

# **Allen Investment Management LLC**

## **Part 2A of Form ADV The Brochure**

711 Fifth Avenue  
New York, NY 10022  
[www.allenglobalpartners.com](http://www.allenglobalpartners.com); [www.allencoia.com](http://www.allencoia.com)

Updated: March 2014

This brochure provides information about the qualifications and business practices of Allen Investment Management LLC (“AIM”). If you have any questions about the contents of this brochure, please contact us at 212-832-8000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## **MATERIAL CHANGES**

Certain wealth management clients have given AIM broader authority to effect transactions or remittances of cash from the client's investment portfolio to third parties. In these instances, AIM is deemed to have custody of the cash and securities in the relevant account and complies with the "surprise audit" and other requirements of the SEC's custody rule.

## TABLE OF CONTENTS

<b>Advisory Business .....</b>	<b>3</b>
<b>Fees and Compensation.....</b>	<b>4</b>
<b>Other Business Activities.....</b>	<b>6</b>
<b>Types of Clients .....</b>	<b>7</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
<b>Disciplinary Information.....</b>	<b>9</b>
<b>Other Financial Industry Activities and Affiliations.....</b>	<b>9</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>9</b>
<b>Brokerage Practices .....</b>	<b>11</b>
<b>Client Referrals and Other Compensation.....</b>	<b>15</b>
<b>Custody .....</b>	<b>15</b>
<b>Investment Discretion .....</b>	<b>16</b>
<b>Voting Client Securities.....</b>	<b>16</b>
<b>Class Actions.....</b>	<b>16</b>
<b>Financial Information.....</b>	<b>17</b>

## **ADVISORY BUSINESS**

Allen Investment Management LLC (“AIM” or the “Firm”) is a New York limited liability company that is a wholly-owned subsidiary of Allen Operations LLC (“Allen Operations”). Allen Operations is the parent company of Allen & Company LLC (“Allen & Company”), a global investment banking firm and broker-dealer.

### **Allen & Company (Global Investment Banking Firm)**

Allen & Company, a wholly-owned subsidiary of Allen Operations, is a globally recognized investment firm founded in New York in 1922 by members of the Allen family. Allen & Company and its affiliates provide services in investment banking, asset management, sales and trading, and principal investing. Allen & Company’s investment banking and merger and acquisition advisory practice has played a key role in many prominent merger and acquisition transactions, particularly in the media and entertainment industry. Allen & Company, together with AIM, has approximately 170 employees and is privately held by members of the Allen family and Allen & Company’s managing directors.

### **Allen Investment Management LLC**

AIM provides two types of advisory services - the first consisting of customized wealth management services to high net worth individuals, family offices, trusts, foundations and similar clients on a discretionary and non-discretionary basis, as well as fund management for three funds, the Carnegie Hill Insurance Dedicated Fund, ACIA Asset Allocation Fund LP and ACIA Equity Fund LP (collectively the “ACIA Funds”), and the second consisting solely of fund management for two funds, Allen Global Partners L.P. and Allen Global Partners Offshore (the, “Allen Global Partners Funds”, and together with the “ACIA Funds”, the “Funds” and individually, a “Fund”). Each is described in greater detail below. Allen & Company and its affiliates have managed investments on behalf of clients and on a proprietary basis in strategies substantially similar to that utilized by the Allen Global Partners Funds since 1975.

### **Customized Wealth Management Services**

**Description of Services** - Pursuant to individually-tailored advisory agreements, AIM provides (a) discretionary and non-discretionary investment portfolio management by AIM’s experienced investment advisory professionals; and (b) customized wealth management services, under the name “Allen & Company Investment Advisors” (“ACIA”), including but not limited to: asset allocation review and recommendations, investment manager selection and due diligence, portfolio construction, portfolio monitoring and rebalancing, cash flow modeling, Fund management and liquidity management. Under either of the above types of arrangements, clients may impose restrictions on AIM’s ability to invest in certain securities or types of securities. AIM is also investment adviser to the ACIA Equity Fund LP, which is a fund of funds that makes investments in long / short equity funds and to ACIA Asset Allocation Fund LP, which is a fund that is diversified across broad asset classes. Additionally, AIM serves as the Investment sub-advisor to the Carnegie Hill Insurance Dedicated Fund, a Series of the SALI Multi-Series Fund, LP. (the “Carnegie Hill Insurance Dedicated Fund”).

