

Item 1 – Cover Page

**Part 2A of Form ADV
Brochure for:**

ALMITAS CAPITAL LLC

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March 30, 2020

This Brochure provides information about the qualifications and business practices of Almitas Capital LLC (“Almitas” or the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at the address listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Almitas Capital LLC is a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Registration of an investment adviser does not imply any certain level of skill or training.

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

Item 2 – Material Changes

Item 2 discusses material changes to the Brochure since the last annual updating amendment on March 28, 2019.

There have been no material updates since the last annual updating amendment.

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	3
Item 6 - Performance-Based Fees and Side-By-Side Management.....	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	15
Item 10 – Other Financial Industry Activities and Affiliations	16
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	17
Item 12 – Brokerage Practices	19
Item 13 – Review of Accounts.....	21
Item 14 – Client Referrals and Other Compensation	22
Item 15 – Custody.....	23
Item 16 – Investment Discretion.....	24
Item 17 – Voting Client Securities	25
Item 18 – Financial Information	26
Item 19 – Requirements for State-Registered Advisers	27
Brochure Supplement(s)	

Item 4 – Advisory Business

A. Description of the Advisory Firm

Almitas Capital LLC (“Almitas” or the “Firm”) is a Delaware limited liability company. Almitas was formed on January 7, 2013. Ronald Dean Mass is the principal owner, Managing Principal and Chief Compliance Officer of Almitas. Mr. Mass is a Chartered Financial Analyst.

B. Types of Advisory Services

Almitas serves as general partner and investment adviser to private investment funds (the “Funds”). Almitas may decide in the future to provide services to additional types of clients (collectively, the “Clients”).

Pursuant to the Funds’ offering memorandum, limited partnership agreement and subscription documents (the “Governing Documents”), Almitas seeks to identify investments which trade at a discount to intrinsic value. Specifically, Almitas invests the Funds’ assets in accordance with the Funds’ investment objectives and on a discretionary basis among closed-end funds, mortgage real estate investment trusts (“REITs”), individual debt securities (including, without limitation, mortgage and commercial mortgage backed securities, asset backed securities, and corporate and government debt securities), common and preferred equity securities. The Firm may invest in both domestic and foreign securities, denominated in U.S. dollars or foreign currencies. To the extent specifically authorized by the Funds, the Firm may use margin and short selling as part of the investment strategy.

The Funds are offering limited partnership interests (“Interests”) to certain qualified investors as described in Item 7 below (such investors or prospective investors, the “Investors”).

C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve the Clients’ investment objectives. Generally, Almitas has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or the Investors.

D. Wrap Fee Programs

Almitas does not participate in wrap fee programs.

E. Amounts Under Management

The minimum initial investment that will be accepted from a new Investor in the Funds is \$500,000.00, which may be waived by Almitas in its sole discretion. The Firm has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$439,288,108	\$0	December 31, 2019

Item 5 – Fees and Compensation

A. Fee Schedule

The fees and compensation payable to Almitas are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

1. Management Fee

Almitas' quarterly management fee for Investors in the Funds is generally 0.25% (a 1% annual rate). However, the Firm may change or waive such fees in its sole discretion.

2. Incentive Fee

Almitas generally receives an incentive fee equal to a percentage of the net income allocated to each Investor for the quarter, but only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered (a "high water mark"). The maximum incentive fee that could be charged pursuant to the Funds' Governing Documents is 15%. The Firm offers an incentive fee of 10% for an investor's first two years and has the discretion to otherwise waive or lower fees for any particular Investor in the Fund.

The incentive fee, when assessed, will only be charged to accounts of those Investors and Clients (respectively) who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"). Almitas may change or waive the incentive fees in its sole discretion.

3. Fee Comparison

The expenses of the Funds, including the management fee and incentive fee that may be assessed, may constitute a higher percentage of average net assets than would be found in other investment vehicles.

