Programs. Alliance Partners relies on its parent, Congressional Bank, for certain functions and services. Congressional Bank's ability to perform such functions and services depends on its ongoing financial health and liquidity. Congressional Bank's liquidity can be negatively affected by a variety of factors, including changes in the flow of customer deposits and loan repayments, changes in regulatory capital requirements, and general economic conditions. There can be no assurance that Congressional Bank will continue to have sufficient funds to meet future liquidity demands, and any material limitations on Congressional Bank's liquidity could adversely affect its ability to perform functions and provide services to Alliance Partners in connection with the Programs. Further, Congressional Bank is subject to regulation, supervision and examination by state and Federal regulatory bodies, including the Federal Reserve Board, the Maryland Office of the Commissioner of Financial Regulation and the Federal Deposit Insurance Corporation. Regulators have broad discretion to enforce applicable laws and regulations, including taking actions which could affect Congressional Bank's operations, required capital levels, and engaging in certain activities. Actions taken by Congressional Bank's regulators could materially adversely affect its business, operations, capital, and liquidity, and could, in turn, adversely affect Congressional Bank's ability to perform functions and provide services to Alliance Partners in connection with the Programs. Finally, negative public opinion of Congressional Bank could result from its actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Any such negative public opinion could adversely affect Congressional Bank's ability to keep and attract clients and could expose it to litigation and regulatory action. Any such consequences could, in turn, adversely affect Congressional Bank's ability to perform functions and provide services to Alliance Partners in connection with the Programs.

BancAlliance, Alliance Partners 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 neither BancAlliance or Alliance Partners is 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, Alliance Partners 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, Alliance Partners 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. Alliance Partners 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 Alliance Partners to offer or continue the Commercial Loan Program as currently contemplated.

Alliance Partners may have potential or actual conflicts of interest. Alliance Partners may have potential or actual conflicts of interests relating to its provision of services to clients. Alliance Partners 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, Alliance Partners 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; Alliance Partners' provision of advisory services to other clients; Alliance Partners' recommendation of Loans it is obligated to purchase under contractual programs; Alliance Partners' devotion of time to pursuing advisory or other activities on behalf of other clients and/or related party transactions. While Alliance Partners has adopted and intends to adhere to policies and procedures designed to identify and mitigate such potential or actual conflicts, it is possible that Alliance Partners' conflict-mitigation efforts will not eliminate all potential negative effects on clients. Please see Items 10 and 11 below.

It may prove difficult for Alliance Partners to identify and source a sufficient quantity of appropriate Loan opportunities. Alliance Partners expects to encounter competition from other lenders and finance providers as it attempts to acquire or originate Loans. There is no assurance that Alliance Partners 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 Alliance Partners 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 Alliance Partners' clients.

Risks Specific to BancAlliance and Members

The terms of the Commercial Loan Program, including future fees payable by Members to Alliance Partners, may be amended prospectively without consent of the Members. With the consent of Alliance Partners, 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 Alliance Partners), 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 Alliance Partners may agree jointly to commence the wind-down of the Commercial Loan Program, in which case Alliance Partners 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 Alliance Partners in certain circumstances in which event services to Members would be curtailed. Alliance Partners may terminate the BancAlliance Advisory and Services Agreement on 12 months’ prior written notice to BancAlliance. Alliance Partners 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 Alliance Partners’ 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 Alliance Partners. 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.

Alliance Partners has the authority to determine whether a Member continues to satisfy the eligibility criteria for ongoing participation in any loan program. For a Member to begin and continue participating in a loan program, Alliance Partners 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 Alliance Partners determines that a Member no longer satisfies the applicable eligibility criteria, Alliance Partners 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. Alliance Partners, in its sole and absolute discretion, may deem any Member an “inactive Member” if Alliance Partners 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.” Alliance Partners will designate a Member a “Terminated Member” upon the occurrence of all of the following: (i) such Member has notified BancAlliance and Alliance Partners 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).

Alliance Partners has influence over BancAlliance’s Board of Directors. Alliance Partners 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 Alliance Partners, the composition of and decisions made by the Board might not reflect the preferences of all individual Members.