As of December 31, 2013, Allen & Company Investment Advisors manages the ACIA Equity Fund, the ACIA Asset Allocation Fund and the Carnegie Hill Insurance Dedicated Fund on a

discretionary basis with combined assets under management of approximately \$171 million dollars. As of December 31, 2013 Allen & Company Investment Advisors managed on a non-discretionary basis approximately \$942 million, and on a discretionary basis approximately \$239 million for individual advisory clients.

### **Allen Global Partners Fund Management**

**Description of Services** - Pursuant to advisory agreements (each, an “Advisory Agreement”) between AIM and each of the Allen Global Partners Funds, AIM provides fund management services under the name Allen Global Partners (“AGP”).

As of December 31, 2013, Allen Global Partners managed the two Allen Global Partners Funds on a discretionary basis with combined assets under management of approximately \$964 million.

## **FEES AND COMPENSATION**

### **Customized Wealth Management Services**

**Fee Schedule** - AIM’s fees for Customized Wealth Management Services provided by AIM and ACIA are subject to negotiation and are tailored to the types of services provided. Fees may be based upon one or more of the following: (a) a percentage of assets under management (“AUM”); and/or (b) a schedule of fixed fees for particular types of services and/or an incentive based fee. ACIA may charge an asset-based fee for its services (typically between 65-100 bps depending on asset size). Fees are set forth in each client’s investment management agreement. Fees for Customized Wealth Management Services are typically billed/direct debited quarterly after quarter end. Generally, the investment management agreements are terminable upon receipt by either party from the other of prior written notice of termination and after the expiration of the specified notice period and the client will be entitled to any unearned prepaid portion of the fees to the extent applicable.

If a client terminates the investment management agreement for Customized Wealth Management Services with AIM in the middle of a billing period, AIM will invoice the client for an amount that is pro-rated based on the number of days that the account was managed.

### **ACIA Equity Fund**

The ACIA Equity Fund will generally pay AIM at the beginning of each quarter a fee for management services equal to 0.25% (1% per annum) of each limited partner's capital account balance; *provided, however*, that Exempted Advisory Clients will not be subject to the Management Fee. "Exempted Advisory Clients" are advisory clients of AIM that the AIM has agreed not to charge the Management Fee. The Management Fee shall be calculated and paid in arrears.

### **ACIA Asset Allocation Fund**

The ACIA Asset Allocation Fund will generally pay to AIM at the beginning of each quarter a fee for management services (the "Management Fee") equal to 0.25% (1% per annum) of each Limited Partner's capital account balance (including, for these purposes, assets held in an Illiquid

Investment Account); provided, however, that Exempted Advisory Clients will not be subject to the Management Fee. The Management Fee shall be calculated and paid in arrears.

### **Carnegie Hill Insurance Dedicated Fund**

AIM also serves as the subadvisor to the Carnegie Hill Insurance Dedicated Fund. The management fee is 61bps on the first \$150 million and 56bps on amounts in excess of \$150 million of which 11bps and 6bps, respectively, is due to the investment manager of the Carnegie Hill Insurance Dedicated Fund. There is no performance-based fee.

### **Allen Global Partners Funds**

**Fee Schedule** - AIM's fees for managing the Allen Global Partners Funds have two components: (1) an asset-based management fee; and (2) a performance-based payment which is structured (i) in the case of Allen Global Partners L.P. as an allocation paid to AIM's affiliate, Allen Global Partners LLC (the "General Partner") and (ii) in the case of Allen Global Partners Offshore, as a fee paid to AIM.

Each of the Allen Global Partners Funds pays an asset-based management fee (the "Management Fee") to AIM of 1.00% per annum, subject to a reduced management fee for certain seed investors in Allen Global Partners Offshore. For Allen Global Partners L.P., the Management Fee is debited, on a quarterly basis in arrears, to each capital account of a limited partner of such Fund based on the limited partner's capital account balance at the beginning of each quarter at the annum rate equal to 1.0%. For Allen Global Partners Offshore, the Management Fee is paid, on a quarterly basis in arrears, from the capital account of each unitholder in such Fund based on the unitholder's capital account balance at the beginning of each quarter (after giving effect to any subscriptions or redemptions) at an annual rate equal to 1.0%.

In the case of Allen Global Partners L.P., the General Partner receives a reallocation of profits ("Incentive Allocation") from each limited partner on December 31 each year and upon any distribution to or withdrawal by the limited partner. The Incentive Allocation is an amount equal to 20% of the profits (after payment of the Management Fee), if any, allocable to such limited partner's capital account, subject to a cumulative loss recovery provision (a "high-water mark").