B. Payment of Fees

Management fees, incentive fees, and third-party fees (discussed below) are deducted from Fund assets. Management fees, which are paid in arrears, are withdrawn at the end of the quarter and as of any date on which an Investor makes a withdrawal. Incentive fees are allocated as of the last business day of the calendar quarter and as of any date on which an Investor makes a withdrawal or receives a distribution from its account(s).

C. Third-Party Fees

The Funds shall pay such costs and expenses as Almitas shall reasonably determine to be necessary, appropriate, advisable or convenient to carry on its business and realize its objective, including but not limited to: (i) management fees; (ii) all general investment expenses (i.e., expenses which the Firm reasonably determines to be directly related to the investment of the Client's assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iv) fees, costs

and expenses of third-party service providers that provide such services; and, (v) any extraordinary expenses, among other expenses.

Almitas' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Funds. Such charges, fees and commissions are exclusive of and in addition to Almitas' management fee, and the Firm shall not receive any portion of these commissions, fees, and costs.

Please see Item 12 of this Brochure regarding brokerage.

D. Prepayment of Fees

Almitas will pro rate the management fee for Fund withdrawals made prior to quarter end.

E. Outside Compensation for the Sale of Securities

Neither Almitas nor its supervised persons accept compensation for the sale of securities or other investment products outside of its association with the Firm.

The foregoing discussion in Item 5 represents Almitas' basic compensation arrangements. The management fees and incentive fees described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Client or Investor may vary. Although Almitas believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.

Item 6 - Performance-Based Fees and Side-By-Side Management

As discussed in Item 5.A., Almitas generally receives an incentive fee equal to a percentage of the net income allocated to each Investor for the quarter.

Almitas currently only provides investment management services to the Funds. Should Almitas provide investment advisory services to more Clients, differences in Almitas' compensation arrangements with its Clients, particularly if some Clients were to pay higher performance-based compensation, could create incentives for Almitas to manage Client portfolios so as to favor those portfolios of Clients paying higher performance-based compensation. Notwithstanding these conflicts, the Firm will allocate transactions and opportunities among the various Clients it manages in a manner it believes to be as equitable as possible, considering each Client's objectives, programs, limitations and capital available for investment, but even Clients with similar objectives will often have different investment portfolios.

The incentive fee, when assessed, may provide a possible incentive for Almitas to make riskier or more speculative investments on behalf of a Client than it might make otherwise. Notwithstanding this potential incentive, the Firm will evaluate investments in a manner that it considers to be in the best interest of its Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

Item 7 – Types of Clients

Almitas provides investment advisory services to the Funds. Almitas may in the future provide services to additional or different types of Clients.

The Firm intends to restrict the number of Investors in the Funds and will offer Interests only through non-public transactions in order to maintain their exclusion from “investment company” status under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Each Investor generally must be an “accredited investor” (as defined in Regulation D under the Securities Act of 1933), an Investor who is eligible to enter into a performance fee arrangement under federal law and must meet other criteria as specified in the Governing Documents. Prospective Investors in the Funds must meet eligibility criteria and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review the Funds’ Governing Documents, which set forth all of the terms in detail.

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

A. Methods of Analysis

The Firm's primary method of analysis is fundamental analysis using financial newspapers and magazines; inspection of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, filings with the SEC; and company press releases.

B. Investment Strategies

Almitas is a value investor, focused on investments which trade at a discount to intrinsic value. Specifically, Almitas invests each Client's assets in accordance with each Client's investment objectives and primarily on a discretionary basis among closed-end funds, mortgage real estate investment trusts ("REITs"), individual debt securities (including, without limitation, mortgage and commercial mortgage backed securities, asset backed securities, and corporate and government debt securities), common and preferred equity securities. The Funds may also purchase residential loans, commercial real estate loans, and consumer loans, or invest in pooled investment vehicles that purchase such loans. Almitas may invest in both domestic and foreign securities, denominated in U.S. dollars or foreign currencies.