Alliance Partners’ liability to Members is contractually limited and Members have indemnification obligations to Alliance Partners. The BancAlliance Advisory and Services Agreement provides that unless Alliance Partners 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 Alliance Partners in its provision of services to Members. This limitation on liability means that Alliance Partners 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 Alliance Partners 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 Alliance Partners 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 Alliance Partners that is an FDIC-insured depository institution (or a bank holding company of such an institution); and BancAlliance must consent to the assignment.

If Alliance Partners 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 Alliance Partners 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 Alliance Partners.

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

Alliance Partners’ 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 Alliance Partners 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 Alliance Partners’ bankruptcy (or any affiliate), creditors might challenge the “true sale” nature of Loan Participations granted by BancAlliance or Alliance Partners (or any affiliate). Alliance Partners 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 Alliance Partners entered bankruptcy and a court found any Loan Participations not to be true sales, such Loan Participations would be the property of BancAlliance or Alliance Partners rather than of Alliance Partners’ clients and the Loan Participations potentially could be available to satisfy claims against BancAlliance or Alliance Partners by their creditors. Further, in the event of BancAlliance or Alliance Partners’ 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 Alliance Partners.

Alliance Partners’ 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. Alliance Partners performs due diligence and credit analysis with respect to each prospective Loan opportunity, and any prospective Loan opportunity must be approved by the Alliance Partners credit committee before it is referred to clients. The Commercial Loan Program Advisory Services also include Alliance Partners’ 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. **Alliance Partners 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 Alliance Partners' advisory business or the integrity of Alliance Partners' 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

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

Resolving Conflicts Related to Overlapping Credit Opportunities

Loans that are available to any Members may also be available to Managed Account Clients through Alliance Partners' Commercial Loan Program, if the Loans meet the Loan Eligibility Criteria and if Alliance Partners is able to source such Loan independently from any third-party contractual loan purchase program. Alliance Partners' 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 Alliance Partners' 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 as amended (the "Advisers Act"), Alliance Partners has adopted a code of ethics (the "Code of Ethics"). The Code of Ethics establishes standards of business conduct that all Alliance Partners Personnel (defined to include any managing member, partner or employee of Alliance Partners and any person who provides investment advice or support on behalf of Alliance Partners and is under Alliance Partners' direct or indirect supervision or control) must follow.

The Code of Ethics is predicated on the principle that Alliance Partners owes a fiduciary duty to its clients. Accordingly, the Code of Ethics provides that at all times, Alliance Partners Personnel must: avoid placing the interests of Alliance Partners, its affiliates and Alliance Partners Personnel ahead of client interests; help Alliance Partners 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 Alliance Partners' 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 Alliance Partners 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 Alliance Partners, or receiving or offering gifts or entertainment worth a substantial monetary value from or to persons doing business with Alliance Partners.

The Code of Ethics states that Alliance Partners will provide a copy thereof to all Alliance Partners Personnel, with a requirement that they provide to Alliance Partners a written acknowledgment that they have received and will abide by the Code of Ethics. Clients or prospective clients may obtain a copy of Alliance Partners' code of ethics by contacting us at (301) 232-5400.

Conflicts of Interest Generally

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

While Alliance Partners currently provides advisory services to clients in connection with the Commercial Loan Program, in the future Alliance Partners 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. Alliance Partners and its affiliates may have conflicts of interest in allocating their time and resources with respect to the Commercial Loan Program among varying clients. Moreover, Alliance Partners provides non-advisory services and may seek to provide advisory services in addition to the Commercial Loan Program. Alliance Partners may charge clients different management fees and incentive fees and/or allocations due to circumstances such as different contractual rates or member classifications.

Alliance Partners' 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. Alliance Partners 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 Alliance Partners may use for one or more clients could conflict with the transactions and strategies made available or employed by Alliance Partners 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.

Alliance Partners' 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. Alliance Partners 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 Alliance Partners 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, Alliance Partners has adopted policies and procedures, including the Code of Ethics and allocation and voting policies.

Cross-Trades

Alliance Partners 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. Alliance Partners does not expect to engage in “cross-trades” in connection with the Commercial Loan Program.

From time to time, Alliance Partners may be alerted by a client that it desires to reduce or eliminate its exposure to a particular Loan. In this case, Alliance Partners may identify one or more other clients or other parties who may be interested in obtaining the relevant Loan interest. Alliance Partners generally will not provide advice regarding any such transfer or purchase. In those circumstances, Alliance Partners may recommend such a Loan to its other clients if the Loan satisfies the clients’ Loan Eligibility Criteria. Alliance Partners will not exercise any discretion over any client’s decision as to whether or not to acquire a Loan interest from another client. Alliance Partners 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, Alliance Partners will disclose its role in the transaction and obtain client consents, as appropriate. Alliance Partners typically collects an administrative fee from the seller in such transactions. Any principal transaction will be conducted in accordance with the procedure below under the caption “Principal Trades.”

