

# **Allen Investment Management LLC**

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

711 Fifth Avenue  
New York, NY 10022  
Updated: March 2017

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**

Peter DiIorio, General Counsel, replaced Stephen Hart as the Chief Compliance Officer on March 15, 2017. There have been no additional material updates to the business of AIM since the last Form ADV Part 2A update in March 2016.

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## **ADVISORY BUSINESS**

Allen Investment Management LLC (“AIM” or the “Firm”) is a New York limited liability company formed in 2002 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 under common control with AIM.

### **Allen Investment Management LLC**

AIM provides two types of advisory services. First, AIM provides customized wealth management services to high net worth individuals, family offices, trusts, foundations and similar clients on a discretionary and non-discretionary basis (such clients, “Wealth Management Clients”). Second, AIM provides investment advisory services to pooled investment vehicles. AIM is the investment adviser to ACIA Asset Allocation Fund LP and ACIA Equity Fund LP (collectively the “ACIA Funds”). AIM is also the sub-advisor to the Carnegie Hill Insurance Dedicated Fund, a Series of the SALI Multi-Series Fund, LP (“the Carnegie Hill Insurance Dedicated Fund,” and together with the ACIA Funds, the “Funds”). Each is described in greater detail below.

### **Customized Wealth Management 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, public equity management, 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. For certain strategies, AIM offers Customized Wealth Management Services directly to clients and through Charles Schwab’s Managed Account Platform. Charles Schwab provides additional trading, clearing and custodial services as described further in Section 12: Brokerage Practices. AIM is also investment adviser to 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.

As of December 31, 2016, ACIA had \$3,355,873,752 in assets under management, with approximately \$2,147,309,472 managed on a discretionary basis and approximately \$1,208,564,280 managed on a non-discretionary basis. AIM’s calculation of assets under management for regulatory purposes is different than its calculation of assets under management for the purposes of Global Investment Performance Standards (“GIPS”).

## **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 (c) 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). On occasion, AIM may enter into a performance-based fee component if requested by a client for Customized Wealth Management Services. Fees are set forth in each client's investment management agreement, and the underlying assets that are subject to fees calculated as a percentage of assets under management may vary from client to client, depending on the particular asset and the services provided. Fees for Customized Wealth Management Services are typically billed/direct debited on a quarterly basis in arrears 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.

Certain Wealth Management Clients also have an investment in the ACIA Funds. For such clients, ACIA will either waive the applicable investment advisory fee for the investment in the particular ACIA Fund or waive the management fee on the particular ACIA Fund.

### **ACIA Equity Fund**

The ACIA Equity Fund will generally pay 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; *provided, however*, that Exempted Advisory Clients will not be subject to the Management Fee. "Exempted Advisory Clients" are advisory clients of AIM that AIM has agreed not to charge the Management Fee. The Management Fee shall be calculated and paid in arrears. There is no performance-based fee.

In addition, since the ACIA Equity Fund seeks to accomplish its objective by allocating substantially all of its assets among a select group of underlying portfolio managers, the fund will be assessed the management and incentive fees charged by these managers which will be allocated to investors on a pro rata basis based on their capital account balances within the Fund.

### **ACIA Asset Allocation Fund**

The ACIA Asset Allocation Fund will generally pay to AIM at the beginning of each quarter a 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. There is no performance-based fee.

In addition, since the ACIA Asset Allocation Fund seeks to accomplish its objective by allocating a portion of its assets through a select group of portfolio managers, the fund will be assessed the management and incentive fees charged by these managers which will be allocated to investors on a pro rata basis based on their capital account balances within the Fund.

### **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.

### **Expenses Paid by Clients**

The ACIA Funds bear expenses related to their operations, including without limitation, the Management Fee; investment-related expenses, such as management and administrative fees charged by the underlying portfolio funds, performance-based fees to the portfolio managers of the underlying portfolio funds, expenses related to the purchase and sale of illiquid securities, brokerage commissions, research expenses, interest on margin accounts and other indebtedness, bank service fees, professional fees (including, without limitation, expenses of consultants and experts), and investment-related travel expenses; legal, accounting (including the cost of accounting software packages), audit, and tax preparation expenses; administration expenses (including fees and expenses of the administrator); organizational expenses; expenses incurred in connection with the offer and sale of the interests and other similar expenses; and extraordinary expenses. To the extent that expenses to be borne by the ACIA Funds are paid by the general partner in excess of its ratable share or by the Firm, the applicable ACIA Fund will reimburse the applicable party for such expenses.

With respect to Wealth Management Clients, AIM shall bear its own operating and overhead expenses attributable to the provision of the investment management services to the Client (such as salaries, bonuses, rent, office, utilities and administrative expenses, depreciation and amortization, and auditing expenses). Any tax, accounting, ordinary legal, or other advisory fees incurred by AIM shall be borne by AIM and not the Client.

