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**PART 2A OF FORM ADV: FIRM BROCHURE**

**ALLEGiant REAL ESTATE CAPITAL, LP**

**MARCH 2020**

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Allegiant Real Estate Capital, LP

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*This brochure provides information about the qualifications and business practices of Allegiant Real Estate Capital, LP (“Allegiant” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (646) 362-0311 or by e-mail to the Chief Compliance Officer, Randy Reiff at [rreiff@allegiantrec.com](mailto:rreiff@allegiantrec.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

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

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

## **Item 2 – Material Changes**

Allegiant is amending its ADV Part 2 Brochure to reflect updates since its last annual amendment filed on March 29, 2019. There are no material changes to report since the last amendment; however, this revised ADV part 2 contains certain routine annual updates and enhanced disclosures. Recipients of the Brochure are encouraged to read the Brochure carefully in its entirety.

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#### **Item 4 – Advisory Business**

Allegiant is a Delaware limited partnership founded in 2016. The Firm's principal place of business is New York, New York. The Firm provides investment advisory services related to a wide variety of commercial real estate and commercial real estate-related debt and equity financings, including but not limited to permanent loans, bridge loans, mezzanine loans and preferred equity. Allegiant may offer future strategies and products to invest in commercial mortgage backed securities ("CMBS") securities (CUSIP) structuring and trading across the spectrum of product types and derivatives.

Randy Reiff is the Chief Executive Officer, Chief Investment Officer and Chief Compliance Officer (the "CEO/CIO/CCO"). Prior to launching Allegiant, Randy Reiff previously worked with other members of the executive team, including: Chief Operating Officer Simon Breedon and Head of Capital Markets Mark Lebowitz.

The Firm provides discretionary investment advisory services to a private investment fund (the "Fund," which is privately offered to qualified investors. The Fund's focus on investing and reinvesting, acquiring, managing, operating, renovating, repositioning, developing, redeveloping, financing, supervising, holding, and otherwise dealing with, or disposing of any investment in real estate assets (and other assets). These services are provided pursuant to limited partnership agreements with the Fund and a General Partner of each Fund, each of which is an affiliate of the Firm (the "General Partners")

The Firm also provides investment advisory services to clients on a Non-Discretionary basis (the "Non-Discretionary Accounts").

This brochure is not an offer to invest in an Account or Fund. Any such offer would only be made through the provisions of a Private Placement Memorandum (the "Memorandum") of Investment Management/Advisory Agreement (the "IMA"). Information included in this brochure is intended to provide a useful summary about Allegiant, but it is qualified in its entirety by information included in a Memorandum or IMA.

Allegiant does not participate in any wrap fee programs.

As of December 31, 2019 Allegiant had approximately \$11,402,000 in regulatory assets under management, managed on a discretionary basis and \$1,337,472,000 in regulatory assets under management, managed on a non-discretionary basis.

#### **Item 5 – Fees and Compensation**

Allegiant Clients (as defined in Item 7) are generally qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act. As such, a detailed Client fee schedule is not included in this brochure. However, most Clients pay some or all of the following fees:

Allegiant currently receives management fees generally calculated as a percentage of committed or invested capital at various times during the life or term of the Non-Discretionary Accounts. The specific payment terms and other conditions of the management fees available to the Firm are set forth in the applicable governing documents and/or fee agreement, and such fees are generally payable to Allegiant monthly, quarterly or annually in arrears as set forth in the applicable documents.

Management fees are generally paid to Allegiant through direct billing of the Account owner.

Allegiant Clients will pay some or all of the following fees for the Account and Fund the Firm manages on a discretionary basis:

- (1) a management fee of up to 1.5% of the total capital committed under management or invested for the relevant Client (a “Management Fee”); and
- (2) a performance fee (or in the case of certain other Clients, an “incentive allocation”; the phrase “Promote” may be used throughout to refer to both a performance fee or an incentive allocation) that may be up to 20% of the net capital appreciation of such Client’s account at the end of the relevant fiscal period, or upon realization, and in certain cases, only in excess of, specified performance thresholds (typically over an annual performance hurdle of up to 7%).

In certain circumstances, Allegiant may waive or reduce Management Fees and Promote for certain investors including, for example, employees and certain affiliated entities. In addition to the Management Fee and Promote, each Client bears certain expenses. More detailed information about specific fees and expenses that Clients may pay is provided in the applicable IMA or Memorandum.