Principal Trades

Alliance Partners 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 Alliance Partners (or an affiliate thereof) or from a Lending Entity. Members acquire Loan Participations from BancAlliance, which is also a Lending Entity. Alliance Partners may sell a Loan to BancAlliance (or another Lending Entity) at a price higher than the price paid by Alliance Partners for the Loan. If a client acquires a Loan Participation from a Lending Entity, the Loan or Loan Participation held by Alliance Partners (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 Alliance Partners 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 Alliance Partners (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 Alliance Partners and generally will include an amount to compensate Alliance Partners for the costs associated with acquiring the Loan, including estimated overhead

costs and the cost of financing the Loan while it is held by Alliance Partners or its affiliate pending distribution to the Members or other clients. Alliance Partners generally will not sell a Loan at a price greater than fair value. In such transactions, Alliance Partners will comply with the requirements of Section 206(3) of the Advisers Act, if applicable.

As described in Item 4.C, Alliance Partners (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 Alliance Partners (or an affiliate thereof) that it wishes to sell a Loan Participation previously purchased under the Commercial Loan Program, Alliance Partners (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. In those and other circumstances in which Alliance Partners or its affiliates purchase Loan Participations or other interests from a client for its own account, Alliance Partners will comply with the requirements of Section 206(3) of the Advisers Act, if applicable, including the requirement that Alliance Partners notify the relevant client in writing of the transaction and obtain the consent of the relevant client.

Further, Alliance Partners may refer to clients Loan opportunities relating to borrowers in which Alliance Partners (or an affiliate thereof) already holds loan interests or other credit exposures. For example, it is conceivable that Alliance Partners might present to clients a Loan opportunity relating to a borrower that had previously been the subject of a Loan opportunity, such that Alliance Partners (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 Alliance Partners (or an affiliate thereof), a conflict generally should not arise because, among other reasons, Alliance Partners 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 Alliance Partners. Alliance Partners' 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, Alliance Partners 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, 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 Alliance Partners which Alliance Partners determines to make available to its clients (the "Available Loan Amount"). For each Loan opportunity, interested clients notify Alliance Partners 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 Alliance Partners 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 Alliance Partners 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, Alliance Partners would be required to retain a portion of any Loan in excess of the amount it desires to retain, Alliance Partners 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, Alliance Partners 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 Alliance Partners; each Member that approves a specific Loan opportunity referred to it by Alliance Partners 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, Alliance Partners 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, Alliance Partners will follow specific procedures that are directed to ensuring that allocations among Members are made on an equitable basis.

- Alliance Partners has discretion to adjust allocations to reflect situations not explicitly addressed in the policy in accordance with the authority granted to Alliance Partners by the board of directors of BancAlliance.

The BancAlliance Member Loan Allocation Policy is provided to all Members. As described in Item 4.C above, Alliance Partners 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, Alliance Partners (or its affiliate) will acquire this Loan or Loan Participation whether or not an opportunity is oversubscribed or undersubscribed.

Personal Trading

Alliance Partners may refer to clients Loan assets of borrowers that have issued securities or other instruments in which Alliance Partners or its affiliates or their respective employees have already invested. Conflicts of interest may arise if Alliance Partners 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,” Alliance Partners has implemented policies relating to personal account trading by Alliance Partners 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. Alliance Partners maintains a list of issuers about which a determination has been made that it is prudent to restrict trading activity (the “Restricted List”) by Alliance Partners Personnel for a certain period of time. All publicly traded companies with respect to which Alliance Partners Personnel are reviewing loan opportunities will be added to the Restricted List and will remain on the Restricted List for as long as Alliance Partners 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 Alliance Partners Personnel may have acquired material nonpublic information, although the presence of an issuer on the list is not an indication that Alliance Partners in fact has material nonpublic information about that company. Except for Loans and Loan Participations, Alliance Partners 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

Alliance Partners 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 Alliance Partners’ fiduciary duty

of best execution. The factors considered may include, but are not limited to: price and expense structure of the Loan; counterparty's expertise and ability to source the specific loans or sectors in which Alliance Partners seeks to transact; liquidity of the market for the loan; counterparty's access to primary offerings and secondary markets; counterparty's service and promptness of execution; broker's responsiveness; cost of execution; ability to maintain confidentiality/anonymity; the financial strength, integrity, reputation and stability of the counterparty; quality, comprehensiveness, timeliness, and frequency of available research and market information provided by the counterparty; adequacy of underwriting and operational infrastructure, technology and capital; counterparty's ability and willingness to correct its own errors; and, nature and size of the loan and available market makers.