While the Firm's strategies are generally longer term in nature, at times the Firm will utilize trading (securities sold within 30 days), and to a lesser extent, short sales, option trades or investing on margin. The Firm may sell short ETFs or individual closed end funds, mortgage REITs, equity or fixed income securities, or use equity, interest rate, commodity, and currency futures or options on futures as a hedge in certain strategies.

C. Risks of Investments and Strategies Utilized

Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.

Investment and trading risk factors may include:

General Investment and Trading Risks. Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a client may be subject.

Common Stocks and Equity-Related Securities. Prices of common stock react to the economic condition company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants and options may also

vary widely. Frequent trading of securities is a modest part of Almitas' strategy and frequent trading entails increased brokerage costs and potentially negative tax implications.

Small- and Mid-Cap Risks. Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

Risks Associated with Investments in Distressed Securities. A Client may invest in "below investment grade" securities and obligations of domestic and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Some of these securities may not be publicly traded, and it therefore may be difficult to obtain information as to the true condition of such issuers.

Additionally, in certain periods, there may be little or no liquidity in markets for these securities. Such investments also may be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies.

Investing in High Yield Securities. High-yield securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments.

Credit Default Swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Market curve, among other factors. As such, there are many factors upon which market participants may have divergent views.

Convertible Securities. The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the investment value of convertible securities. The conversion value of a convertible security is determined by the market price of the underlying common stock. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security is called for redemption, a Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Client's ability to achieve its investment objective.

Exchange Traded Funds. Exchange-traded funds ("ETFs") are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

Investments in Private Funds. If a Client invests in private funds, the Client is subject to the risks of the underlying funds' investments and subject to the underlying funds' expenses. There can be no assurance that the other funds will achieve their objectives or avoid substantial losses.

PIPES and Other Restricted Securities. In private investments in public equity ("PIPE") transaction, the Client typically purchases unregistered equity securities of a class of securities that is publicly traded and receives registration rights with respect to the unregistered securities that it purchases. The securities are not publicly tradable when the Client purchases them, however, and they may never become publicly tradable. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

Futures, Commodities, and Derivative Investments. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and

swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

Almitas may buy or sell (write) both call options and put options, and when it writes options, it may do so on a “covered” or an “uncovered” basis. A call option is “covered” when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Firm’s option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Firm has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions Almitas may enter into, the principal risks involved in options trading can be described as follows: When Almitas buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of their investment in the option (including commissions). The Firm could mitigate those losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options.

When Almitas sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is “covered.” If it is covered, the Firm would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Firm might suffer as a result of owning the security. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

Highly Volatile Markets. The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

Use of Leverage and Financing. A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The

cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

Hedging Transactions. While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Almitas may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

Derivatives and Hedging. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, reference rates or indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on Almitas' ability to anticipate changes in the underlying assets, reference rates or indices.

Short Selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses.

Limited Diversification. Investments may be primarily focused geographically in North American countries. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment of Almitas. This limited diversity could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Non-U.S. Securities. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability,

illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

Emerging Markets. In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

Illiquid Investments. Securities and other assets, may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

Counterparty Risk. Transactions are may be affected in “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss.

Real Estate Investment Risk. The Funds may invest in companies that invest in real estate (“Real Estate Companies”), such as Real Estate Investment Trusts (“REITs”) or real estate holding companies, which exposes investors to risks of owning real estate directly, as well as to risks that relate specifically to the way in Real Estate Companies are organized and operated. Real estate is highly sensitive to general and local economic conditions and developments and characterized by intense competition and periodic overbuilding. Real Estate Companies may be subject to numerous risks, including concentration risk, interest rate risk, leverage risk, operational risk, and the following:

- *Property Risk.* Real Estate Companies may be subject to risks relating to functional obsolescence or reduced desirability of properties; extended vacancies; catastrophic events; casualty or condemnation losses; demographic trends; and increasing vacancies or declining rents.