The Promote that may be payable by certain Clients before the disposition of every investment made by such Client, such fees may be generally subject to a “clawback” depending on the final overall performance of that Client; alternatively, any loss incurred by the Client is carried forward so that no Promote is owed unless and until losses incurred during a prior period(s) have been recouped, subject to certain adjustments (also referred to as a “high water mark provision”).

Principals or other current or former employees of Allegiant generally receive salaries and other compensation derived from, and in certain cases including, a portion of the Management Fee, Promote, or other compensation received by Allegiant or its affiliates.

In addition to the fees described above, Clients may pay additional fees and expenses which will be outlined in the applicable governing documents. Additional information related to the timing of fees Allegiant charges its Clients are provided in the relevant agreement between Allegiant and the relevant Client (as well as in the Memorandums provided to investors in the Fund, as applicable).

Affiliates of the Firm may be engaged in services with respect to Allegiant Clients and their investments, that would otherwise be performed by third parties. Those services include loan origination and/or servicing. In connection with their lending activities, such Allegiant affiliated businesses may receive certain fees, including arranger, brokerage, placement, syndication, solicitation or underwriting, agency, origination, sourcing, structuring, collateral management, advisory, commitment, facility, float or other fees, discounts, spreads, commissions and concessions, and other fees received as part of such loan origination and/or servicing businesses. The compensation for such services will be set in accordance with the terms set forth in the applicable IMA or governing document, which will include conflicts mitigating measures. Clients or the issuers of financial instruments held by Clients may acquire loans originated, structured, arranged and/or placed and/or arranged by such affiliated loan originator and/or servicing businesses or other Allegiant affiliates and in respect of which such businesses receive fees. Such fees will typically be borne by the debtors of such loan instruments, but will be in addition to any management fees or other compensation received by the Firm from Clients.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As described in Item 5 above, certain Clients may pay both a Management Fee and Promote, which in certain cases may be subject to, or only in excess of, specified performance thresholds. Certain other Clients pay a Management Fee only. Managing assets for different Clients with different fee structures, including ones that may allow for the possibility of earning Promote at the same time as others that do not, can create a conflict of interest for Allegiant because such an arrangement creates an incentive to favor accounts for which Allegiant has the ability to earn Promote. Such situations give rise to potential conflicts of interest including (1) the allocation of investment opportunities, and (2) transactions amount Clients (i.e., cross trades).

As a result, Allegiant intends to employ policies and procedures governing the identification, assessment and monitoring of conflicts of interest to provide reasonable assurance that all clients are treated fairly and equally.

## **Item 7 – Types of Clients**

As noted above, Allegiant currently provides investment advisory/sub-advisory services to the Fund on a discretionary basis and institutional clients/investment managers on a non-discretionary basis. The Firm is under no obligations to accept any client and may decline acceptance of a client in its sole discretion.

Allegiant currently provides investment management and sub-advisory services to the owners of accounts or investment managers thereof, that the Firm consults/advises on a non-discretionary basis (each a “Non-Discretionary Account”). Additionally, the Firm provides investment management services to the (a) owners of a separately managed accounts (collectively with the Non-Discretionary Accounts, the “Accounts”); and (b) private funds (the “Funds” and together with the Accounts, the “Clients”) which are not registered with the U.S. Securities and Exchange Commission (the “SEC”) as investment companies in reliance upon exemptions from registration under either Section 3(c)(1) or Section 3 (c)(7) of the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act). The investors participating in the Clients may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Allegiant and its affiliates and members of their families, or other service providers retained by Allegiant.

With limited exception where permitted by applicable law, Allegiant requires that the underlying Clients be “qualified purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act (with the exception of certain Allegiant personnel who qualify as “knowledgeable employees” under Rule 3(c)-5 of the Investment Company Act).

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

### **Methods of Analysis**

The Firm utilizes a variety of methods and strategies to make investment decisions and recommendations. Allegiant employs a dynamic business model that allows it to invest in a comprehensive spectrum of commercial real estate products. The Firm invests in a variety of commercial real estate products on behalf of Clients based on the Clients’ investment objectives and risk appetite as well as market conditions. Allegiant maintains a multi-disciplinary investment team with credit, risk management, asset

management, origination, underwriting, capital markets, trading and legal expertise across a broad spectrum of commercial real estate products.