Please see Item 12 of this brochure for information on brokerage and other transaction costs incurred by Clients.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

AIM may earn performance-based fees from certain of its Customized Wealth Management Services clients, subject to client request. This fee may create an incentive for AIM to make investments on behalf of such clients 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 clients with a performance-based fee component over clients without a performance-based fee component in the allocation of investment opportunities and in terms of the resources dedicated to the management of such client accounts.

Under AIM's trade allocation policy, where a limited investment opportunity is appropriate for 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 clients participating in Customized Wealth Management Services program to ensure the appropriate resources are dedicated to the management of all client accounts.

## **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" 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, institutions 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 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, and is 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.

For the ACIA Asset Allocation Fund, the investment objective is to preserve capital and achieve long-term absolute returns. The ACIA 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 that invest through 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.

All securities investing and trading activities risk the loss of capital. The value of the ACIA Funds' 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 Funds or client accounts will generate any income or appreciate in value. Furthermore, the ACIA Funds' activities may involve investment on the basis of various short-term market considerations. The same considerations mentioned above with respect to the ACIA Funds also apply to the Carnegie Hill Insurance Dedicated Fund for which AIM is the sub-advisor.

In addition, clients of AIM's Customized Wealth Management Services may request AIM to pursue additional investment strategies for their individual accounts, either on a discretionary or non-discretionary basis. Among several strategies which AIM pursues for its clients, the most significant strategy, in terms of the number of clients affected, is referred to as its "Global Market Leaders Strategy", or GML Strategy. The GML Strategy seeks to invest in approximately 15-20 dominant global franchise businesses at attractive prices. AIM seeks to select businesses that command leading market shares within their respective industries and are, generally, diversified across both geographies and currencies. Such companies represent what AIM believes are durable business models that operate in industries with high barriers to entry and generally limited competition. AIM seeks to select companies in which management teams are focused on capital allocation and on generating returns for their shareholders via share repurchases and dividend payouts. In addition, AIM seeks companies in its GML strategy which it believes are both effective and efficient with their capital, as demonstrated by their long-term track record of returns on invested capital. Because the GML is a long-only equity strategy it is subject to the types of risks attendant with such a strategy. For instance, limited diversification may result in the concentration of risk, which, in turn, could expose this strategy to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities. In addition, the value of equity securities in this strategy will generally vary with the performance of the issuer and movements in the equity markets. As a result, the GML Strategy may suffer losses



if it invests in equity instruments of issuers whose performance diverges from AIM's expectations or if equity markets generally move in a single direction and AIM has not anticipated such a general move. Also, as a long-term strategy, the GML Strategy may be subject to short-term fluctuations in price related to market movements and issuer-specific events, some of which could cause the portfolio to materially decline in value.

## **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 the ACIA Funds, and pays 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 investors in the Funds bear the fees payable to a placement agent or sub-placement agent.

### **Other Business Activities**

The employment by affiliates, such as Allen & Company, 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 also 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 and other AIM affiliates.

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 AIM learns 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.

## **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. 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 AIM or Related Person has a 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's related persons and affiliates may invest in private securities which are outside of the investment program for individual client accounts and therefore such investments may not be made for such client accounts. For instance, AIM may recommend to 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 Wealth Management Clients or the Funds may invest. Furthermore, the investment bankers, salespeople, traders, and other professionals of AIM's affiliates may provide oral or written advice, market commentary or trading strategies to corporate clients that reflects opinions contrary to the opinions expressed by AIM to its Wealth Management Clients or the Funds. Additionally, as a result of internal compliance policies, the Funds may be precluded or restricted from investing in certain issuers which 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 Wealth Management Clients and/or the Funds. Such accounts may compete with the Wealth Management Clients and/or the Funds for specific trades, or may hold positions opposite to positions maintained on behalf of the Wealth Management Clients and/or the Funds. Such accounts may also make investment and other decisions that are inconsistent with the recommendations or views expressed by AIM to its wealth management client 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 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 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 any such conflicts in a fair and equitable manner.

## **BROKERAGE PRACTICES**

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

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. The Firm has arranged to bundle and direct its trading activity to these brokers, and a client's brokerage firm selection will affect ACIA's trading ability, as all trades for that client will be directed to brokerage firm they choose. In instances in which a client directs the Firm to use an outside broker of their choice, applicable pricing and the relationship with the outside broker will be the responsibility of the client.

### **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 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 be asked to 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 formal 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**

On occasion, AIM may buy or sell the same securities for more than one Customized Wealth Management Client in addition to the ACIA Asset Allocation Fund or Carnegie Hill Insurance Dedicated Fund (collectively “Accounts”). The ACIA Equity Fund invests in other privately offered funds, so such allocation issues are not applicable. AIM has implemented the following allocation procedures.