- **Repayment Risk.** The prices of Real Estate Company securities may drop because of the failure of borrowers to repay their loans, poor management, or the inability to obtain financing either on favorable terms or at all.
- **U.S. Tax Risk.** Certain U.S. Real Estate Companies are subject to special U.S. federal tax requirements. Specifically, a REIT that fails to comply with such tax requirements may be subject to U.S. federal income taxation, which may affect the value of the REIT and the characterization of the REIT's distributions. The U.S. federal tax requirement that a REIT distributes substantially all of its net income to its shareholders may result in the REIT having insufficient capital for future expenditures.

Residential Mortgage-Backed Securities. The loans underlying residential mortgage-backed securities ("RMBS") have had in many cases higher default rates than those loans that meet government underwriting requirements. RMBS may be backed by subprime mortgage loans. Due to the higher delinquency rates and losses associated with subprime mortgage loans, the performance of an RMBS could be correspondingly adversely affected.

Asset-Backed Securities. The underlying assets and loans for asset-backed securities ("ABS"), those that are backed by consumer debt, are subject to prepayments that shorten the securities' weighted average life and may lower their returns. If the credit support or enhancement is exhausted, losses or delays in payment may result if the required payments of principal and interest are not made. The value of these securities also may change because of changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the pool, or the financial institution providing the credit support or enhancement.

Commercial Mortgage-Backed Securities. Commercial Mortgage-Backed Securities ("CMBS") issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or private issuers such as banks, insurance companies, and savings and loans are often subject to more rapid repayment than their stated maturity dates would indicate as a result of principal prepayments on the underlying loans. This can result in significantly greater price and yield volatility than with traditional fixed-income securities. During periods of declining interest rates, prepayments can be expected to accelerate which will shorten these securities' weighted average life and may lower their return. Conversely, in a rising interest rate environment, a declining prepayment rate will extend the weighted average life of these securities which generally would cause their values to fluctuate more widely in response to changes in interest rates.

Investments in Other Private Funds. The investment performance of the Funds is affected by the investment performance of the pooled investment vehicles in which they invest (the "Underlying Funds"). The Funds are subject to the risks of the Underlying Funds' investments and subject to the Underlying Funds' expenses. Additionally, the success of the Funds will depend on the investment skills of the Underlying Funds' investment advisers (the "Underlying Advisers"). The return of any one of the Underlying Funds is impacted by the ability of the Underlying Advisers to successfully apply their investment techniques to

generate profits for such fund. The volatility of the Underlying Fund will depend on the nature of the Underlying Fund's exposure to investments and on the Underlying Adviser's ability to reduce risk by trading, hedging, minimizing the use of leverage and utilizing arbitrage techniques. There can be no assurance that the Underlying Funds will achieve their objectives or avoid substantial losses.

General Risks of Lending. Certain Underlying Funds or the Funds may invest in loan products, including residential loans, commercial real estate loans, and consumer loans. There are many risks associated with investments in loan products, including the risk of non-payment by the borrower, the risk of default by the borrower, the risk of bankruptcy or other events which affect the borrower's ability to repay the loans as scheduled, and other related risks. The occurrence of any of these risks could materially affect the ability of the Underlying Fund or the Funds to achieve their investment objectives. Such risks, and the negative consequences associated therewith, may increase in relation to the length of the term of the loan. The bankruptcy of a borrower may result in the discharge of the underlying loan by a bankruptcy court and the loss of all unpaid principal and interest associated therewith. Such a discharge may prevent the Underlying Fund or the Fund from being repaid by the borrower.

The loans which an Underlying Fund or the Funds may acquire may be illiquid because they are subject to transfer restrictions and because there is no ready market for such loans. The Underlying Fund or the Funds may not be able to liquidate those loans promptly if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected. An investment in the Funds is suitable only for certain sophisticated investors who do not require liquidity for their investments.

More information about the Clients' investments and the associated risk factors is available in the Governing Documents.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Almitas. Prospective Investors should read the entire Brochure as well as the Governing Documents, and other materials that may be provided by Almitas and consult with their own advisers prior to engaging Almitas' services.