1. Research and Other Soft Dollar Benefits

The research or brokerage products and services provided to Alliance Partners 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 Alliance Partners to service all of its clients, including clients that have not participated in the transaction generating the commission. Alliance Partners anticipates that brokerage firms generally will not charge Alliance Partners a separate fee for research, brokerage and certain other services, and Alliance Partners does not intend to negotiate "execution only" commission rates; thus, Alliance Partners 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 Alliance Partners is not conditioned on Alliance Partners directing any particular level of transactions to these brokerage firms, such services are provided without separate charge in consideration of Alliance Partners' use of such brokerage firms to execute transactions on behalf of all clients that have determined to fund a Loan opportunity. Alliance Partners receives a benefit in this instance because Alliance Partners does not have to produce or pay for such research products or services, and Alliance Partners may have an incentive to select or recommend a broker-dealer based on Alliance Partners' 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

Alliance Partners, 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 Alliance Partners 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

Alliance Partners 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 Alliance Partners.

Alliance Partners' 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 Alliance Partners has assigned to each Loan, the borrower's record of covenant compliance and other topics as may be considered relevant by Alliance Partners. 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. Alliance Partners 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.

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

Alliance Partners 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 Alliance Partners. Such agreements generally are expected to require Alliance Partners 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 Alliance Partners 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 Alliance Partners by way of such solicitation arrangements do not pay higher fees or otherwise absorb any portion of the solicitor's fee paid by Alliance Partners.

ITEM 15: CUSTODY

In its role as agent, Alliance Partners facilitates the flow of funds to and from Lending Entities and other 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 bank accounts maintained at a qualified custodian over which Alliance Partners has authority. At any given time, these accounts will have assets due to multiple participants in a Loan Participation, which may include one or more Members, Managed Account Clients and Alliance Partners.

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. Alliance Partners is authorized to deduct advisory fees and expenses from certain customer accounts, which the SEC considers constructive custody. Alliance Partners generally deducts its fees from the funds passing through the bank accounts it maintains as agent for the Loan Participations. Alliance Partners' fees, as well as the payments due to each Member or Managed Account Client are calculated by its loan servicing system and are disclosed in statements sent to Members and Managed Account Clients. Alliance Partners has adopted policies and procedures to safeguard client assets throughout the fee and expense deduction process. Alliance Partners is also generally deemed to have custody due to its role as agent for the Loan Participations. In circumstances where Alliance Partners is deemed to have custody of client assets, Alliance Partners seeks to comply with the custody rule under the Advisers Act.

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. Managed Account Clients are also considered one client for custody purposes. 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.

ITEM 16: INVESTMENT DISCRETION

Alliance Partners 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. Alliance Partners 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.

In the future, it is possible that Alliance Partners 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 Alliance Partners' 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. Alliance Partners 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 Alliance Partners 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.

Alliance Partners 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, Alliance Partners will act in accordance with its fiduciary duty as an investment adviser. In addition, Alliance Partners 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.

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). Alliance Partners 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,

Alliance Partners 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), Alliance Partners 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), Alliance Partners (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.

Alliance Partners (or an affiliate thereof), Managed Account Clients, Members or other clients of Alliance Partners 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, Alliance Partners (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 Alliance Partners in connection with its provision to clients of its views concerning non-divisible voting matters. For example, Alliance Partners 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 Alliance Partners a desire for a particular voting outcome.

Alliance Partners has developed voting policies and procedures designed to address apparent or actual conflicts of interest that may arise between different clients, or between Alliance Partners and its clients. These procedures may include, in appropriate cases, disclosure of the potential conflict to the relevant clients or the implementation by Alliance Partners' 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 Alliance Partners' voting policies and procedures by contacting us at (301) 232-5400. 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.