In the case of Allen Global Partners Offshore, AIM receives an incentive fee (an "Incentive Fee") on a "high watermark" basis. The Incentive Fee will be an amount equal to 20% of the amount by which (i) net profit, if any, allocable to a unitholder's capital account since the later of the commencement of the Fund's operations or the last date as of which an Incentive Fee was made with respect to such unitholder's capital account (after payment of the Management Fee but before the Incentive Fee) (ii) exceeds the positive balance, if any, in such unitholder's loss recovery account.

Notwithstanding the foregoing, AIM has the discretion to agree with investors in the Funds to waive or modify the application of any provision of the investment terms applicable to such investor in a "side letter" or any other manner, without obtaining the consent of any other investor in the Funds, unless an investor's rights would be materially and adversely changed by such waiver.

## **Risks of Performance-Based Fees and Side-By-Side Management**

AIM may earn performance-based fees based on the performance of the Allen Global Partners Funds and the capital gains or capital appreciation of each investor's capital account. This fee may create an incentive for AIM to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such an arrangement. Such fee arrangements may also create an incentive for AIM to favor the Funds over accounts participating in the Customized Wealth Management Service program in the allocation of investment opportunities and in terms of the resources dedicated to the management of these client accounts which currently pay an asset-based fee.

Under AIM's trade allocation policy, where a limited investment opportunity is appropriate for both the Funds and one or more managed accounts, the opportunity is to be allocated fairly and equitably in accordance with the respective clients' investment objectives, available capital and other appropriate considerations. AIM monitors the implementation of its allocation policy on an ongoing basis in order to ensure that these objectives are met.

In addition, AIM, contemporaneously and on an on-going basis, reviews the resources made available to provide advisory services to the Funds and clients participating in Customized Wealth Management Services program to ensure the appropriate resources are dedicated to the management of all client accounts.

## **OTHER BUSINESS ACTIVITIES**

The employment by Allen & Company, an affiliated broker dealer, or its affiliates of officers, directors, members, and/or employees of AIM could also create additional conflicts of interest. The Funds depend on AIM to make the Funds' investment decisions. Nevertheless, since some of the officers, directors, and/or employees of AIM are officers, directors, members, and/or employees of Allen & Company or its affiliates, AIM and certain of its affiliates may have conflicts of interest in the allocation of management, services, and functions among the Funds and AIM's affiliates. Generally, these individuals may spend no more than 10% of their time on non-advisory activities. However, some of the administrative executive officers of AIM spend the majority of their time on activities related to Allen & Company.

In addition, employees and affiliates of Allen & Company may receive compensation pursuant to a placement agent agreement for the Funds between AIM and Allen & Company. Such an agreement may present a conflict of interest, creating an incentive for these individuals to potentially recommend investment products based on compensation received, rather than suitability for a client. See section below addressing "Other Financial Industry Activities and Affiliations" for further details regarding Allen & Company.

Employees of AIM may from time to time serve as directors or in similar capacities for companies whose securities are purchased or held by client portfolios. In the event that AIM or its employees: (i) obtain material non-public information with respect to any portfolio company on whose board of directors he or she serves, or (ii) are subject to trading restrictions pursuant to the internal trading policy of such a portfolio company, AIM may be prohibited from engaging in transactions in the securities of such company for all of its Clients. Additionally, AIM may be prohibited from engaging in transactions on behalf of its Clients in the securities of a company if

a wealth management client serves as a director or officer, or in situations where we learn of material non-public information from a wealth management client. Finally, employees of AIM may receive compensation for serving as a director, or have other financial interests in portfolio companies.

In addition, employees of AIMS may receive compensation for serving as a director, or have other financial interests in the portfolio company.

## **TYPES OF CLIENTS**

As noted above, AIM provides investment advice to private investment vehicles as described above that are available for investment only to certain U.S. persons that are “accredited investors” (“Accredited Investors”) under the Securities Act of 1933, as amended, and to certain non-U.S. persons.

Additionally, AIM may provide its customized wealth management services to high net worth individuals, family offices, trusts, foundations and similar types of clients. Clients must generally have a minimum account balance of \$50 million dollars, but management may waive this requirement at its sole discretion.

The minimum initial contribution by a new investor to either of the Allen Global Partners Funds is \$1 million, subject to the discretion of AIM to accept lesser amounts.