Allegiant's investment approach generally draws on a number of underlying disciplines and strengths, including:

- Complete and experienced origination, underwriting and closing teams
- Designated "high touch" asset management team with significant experience in special servicing, loan workouts and real-estate owned management and disposition
- Significant expertise in loan trading and distressed debt investment
- Significant expertise in proprietary commercial real estate loan and CMBS securities structuring and trading across a spectrum of product types and derivatives
- Network of business relationships
- Strong and disciplined credit culture
- Deep and discrete understanding of commercial real estate lending and credit as well as capital markets

Allegiant's maintenance and monitoring of client portfolios typically includes dealing with borrower requests, preparing documentation, administration of reserves agreements, post-closing undertakings and procedures, site inspections, monitoring loan document covenant compliance, monitoring leasing and lease up activities, monitoring construction and construction progress, monitoring real estate market and sub-market conditions, renewal and assignment to lender of interest rate caps and letters of credit.

### **General Investment Strategies**

Investment strategies utilized by Allegiant may include the purchase, sale, structuring and origination of commercial real estate debt related investments including CMBS, transitional whole loans, subordinate mortgage loans, mezzanine loans, bridge loans and preferred equity interests.

### **Key Risks of Investment Strategies**

Below is a summary of potentially material risks for the investment strategies used, the methods of analysis used, and/or the particular types of investments that a Client may invest in. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment. Investors should ultimately refer to the applicable Memorandum or IMA for detailed risk disclosures that specifically address the risks for each Client's investment strategies, methods of analysis or types of investments.

All investing involves a risk of loss that investors should be prepared to bear, including the risk that the entire amount invested may be lost. The investment strategies offered by Allegiant could lose money over short or long periods of time. Identifying undervalued securities and other assets is difficult, and there are no assurances that Allegiant's investment strategies will succeed. Allegiant cannot give any guarantee that it will achieve the investment objectives it establishes for a client or that any client will receive a return of its investment.

### **Material Risks of Significant Investment Strategies**

The risk factors briefly summarized below may not be applicable to all Allegiant Clients. Such summary does not purport to be a complete list or explanation of the risks involved in an investment. The offering materials, disclosure documents and/or governing documents of each Account or Fund will typically include a more detailed summary of material risks applicable to the Allegiant Clients and its investment strategy and structure and should be read in conjunction with the risks below.

### **No Assurance of Investment Returns & Portfolio Construction**

Allegiant cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such Clients' individual investment objectives.

Additionally, except as otherwise set forth in the governing documents of an account, Allegiant is not under any obligation to diversify accounts among a wide range of issuers or industries. Each Allegiant Client may concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client may be substantially affected by the unfavorable performance of a small number of such portfolio investments. Accordingly, returns may be subject to more rapid changes than would be the case if we were required to maintain a wide diversification among companies, industries and types of securities.

### **Investment Focus Adjustments**

Clients may not be restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region or type of investment. While a Client's governing documents contain a description of the types of investments that s have historically made and/or information about the Firms expectations with respect to such Client, many factors may contribute to changes in emphasis in the construction of such Client's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Client will resemble the portfolio of any prior Client.

### **Investments in Real Estate**

All of our investment strategies involve, directly or indirectly, investments in real estate, primarily commercial real estate. Real estate values may be affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality of management, competition based on rental rates, attractiveness and location of properties, fluctuations in occupancy rates, rent schedules and operating expenses, financial condition of tenants, buyers and sellers of properties, quality of property maintenance, insurance and management services, changes in operating costs, the financial resources of tenants, vacancies, changes in tax, zoning, building, environmental and other applicable laws, real property tax rates, changes in interest rates, and the availability of mortgage funds. Real estate values may also be affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

### **General Risks of Real Estate Collateral**

Making loans secured by real estate is subject to all of the risks inherent in investing in real estate and real estate-related investments as described above. There can be no assurance of profitable operations for any real estate property or the repayment of any debt investment that is secured by such property. The cost of operating a property may exceed the rental income it generates or require the advancement of funds to protect an equity investment, forego the receipt of interest income on debt investments and/or dispose of commercial real estate collateral on disadvantageous terms.