Item 9 – Disciplinary Information

Almitas and its management persons have not been a party to any legal or disciplinary events that would be material to a Client's or Investor's, or prospective Client's or Investor's, evaluation of its investment advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Almitas nor its management persons are registered as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Almitas nor its management persons are registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

There are no other relationships or arrangements that are material to this advisory business.

D. Selection of Other Advisors or Managers

Almitas does not utilize or select other advisors or third-party managers. All assets are managed by the Firm.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

Almitas has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, and applicable state law. The Code governs the activities of each member, officer, director and employee of Almitas (collectively, “Employees”). Almitas holds its Employees to a high standard of integrity and business practices that reflect its fiduciary duty to the Client. In serving its Client, the Firm strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions.

When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code’s specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in a manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Almitas will provide a copy of its Code of Ethics to Clients and prospective Clients upon request. Such a request may be made by submitting a written request to Almitas at the address on the cover page to this Brochure.

B. Recommendations Involving Material Financial Interests

Almitas may recommend to Clients investment products in which Almitas has a material financial interest or may buy or sell for itself securities that Almitas also recommends to Clients. This presents a potential conflict of interest because it may create a financial incentive for the Firm to recommend certain investments to Clients. To mitigate this risk, the Firm requires that all employees sign and adhere to its Code of Ethics. The Firm also documents any transactions that could be construed as conflicts of interest.

C. Investing Personal Money in the Same Securities as Clients

Almitas, its Employees and/or the related persons may personally buy or sell the same instruments that Almitas buys or sells for Client accounts, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Clients because of Almitas’ recommendations regarding a particular security. This presents a potential conflict of interest because it may create a financial incentive for the Firm to recommend certain investments to Clients. The Firm’s policy as to such transactions is that neither the Firm nor any of its Employees or related persons are to benefit from price movements that may be caused by transactions for Clients. Further, the Firm addresses this

conflict by requiring Employees to sign and adhere to the Firm's Code of Ethics and to report personal securities holdings and transactions to the Firm.

D. Trading Securities At/Around the Same Time as Clients' Securities

As discussed above, from time to time, Almitas, its Employees, or related persons of Almitas may buy or sell securities for themselves that Almitas also recommends to the Client. The Firm will always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

E. Ownership Interest in the Funds

Mr. Mass currently maintains an interest in the Fund, which represents a majority of the Funds' assets. The investment objectives and risk tolerance of Mr. Mass may depart from those of the other Investors, which creates a potential for harm to the other Investors.

Item 12 – Brokerage Practices

A. Factors Used to Select or Recommending Broker-Dealers

Almitas will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, Almitas considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by Clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities. The Firm is subject at all times to principles of best execution, in accordance with the Firm's policies and procedures. In selecting broker/dealers to execute transactions, Almitas need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. The Firm believes that the broker-dealers that it recommends provide competitive transaction and custody costs, helping Clients to eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, Almitas seeks to pre-negotiate preferred terms for its Clients providing Clients with the benefits associated with the economy of scale and custodial knowledge of the Firm.

Certain brokers utilized by Almitas may provide general assistance to Almitas, including, but not limited to technical support, consulting services, and consulting services related to staffing needs. In selecting a broker, the Firm may consider the broker's general assistance and consulting services. To the extent the Firm would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

1. Research and Other Soft Dollar Benefits

Almitas may receive research or other products or services other than execution from a broker-dealer or third-party in connection with Client securities transactions ("soft dollar benefits"). The Firm considers it to be in the best interest of the Client and consistent with the Firm's obligations to enter into "soft dollar" arrangements with one or more broker-dealers. All "soft dollar" arrangements will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act, as that safe harbor is currently interpreted by the Securities and Exchange Commission. The Firm has not yet obtained any "soft dollar" benefits, but if in the future the Firm obtains such benefits, this Brochure will be appropriately amended.