The minimum initial contribution by a new limited partner to the ACIA Equity Fund and the ACIA Asset Allocation Fund is \$1 million, subject to the discretion of AIM to accept lesser amounts.

A minimum investment amount of \$500,000 is required to invest in the Carnegie Hill Insurance Dedicated Fund.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Customized Wealth Management Services**

The analytical tools and methods, sources of information and investment strategies employed will vary depending upon the specific services provided to and the individual circumstances of each wealth management client. Implementation of any investment plan involves varying degrees of risk and potential for loss, dependent on the specific investment goals and risk tolerances of each client.

For the ACIA Equity Fund, the investment objective is to preserve capital and achieve long-term absolute returns. The ACIA Equity Fund seeks to accomplish its objective by allocating substantially all of its assets among a select group of external portfolio managers ("Portfolio Managers") that invest through investment funds or managed accounts (collectively, the "Portfolio Funds"). While Portfolio Managers employ a broad range of investment strategies, which include a diverse set of alternative and traditional investment opportunities, the ACIA Equity Fund intends, but is not required, to focus its investment activities in Portfolio Funds with



equity investment strategies. Such Portfolio Funds will generally offer limited liquidity and restrictive withdrawal terms. (See "Investment Program.")

All securities investing and trading activities risk the loss of capital. The value of ACIA Equity Fund's investment portfolio and that of a client's account should be expected to fluctuate. Furthermore, securities and financial instruments in which AIM may invest are subject to change and the market value of any particular investment may be subject to substantial variation. No assurance can be given that the ACIA Equity Fund or client account will generate any income or appreciate in value. Furthermore, the ACIA Equity Funds' activities may involve investment on the basis of various short-term market considerations. The same considerations mentioned above with respect to the ACIA Equity Fund also apply to the ACIA Asset Allocation Fund and the Carnegie Hill Insurance Dedicated Fund for which AIM is the sub-advisor.

For the ACIA Asset Allocation Fund the investment objective is to preserve capital and achieve long-term absolute returns. The Asset Allocation Fund seeks to accomplish its objective by investing its assets (a) in publicly traded securities, such as, and not limited to, publicly-traded equities, sovereign and corporate fixed income, exchange-traded funds, options and futures, and (b) through a select group of portfolio managers ("Portfolio Managers") that invest through investment funds or managed accounts (collectively, the "Portfolio Funds"). Portfolio Funds may invest in a wide array of securities which can include, without limitation, all sectors of publicly traded equities on a global basis, options, convertible securities, debt securities and securities of privately held companies. The Portfolio Managers may utilize various strategies, including margin, short-term trading, short sales and hedging, to enhance returns and diversify risks. The ACIA Asset Allocation Fund will strive to adhere to a "Strategy Allocation Plan" such that when aggregating direct investments of the Partnership with the underlying investors of the Portfolio Fund, the ACIA Asset Allocation Fund remains diversified across broad asset classes, including but not limited to equities, corporate and sovereign fixed income and cash. The Strategy Allocation Plan at any given time will be influenced by prevailing economic and market conditions.

### **Allen Global Partners Fund Management**

The Allen Global Partners Funds employ a fundamental research-based investment approach that focuses on catalyst-driven equity and credit investments and utilizes the Investment Manager's core competence of evaluating corporate transactions. The Funds' investments are usually based on corporate transactions or other company specific events that fundamentally change the financial structure, control, or value of a company or its securities, including, but not limited to mergers & acquisitions, self-tenders, buy-backs, bankruptcies and other forms of reorganizations, carve-outs, spin-offs, split-offs, extraordinary litigations and liquidations, holding companies, stubs, strategic stake building, proxy solicitations, intra-capital, share class arbitrage, returns of capital, special dividends, asset sales, divestitures, equity and debt restructurings, and minority squeeze-outs.

The Funds' investment strategy is rooted in a corporate finance driven, bottoms-up approach to analyzing and evaluating prospective investments. The Funds' research process focuses on delineating and understanding the outcomes and timing of corporate transactions and other catalyst-driven situations in which the Funds' investments are based. The success of the Funds'

investment strategy is typically based on the outcome and timing of catalysts rather than the direction of the broader markets.