### **Credit Risk**

Debt Investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments, which amounts may not be satisfied out of available collateral, or satisfied in a timely manner. Certain investments in secured debt may be unperfected for a



variety of reasons, including the failure to make required filings by lenders and a Client may not have priority over other creditors. A Client's right to payment and any security interests may be subordinated to those of a senior lender. The principal amount of certain investments may remain outstanding and at risk until the maturity of the investment, in which case the relevant portfolio company's ability to repay the principal may be dependent upon a liquidity event or the long-term success of the company. The creditworthiness of portfolio companies may deteriorate as a result of a variety of factors that may adversely affect their business.

### **Interest-Rate Risk**

Increases in interest rates decrease the likelihood of successful workouts of distressed debt, and increase the likelihood of defaults and foreclosures. In addition, increasing interest rates (currently at or near historical lows) will generally cause outstanding fixed-rate debt securities to decline in value. In general, interest rate increases and rising inflation can be expected to materially adversely affect portfolios of real estate debt.

### **Credit Market Risks**

There are ongoing disruptions in the credit markets that may adversely affect Allegiant's ability to finance investments. The effects of ongoing credit market challenges, combined with the ongoing correction in real estate market prices and reduced levels of real estate sales, could result in further price reductions in real estate values, potentially adversely affecting the value of the investments. Declining real estate prices and higher interest rates have caused higher delinquencies and losses on certain mortgage loans, which have exacerbated the current dislocation in the credit markets. These trends could continue. Continued declines in real estate values, sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on buyers and sellers of real estate, which could adversely affect investments. Further declines in real estate prices coupled with the economic recession and associated rises in unemployment levels could have a material adverse effect on the Clients investments and the overall performance investments.

### **Risks Associated with Investments in Commercial Mortgages and Mezzanine Loans**

Allegiant's Clients may be subject to risks associated with investments in commercial mortgage and mezzanine loans that are subject to delinquency, foreclosure and loss which could result in losses to Clients. The commercial mortgage and mezzanine loans in which Clients may invest will generally be secured by commercial property and related assets and will be subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of other assets, such as single-family residential property. The ability of a borrower to repay a loan secured by an income-producing commercial property typically will be dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix; success of tenant businesses; property management decisions; property location and condition; competition from comparable types of properties; changes in laws that increase operating expenses or limit rents that may be charged; any need to address environmental contamination at the property; changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values and declines in regional or local rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; and changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the "balloon" amount at or prior to maturity of the mortgage loan.

Accordingly, investors bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation.

There may be limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable state law. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets. Exercise of foreclosure and other remedies may involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditor may also incur environmental liability for conditions existing at or on the property.

Clients' subordinated debt and related investments will involve the risks attendant to real estate investments as well as additional risks attendant to investments in subordinated positions. Subordinate loans such as junior participations in mortgages and mezzanine loans (and participations therein) have a risk of credit loss that is significantly enhanced due to the subordinate nature of such investments. In the event of default, the net proceeds from a foreclosure or restructuring may not be sufficient to cover the expenses of foreclosure and payment in full of the debt. In such event, the holders of subordinate loans will realize a loss of up to all of their investment before the senior debt will suffer any loss.

### **Lender Liability Risks**

Clients, to the extent they invest in debt instruments, may be exposed to lender liability risks including equitable subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Clients' investments, they could be subject to allegations of lender liability. In addition, under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." A Client could be subject to claims from creditors of an obligor such that the Client would be equitably subordinated.

### **Mortgage-Backed Securities**

Certain Client investments may include mortgage-backed securities ("MBS"), including CMBS. The investment characteristics of MBS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when mortgage rates fall below the interest rates on their mortgage loans. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also,

particular investments may underperform relative to hedges that a portfolio manager may have constructed for these investments, resulting in a loss.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term, but is payable at maturity. Repayment of the loan principal, thus, often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value of the real estate. Therefore, the unavailability of real estate financing may lead to default. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property.