Where practicable and unless otherwise instructed by a client to use a particular broker-dealer, all approved orders for a day to purchase or sell a particular security should be combined or “batched” and executed as a block transaction in order to facilitate best execution. Orders sent to different brokers will not be aggregated. Additionally, only discretionary accounts and those non-discretionary accounts that have approved a purchase or sale will be aggregated for that day. Where a block trade is executed on behalf of the Accounts, the average price of the block should be used. If all orders placed on behalf of the Accounts for the purchase or sale of a particular security cannot be filled at a price or prices considered favorable, an allocation method should be administered that is fair and reasonable to all the Accounts participating in the transactions. As a general rule, the Firm will allocate the amounts actually purchased or sold among the Accounts in proportion to the total number of shares sought to be purchased or sold for that Account.

For non-discretionary accounts, once ACIA makes a decision to invest in or sell out of a particular investment in the portfolio, the Firm will generally communicate with clients via email or phone and explain the recommendation. Once approval from the client is received, the portfolio manager will communicate with the Operations Team and provide specific instructions as to what should be bought or sold. The Operations Team will execute the trades in the AIM average price account at applicable custody broker-dealer for each Account. All orders executed in the average price

account on a specific day will receive pro-rata allocations and the average price determined at the end of the day.

In the event an order is “partially filled,” the allocation shall be made in the best interests of that day’s approved Account orders, taking into account all relevant factors, including, but not limited to, the size of each Account’s allocation, the Account’s liquidity needs, and previous allocations. Typically, AIM seeks to ensure that accounts will get a pro-rata allocation based on the initial allocation.

If it is not practicable to allocate the executed portion of the batched order 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 client or Account.

### **Trade Errors**

It is the policy of the Firm that the utmost care is taken in making and implementing investment decisions of behalf of the Funds and Wealth Management Clients. To the extent that any trade errors occur, they are to be (a) corrected as soon as practicable and in such a manner that the Funds or such client(s) incur minimal loss, (b) reported to the Chief Compliance Officer, and (c) scrutinized carefully with a view toward implementing procedures to prevent or reduce future errors, if necessary.

### **REVIEW OF ACCOUNTS**

AIM offers various types of reviews, including but not limited to comprehensive financial reviews, asset allocation reviews, portfolio risk reviews and operational due diligence reviews, as part of its Customized Wealth Management Services. AIM also performs various daily, weekly, monthly, quarterly and periodic reviews of the ACIA Funds and the Carnegie Hill Insurance Dedicated Fund, and the portfolios of the 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**

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.

With respect to the ACIA Funds, each General Partner will cause each investor to be furnished information necessary for tax reporting. In addition, upon the reasonable request of a limited partner, AIM may furnish additional information concerning the Funds which may be required by such limited partner to comply with its own applicable regulatory requirements relating to its

investment in a Fund or to otherwise monitor its investment in a Fund, provided that the provision of such information to such limited partner is not, in the opinion of AIM, adverse to the other limited partners in the Fund.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

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

From time to time, AIM may compensate the personnel of its affiliates for the referral of potential Wealth Management Clients. AIM also participates in the Managed Account Marketplace, a service offered by Charles Schwab & Co. Inc. (“Schwab”) through which prospective investors are referred to AIM for investment advisory services. Through this arrangement, AIM compensates Schwab for investor referrals.

### **Private Placements of Interests in the ACIA Funds**

AIM has retained Allen & Company to serve as a placement agent for the ACIA 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 AND INVESTMENT DISCRETION**

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 ACIA Equity Fund and the ACIA Asset Allocation Fund. Investors in 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. 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. In other cases in which clients have authorized AIM to deduct advisory fees from client accounts, AIM may be deemed to have custody of such client accounts. In those cases, AIM also complies with the requirements of the SEC’s custody rule. On accounts that AIM has not taken custody, AIM’s access to the cash and securities of Wealth Management Clients is generally limited to those transfers that are necessary

for purposes of investment and AIM is generally 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 or when allowed to deduct advisory fees.

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 ACIA Asset Allocation Fund LP and ACIA Equity Fund LP. It may therefore without first obtaining investor consent, determine funds to be bought or sold.

## **VOTING CLIENT SECURITIES**

AIM will not exercise proxy or class action voting authority over client securities on behalf of the Funds or Wealth Management Clients. The obligation to vote client proxies and class actions shall at all times rest with wealth management clients. Wealth management clients shall in no way be precluded from contacting AIM for advice or information about a particular proxy or class action vote. However, AIM shall not be deemed to have voting authority solely as a result of providing such advice to client.

Should AIM inadvertently receive proxy or class action information for a security held in client's account, then AIM will immediately forward such information on to the wealth management client, but will not take any further action with respect to the voting of such proxy or class action. Upon termination of its wealth management agreement, AIM shall make a good faith and reasonable attempt to forward proxy or class action information inadvertently received by AIM on behalf of wealth management clients to the forwarding address provided by client to AIM.

AIM's complete proxy voting policy and procedures are memorialized in writing and are available for review upon request.

## **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.