All securities investing and trading activities risk the loss of capital. The value of the Funds' investment portfolio should be expected to fluctuate. Furthermore, securities and financial instruments in which the Funds invest are subject to change and the market value of any particular investment may be subject to substantial variation. No assurance can be given that the Funds will generate any income or the Funds' investment portfolio will appreciate in value. Furthermore, the Funds' activities may involve investment on the basis of various short-term market considerations.

## **DISCIPLINARY INFORMATION**

AIM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Broker Dealer**

Allen & Company is a wholly owned subsidiary of Allen Operations LLC, parent of AIM, and is a registered broker-dealer under the Securities Exchange Act of 1934, as amended. AIM has retained Allen & Company to serve as a placement agent for Allen Global Partners Funds. As such, AIM may pay Allen & Company a fee for such services. When acting as a placement agent, Allen & Company may enter into sub-placement agreements with affiliates and unaffiliated third parties, and if so, will bear the cost of such arrangements. Under such arrangements, Allen & Company at its discretion may allocate all or a portion of its placement fee to such sub-placement agents. AIM reserves the right to enter into agreements with other placement agents to solicit qualified investors ("Investors") for Allen Global Partners Funds. Any fees payable to a placement agent or sub-placement agent, including Allen & Company, will be paid by AIM, and under no circumstances will investors in the Funds bear the fees payable to a placement agent or sub-placement agent.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Personal Trading Policy and Procedures**

AIM has policies and procedures designed to prevent its employees from misusing material nonpublic information (which may include information regarding AIM's clients) in their personal trades. AIM maintains a Restricted List and a Watch List of securities subject to sales or trading activity prohibitions. Prior to soliciting a purchase or sale or placing an order for the purchase or sale of a security, employees of AIM are required to review the Restricted List to determine whether the securities of the issuing company have been restricted. If a company is listed on the Restricted List, employees are generally prohibited from trading in that company's securities. Exceptions may be granted by the Chief Compliance Officer on an extremely limited basis.

All employees must receive approval from the Legal & Compliance department prior to any personal security transactions. The Legal & Compliance department utilizes an automated preclearance system available to all employees via the Firm's intranet site Allennet. The employee must represent that he or she has no material, nonpublic information and that he or she has had no contact with the issuer for a period of six months. If the employee has had such contact, he or she will be directed to contact the compliance department for further instructions. If the employee obtains approval for the trade, he or she may execute that trade only on the day approval was granted. If the employee is denied approval, he or she is prohibited from executing the trade.

To avoid any potential conflicts of interest involving personal trading, AIM has adopted various policies and procedures which include insider trading policies and procedures. AIM's policies and procedures are in compliance with Rule 204A-1 of the Adviser's Act.

A copy of AIM's Code of Ethics shall be provided to any client or prospective client upon request.

#### **Participation or Interest in Client Transactions – Recommendations to Clients of Products in Which the Applicant or Related Person has Some Financial Interest**

Certain conflicts may result from Allen & Company and its related persons and affiliates being engaged in the investment banking, corporate finance, and capital markets businesses. Accounts of AIM and its related persons and affiliates invest in private securities which are outside of the investment program for individual client accounts and therefore such investments will not be made for such client accounts. For instance, AIM may recommend to customized wealth management clients or exercise its discretion to invest their funds with third party fund managers with whom Allen & Company and its affiliates have pre-existing client or investor relationships. In addition, to the extent permitted by the Employment Retirement Income Security Act of 1974, as amended, Allen & Company and its affiliates may earn fees and other compensation for performing investment banking or corporate finance services for issuers in which the customized wealth management clients or the Funds may invest. Additionally, as a result of Allen & Company's internal compliance policies, the Funds may be precluded or restricted from investing in certain issuers who have engaged Allen & Company or its affiliates as a financial advisor or underwriter or in another type of advisory role.

#### **Participation or Interest in Client Transactions – Buys or Sells Securities for Itself**

AIM and its related persons and affiliates may manage or invest capital for their own respective accounts, other client accounts, and other investment vehicles, and may have financial incentives to favor certain such accounts over the accounts of customized wealth management clients and/or the Funds. Such accounts may compete with the customized wealth management clients and/or the Funds for specific trades, or may hold positions opposite to positions maintained on behalf of the customized wealth management clients and/or the Funds. AIM and its related persons and affiliates may give advice and recommend securities to, or buy or sell securities for, certain of the customized wealth management clients and/or the Funds, which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other such accounts even though their investment objectives may be the same as, or similar to, those of the certain customized wealth management clients or the Funds.