### **Asset-Backed Securities**

Allegiant may invest in asset-backed securities and other structured products, which are securities and instruments backed by mortgages, including CMBS, trade claims, installment sale contracts, credit card receivables or other assets and which include collateralized debt obligations as described below. Such investments are “pass-through” investments, meaning that principal and interest payments, net of expenses, made by the borrower on the underlying assets are passed through to Allegiant Clients. The value of such investments, like that of traditional fixed income securities, typically increases when interest rates fall and decreases when interest rates rise. However, such investments differ from traditional fixed income securities because of their potential for prepayment. The price paid by Allegiant for such investments, the yield Allegiant expect to receive from such investments and the average life of such investments are based on a number of factors, including the anticipated rate of prepayment of the underlying assets. Allegiant may, in particular, invest in mortgage-backed securities, including CMBS. Mortgage-backed securities are also subject to the general risks associated with investing in real estate securities; that is, they may lose value if the value of the underlying real estate to which a pool of mortgages relates declines.

### **Illiquidity of Investments**

The market value of investments in real estate and real estate debt may fluctuate with, among other things, changes in market rates of interest, general economic conditions, operating conditions in particular property markets, supply and demand for real estate securities, the condition of financial markets and the financial condition of the issuers of the investments. In addition, limited secondary market liquidity for some investments may have an adverse effect on the market value of those investments and on the ability to dispose of them. Partly as a result of the foregoing, as well as general market inefficiencies respecting credit-impaired investments, a portfolio valuation may not necessarily be indicative of actual results or amounts to be realized from the investments. Some investments may be subject to certain other transfer restrictions that may contribute to illiquidity.

The liquidity of the real estate securities market was severely restricted during the Global Financial Crisis and remains at historically low levels. Any additional market slowdowns could further impair such liquidity.

### **Public Securities**

Allegiant Clients may invest in publicly traded debt and equity securities. Such investments are subject to the risks inherent in investing in public securities. The Firm may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to

obtain in making a privately-negotiated investment and may not have the same access to information in connection with public debt or equity investments, either when investigating a potential investment or after making an investment, as compared to a privately-negotiated investment.

### **Private Equity Investments**

Most private equity investments are highly illiquid, and there can be no assurance that the Firm will be able to realize these investments in a timely manner. The realizable value of a highly illiquid investment at any given time may be less than its intrinsic value. Although certain of these investments may generate current income, the return of capital, and the realization of gains, if any, with respect to most of these investments will occur only upon the partial or complete disposition of the investment. While an investment may be sold at any time, typically this will occur a number of years after the investment is made and there can be no assurance that the Firm will be able to dispose of an investment at the price and time it wishes to do so. Certain private equity investments may be in securities that are or become publicly traded. These investments may involve economic, political, interest rate, and other risks, any of which could result in an adverse change in their market price.

### **Bridge Financings**

Allegiant may provide bridge financing in connection with one or more of their investments. Clients will bear the risk of any changes in capital markets that may adversely affect the ability of an issuer of a portfolio investment to refinance any bridge financing investments. If the issuer were unable to complete a refinancing, Clients could have a long-term investment in a junior security or that junior security might be converted to equity.

### **Time Required for Maturity of Investments**

Certain individual loans or bonds held by Clients may have terms longer than the term of a given Client and certain loans may have grace periods of several years. Furthermore, Allegiant Clients may, in connection with collateral held by it acquire non-marketable common or preferred equity securities and other illiquid assets with equity participation features, which, to the extent that they have value at all, will likely not have realizable value for a significant period of time. Accordingly, it is unlikely that significant distributions to Clients will occur for a number of years from the date of the applicable capital contributions, and certain investments may need to be disposed of upon dissolution of a Client for less than their potential value.

### **Risk Surrounding New Opportunities**

Allegiant may from time to time consider additional investment opportunities, including but not limited to, advising new Clients and/or advising different types of investment vehicles. In addition, Allegiant may consider expanding into different geographic locations. The consideration of new investment opportunities and geographic expansion presents additional risk to investors with the Firm.

### **Formation of New Affiliated Investment Clients**

Allegiant affiliates may in the future form additional affiliated investment vehicles or arrange other accounts that follow an investment program that is substantially the same as (or that incorporates substantial portions of) the investment program of the Clients and/or may create additional conflicts of interest that may not be foreseeable. There may be limitations on Allegiant's ability to form or sponsor such vehicles or accounts.