2. Brokerage for Client Referrals

Almitas does not consider, in selecting or recommending broker-dealers, Client referrals from a broker-dealer. The Firm may receive referrals in the future and if it does it will appropriately amend this brochure.

3. Directed Brokerage

Almitas does not direct brokerage. Securities transactions are executed by brokers selected by Almitas in its discretion and without the consent of the Client. The Firm may enter into directed brokerage arrangements in its discretion.

B. Aggregating Trading for Multiple Client Accounts

Almitas currently provides investment advisory services to the Funds.

Should Almitas provide investment advisory services to more Clients, Almitas may (but is not required to) combine orders on behalf of one Client with orders for other Clients for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, the Firm will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. The Firm believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of the Firm's relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of the Firm's and its affiliates' other Clients, which may result in less advantageous execution for those Clients.

Almitas may place orders for the same security for different Clients at different times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different Clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Client.

In addition, Almitas and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in Client accounts are made. Where execution opportunities for a particular security are limited, the Firm attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all Clients.

Item 13 – Review of Accounts

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Almitas monitors the Funds on an ongoing basis to ensure consistency with the Client's strategy and performance objectives. Asset allocation, cash management, market prospects and individual issue prospects are considered. The reviews are conducted by Ronald Dean Mass.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors will generally receive unaudited reports of performance quarterly and will receive audited year-end financial statements annually.

Item 14 – Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties

Almitas does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Client.

B. Compensation to Non-Advisory Personnel for Client Referrals

Currently, neither Almitas nor its related persons directly or indirectly compensate any person who is not advisory personnel for Client referrals. If in the future the Firm enters into such arrangements, this Brochure will be appropriately amended.

Item 15 – Custody

A rule under the Investment Advisers Act provides that, because Almitas is the general partner of the Fund, it is considered to have “custody” of the Fund’s assets, even though independent custodians actually hold those assets. That rule generally requires investment advisers that have “custody” of Client assets to cause certain account statements detailing holdings and transactions to be sent to Clients and imposes certain other obligations. However, advisers to investment funds like the Fund need not comply with those requirements if, among other things, the Fund provides Investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. The Firm satisfies those conditions and therefore is not subject to reporting and other obligations.

Item 16 – Investment Discretion

The Governing Documents generally authorize Almitas to invest and trade the Clients' assets in a broad range of investments, to be selected at Almitas' sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, the Firm may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

Pursuant to the applicable Governing Documents, each Investor designates Almitas as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Clients' business and affairs, including without limitation execution of the Fund's governing documents. An Investor's execution of the Fund's subscription agreement constitutes its execution of the Fund's governing documents.

Item 17 – Voting Client Securities

Almitas exercises voting authority over Client proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require the Firm to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require Almitas to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Client. However, the policies permit the Firm to abstain from voting proxies in the event that the Client's economic interest in the matter being voted upon is limited relative to the Client's overall portfolio or the impact of the Client's vote will not have an effect on its outcome or on the Client's economic interests.

Certain of Almitas proxy voting guidelines are summarized below:

- Almitas votes for: uncontested director nominees recommended by management; the election of auditors recommended by management unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.
- Almitas votes against proposals to: entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals can be voted in accordance with Almitas' proxy voting guidelines, some proposals will require special consideration, and Almitas will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.

Where a proxy proposal raises a material conflict between Almitas' interests and the interests of the Clients, the Firm will seek to resolve the conflict in the best interest of the Clients.

Clients may obtain a copy of the Firm's complete proxy voting policies and procedures upon request. Clients may also obtain information from the Firm about how the Firm voted any proxies on behalf of their account(s).

Item 18 – Financial Information

Almitas has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy petition.

A. Balance Sheet

Almitas does not require nor solicit prepayment of more than \$1200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

Almitas has discretionary authority over the Client's assets. At this time, neither the Firm nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Almitas has not been the subject of a bankruptcy petition in the last ten years.

Item 19 – Requirements for State-Registered Advisers

Not applicable.