## **Potential Conflicts between Managed Accounts and AIM-Managed Funds**

From time to time, AIM may advise a managed account that has been opened in order to trade side-by-side with an AIM Fund or one of the senior investment personnel for an AIM Fund may also be the senior advisory person exercising discretion over the trading in a managed account. Such circumstances may give rise to a conflict between the interests of the relevant AIM Fund and those of the managed account client. In particular:

- The advisory fees charged to the Fund may create an incentive to favor the Fund in the allocation of “hot issues” and other limited investment opportunities or conversely, the advisory fees charged to the managed account may create such an incentive to the disadvantage of the Fund;
- Fund redemptions and the resultant liquidation of securities positions may adversely impact the value of the same securities held in the managed account or conversely, the liquidation of managed account positions may adversely impact the value of the same securities held by the Fund;
- In order to avoid such an adverse impact, AIM may choose to liquidate the Fund’s or the managed account’s positions on an extended timeframe thereby delaying the remittance of cash to investors or the managed account client; and
- Other unforeseen conflicts may arise between the interests of the Fund and the managed account client.

In providing advisory services to the Funds and its managed account clients, AIM will attempt to minimize the occurrence and impact of conflicts of interest and will seek to address such any such conflicts in a fair and equitable manner.

## **BROKERAGE PRACTICES**

### **Participation or Interest in Client Transactions – As Broker or Agent for a Client**

#### **Allen Global Partners**

AGP’s choice of a broker or dealer to effect transactions presents a potential conflict of interest. AGP may use any broker or dealer in the purchase and sale of securities for the Funds. However, AGP does not, and in the future will not, use any of its affiliates, including Allen & Company LLC, as a broker in the purchase and sale of securities for the Funds. In selecting an appropriate broker-dealer to effect a client trade, AGP seeks to obtain best execution, taking into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to AGP, brokerage and research services provided to AGP (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services. If AGP decides, based on the factors set forth above, to execute over-the-counter ("OTC") transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over

another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care an attention that will be given to smaller orders. AIM maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

### **Allen & Company Investment Advisors**

New wealth management clients have the ability to select where their cash and securities will be held. Generally, clients may select their own brokerage firm or use one of three platforms where AIM has established relationships; Pershing Advisors Solutions, Charles Schwab and/or Fidelity. Selecting one brokerage firm or another will affect ACIA's trading ability, as all trades for that client will be directed to brokerage firm they choose.

### **Participation or Interest in Client Transactions – As Broker or Agent for Any Person Other Than a Client**

AIM or any of its related persons or affiliates may engage in agency cross transactions as defined in Reg. § 275.206(3)-2 promulgated by the Securities and Exchange Commission under the Advisers Act ("Agency Cross Transactions") in which such entity acts as a broker for both a customized wealth management client or the Funds or any Fund investor and for another person on the other side of the transactions. Accounts of AIM and its related persons and affiliates invest in private securities which are outside of the investment program for individual client accounts and therefore such investments will not be made for such client accounts. AIM or any of its affiliates may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities with respect to, both parties to such Agency Cross Transactions. In executing customized wealth management agreements and/or the subscription agreements for the Funds, each advisory client and Fund investor will consent to such Agency Cross Transactions. An advisory client or Fund investor may revoke its consent as to Agency Cross Transactions effected on such client's or Fund investor's behalf at any time by written notice to AIM or the General Partner, as the case may be. In addition, to the extent the General Partner or any of its affiliates act as principal in a transaction with the Funds, they will do so only in compliance with the Advisers Act.

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

From time to time, AIM may pay broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting account transactions for the Funds in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. While AIM does not currently have any soft dollar arrangements in place with any brokers, it will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 and subject to prevailing guidance provided by the SEC regarding Section 28(e). AIM believes it is important to its investment decision-making processes to have access to independent research.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues.

Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to AIM by or through broker-dealers.

### **Trade Allocation Policy and Procedures**

Allen Global Partners L.P. and Allen Global Partners Offshore are managed as parallel vehicles and, to the extent practical, invest in the same securities at the same time; thus, the Firm is often in the position of buying or selling the same security for both of the Funds at approximately the same time. In addition, on occasion, AIM may buy or sell the same securities for more than one customized wealth management client or for such a client in addition to one or both of the Allen Global Partners Funds or the ACIA Asset Allocation Fund or Carnegie Hill Insurance Dedicated Fund. The ACIA Equity Fund will invest in other privately offered funds, so we do not anticipate any allocation issues with such fund.

Because of market fluctuations, the prices obtained on such transactions within a single day may vary substantially. In such a case, one Fund or other client may receive the benefit of the more favorable prices while the other Fund or other client would not. In order to more equitably allocate the effects of such market fluctuations, for certain transactions, AIM has implemented the following "allocation" procedures.

As previously stated, AIM provides two types of advisory services - the first consisting of customized wealth management services and fund management provided by Allen & Company Investment Advisors and the second consisting solely of fund management for two funds, Allen Global Partners L.P. and Allen Global Partners Offshore provided by Allen Global Partners. Both Allen & Company Investment Advisors and Allen Global Partners are led by different portfolio managers, managed separately, and generally invest in different industries and sectors.

Transactions executed on behalf the Funds are executed independent of those executed for AIM's wealth management clients. It is the policy of the Firm to combine or "batch" all orders for the Allen Global Partners Funds to purchase or sell a particular security and to execute them as a block transaction in order to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commission rates. Where a block trade is executed for the Funds, the Firm uses the average price of the block for the purpose of pricing each transaction executed in behalf of the Funds.

As a general rule, the Firm will allocate the amounts actually purchased or sold among the Funds in proportion to the total number of shares sought to be purchased or sold for each Fund. In each of these cases, the price shown on the confirmations of Fund will be the average execution price of all purchases or sales, including any commissions paid on the transactions that are aggregated for this purpose.

If it is not practicable to allocate the executed portion of the batched order placed on behalf of the Funds on a pro rata approved basis, allocation may be done on a random basis but any procedure administered should not operate to consistently favor or disfavor any particular Fund.

Separate accounts managed on a non-discretionary basis by Allen & Company Investment Advisors will be limited in its ability to aggregate the purchase and sale of securities for multiple client accounts. For non-discretionary accounts, AIM will execute transactions as soon as practical once the client has authorized the proposed transaction and communicated their approval to proceed.

For discretionary separate accounts that may be managed at any given time, AIM will execute transactions on a rotational basis based on objective criteria to determine the order in which client transactions may be executed in an attempt to ensure that all clients are treated in a fair and equitable manner.

### **Trade Errors**

In the event that AIM incurs a trade error as a result of AIM's gross negligence, willful misconduct, or fraud, trade errors are to be (i) corrected by AIM as soon as practicable, in a manner such that the client incurs no loss and (ii) promptly reported to the Chief Compliance Officer.

### **Review of Accounts**

AIM offers, as part of its customized wealth management services, various types of reviews, including but not limited to comprehensive financial reviews, asset allocation reviews, portfolio risk reviews and operational due diligence reviews. In addition, AIM performs various daily, weekly, monthly, quarterly and periodic reviews of the Allen Global Partners Funds' portfolios, as well as the ACIA Funds and the Carnegie Hill Insurance Dedicated Fund, and the portfolios of the customized wealth management clients. Such reviews are conducted and/or overseen by senior investment officers, portfolio managers and research associates.

With respect to the Funds, a regular review is conducted of each investment portfolio with respect to its appropriateness given the Funds' investment objectives and strategy. This review also ensures that each investment position is in accordance to the limits prescribed in the respective Fund's governing documents and private placement memorandum.

### **Reports to Clients**

Customized wealth management clients work with their investment advisory representatives to design a reporting program and procedure that addresses their needs and circumstances. In addition, certain clients and Fund investors are given access to a Client Only website, where information and reports are available for client and investor review.

Allen Global Partners makes available on the Client Only website monthly performance reports and quarterly letters which include a manager commentary on the portfolios and the market generally. In addition, with respect to Allen Global Partners L.P., and ACIA Funds, each General Partner will cause each investor to be furnished information necessary for tax reporting.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **Referrals of Customized Wealth Management Clients**

AIM may compensate the personnel of its affiliates for the referral of potential customized wealth management clients. Such referral activities are carried out in compliance with Advisers Act Rule 206(4)-3, which *inter alia* requires that the affiliate's personnel disclose that they are employed by an affiliate of AIM at the time that they solicit potential AIM clients.

### **Private Placements of Interests in Allen Global Partners Funds**

AIM has retained Allen & Company to serve as a placement agent for the Allen Global Partners Funds. As such, AIM may pay Allen & Company a fee for such services. When acting as a placement agent, Allen & Company may enter into sub-placement agreements with affiliates and unaffiliated third parties, and if so, will bear the cost of such arrangements. Under such arrangements, Allen & Company at its discretion may allocate all or a portion of its placement fee to such sub-placement agents. AIM reserves the right to enter into agreements with other placement agents to solicit qualified investors for the Funds. Any fees payable to a placement agent or sub-placement agent, including Allen & Company, will be paid by AIM, and under no circumstances will the Fund bear the fees payable to a placement agent or sub-placement agent.

## **CUSTODY**

All client assets are held in custody by unaffiliated broker/dealers or banks who are qualified custodians; however AIM may have access to client accounts since it serves as the investment manager of the Allen Global Partners Funds, the ACIA Equity Fund and the ACIA Asset Allocation Fund. Investors in the Allen Global Partners Funds, the ACIA Equity Fund and the ACIA Asset Allocation Fund will not receive statements from the custodians. Instead, all are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles. The audited financial statements for the Allen Global Partners Funds will be distributed within 120 days of the Funds' fiscal year end. Investors in the ACIA Equity Fund and the ACIA Asset Allocation Fund will receive audited financial statements within 180 days after the end of each fiscal year or as soon as reasonably practicable. As sub-advisor to the Carnegie Hill Insurance Dedicated Fund, AIM is not responsible for custody of such fund's assets.

Certain wealth management clients have given AIM broad authority to effect transactions or remittances of cash from the client's investment portfolio to third parties. In these instances, AIM is deemed to have custody of the cash and securities in the relevant account and complies with the "surprise audit" and other requirements of the SEC's custody rule. On accounts that AIM has not taken custody, AIM's access to the cash and securities of customized wealth management clients is generally limited to those transfers that are necessary for purposes of investment and AIM is not authorized to withdraw cash or any other assets from the client's investment portfolio or to transfer or remit cash or any other assets to any third parties except for transfers to accounts in the client's name for purposes of investment.



## **INVESTMENT DISCRETION**

Customized wealth management clients decide, in consultation with their investment advisory representatives, what amount of discretion to provide to AIM with respect to the management of their portfolios and the provision of other advisory services. For clients that engage AIM to provide discretionary advisory services, AIM will be authorized to purchase and sell securities without notifying the client pursuant to a limited power of attorney granted to AIM authorizing such transactions.

AIM also has investment discretion for the ACIA Funds and the Carnegie Hill Insurance Dedicated Fund. It may therefore without first obtaining investor consent, determine funds to be bought or sold.

AIM has investment discretion over the assets of the Allen Global Partners Funds. It may therefore, without first obtaining investor consent, determine securities to be bought or sold, the amount of the securities to be bought or sold, the broker-dealers to be used, the commission rate to be paid, and the markets on which the transactions will be executed.

## **VOTING CLIENT SECURITIES**

Allen Global Partners is responsible for voting proxies on behalf of the Allen Global Partner Funds. Allen Global Partners Funds will vote in the best interest of the Funds and submit the proxies promptly and properly. AIM is responsible for voting proxies on behalf of customized wealth management clients to the extent such responsibility is delegated to AIM in the investment management agreement.

It is the policy of Allen Global Partners Funds to vote Fund proxies in the interest of maximizing shareholder value. To that end, Allen Global Partners Funds will vote in a way that it believes, consistent with its fiduciary duty, will cause the value of the shares in question to increase the most or decline the least. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Allen Global Partners Funds has currently identified no conflicts of interest between the interests of the Funds or its other clients and its own within its proxy voting process. Nevertheless, if Allen Global Partners Funds determines that it is facing a material conflict of interest in voting client or Fund proxies, its procedures provide for the Chief Compliance Officer to review the issue in depth and determine the appropriate vote. Allen Global Partners Funds will maintain documentation of all factors considered when voting proxies where a potential conflict exists to provide evidence that these votes have been made in the best interest of the Funds and its other clients.

AIM's complete proxy voting policy and procedures are memorialized in writing and are available for review. In addition, AIM's complete proxy voting record is available only to its clients and investors.

## **CLASS ACTIONS**

If Class Action notices are received by AIM on behalf of the Funds or its other clients, AIM will ensure that the Funds and/or its other clients either participate in, or opt out of, any class action

settlements received. As part of this process, AIM will determine whether it is in the best interest of the Funds and/or its other clients to recover monies from a class action. In the event that AIM opts out of a class action settlement, AIM will maintain documentation of any cost/benefit analysis to support its decision.

## **FINANCIAL INFORMATION**

AIM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.