### **Potential Early Redemption of Some Investments**

Some of the terms of loans acquired or originated by a Client will be subject to early prepayment options or similar provisions which, in each case, could result in a Client realizing such loans earlier than expected, sometimes with no or a nominal prepayment premium. This typically happens when there is a

decline in interest rates, when the portfolio company's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt or when the general credit market conditions improve. In the event a Client receives proceeds from an investment earlier than it had anticipated, a Client is often permitted to reinvest such proceeds, but there is no assurance that a Client will be able to reinvest such proceeds even where they are received during the investment period. On occasion, a Client's inability to reinvest such proceeds will materially affect the performance of a Client.

#### **Limited Amortization Requirements**

From time to time, Clients will invest in debt that will typically have limited mandatory amortization and interim repayment requirements. A low level of amortization of any debt, over the life of the investment, will increase the risk that a portfolio company will not be able to repay or refinance the debt held by a Client when it comes due at its final stated maturity.

#### **Participation on Creditors' Committees**

From time to time, the Firm will participate of behalf of a Client on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Firm will seek to negotiate on behalf of a Client directly with the debtors with respect to restructuring issues. If the Firm does join a creditors' committee on behalf of a Client, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the applicable Client in such proceedings. By participating on such committees, the Firm will likely be deemed to have duties to other creditors represented by the committees, which might thereby expose the Clients to liability to such other creditors who disagree with the actions.

On occasion, the Firm will also be provided with material non-public information that would typically restrict the Firm's ability to trade in the company's securities on a Client's behalf. While the Firm and the Clients intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Firm may trade in the company's securities on an Allegiant Client's behalf while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that has the potential to cause the Client to incur significant legal fees and potential losses.

#### **Failure to Make Capital Contributions**

Clients may be incapable of paying its obligations if a limited partner or other investor does not fund its commitments to the Firm and other investors' capital contributions and borrowings by such Client are insufficient to cover the defaulted capital contribution. As a result, such investment vehicle may be subject to significant penalties that could materially and adversely affect investor returns (including non-defaulting investors).

#### **Availability of Suitable Investment Opportunities; Competition**

The success of a Client's investment strategy will depend on the ability of the Firm to source and diligence appropriate investment opportunities and to acquire these investments. The activity of identifying, completing and realizing the types of investment opportunities targeted by the Firm is highly competitive and involves a significant degree of uncertainty. Clients compete for investment opportunities with other private investment vehicles, including other Allegiant Clients, as well as participants in the public debt markets, individuals and financial institutions, including investment banks, commercial banks and insurance companies, business development companies, strategic industry acquirers, hedge funds, operating companies, and other institutional investors, investing directly or through affiliates. Such supply-side competition may adversely affect the terms upon which investments

can be effected and/or exited by the Firm. Moreover, private equity sponsors unaffiliated with the Firm may be reluctant to present investment opportunities to the Firm because of its affiliation with certain Clients.

### **Complex Transactions/Contingent Liabilities/Guarantees and Indemnities**

The Firm often pursues complex investment opportunities, which may involve substantial business, regulatory or legal complexity. Such complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Additionally, in connection with certain transactions, including transactions involving affiliates, the Firm may be required to make representations about the business and financial affairs of a portfolio company, provide guarantees in respect of payments by portfolio companies and other third parties and provide indemnities against losses caused by portfolio companies and other third parties. These arrangements may result in the incurrence of contingent liabilities by the Firm and its Clients, even after the disposition of an investment and ultimately in material losses.

### **Indemnification**

The Firm and its affiliates and each officer, director, partner, member, manager, shareholder, and employee of the foregoing, and each member of the advisory board, if applicable, will be indemnified and held harmless from losses sustained from any act or omission in connection with Client activities, absent bad faith, gross negligence, willful misconduct, fraud, or willful or reckless disregard of their duties and may receive advances for any fees, costs, and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. For example, in their capacity as directors of portfolio companies, the officers, directors, partners, members, managers, employees, and shareholders of the Firm or its respective affiliates may be subject to derivative or other similar claims brought by shareholders of such companies. Fees, costs, and expenses and other liabilities resulting from such indemnification obligations will be paid or otherwise borne by the Firm.

The application of the foregoing standards may also limit the right of action for limited partners in certain cases. Because of these considerations, even though such exculpation and indemnification provisions in a Client's governing documents will not act as a waiver on the part of such investors of any of their rights under applicable U.S. securities laws or other laws, the application of the foregoing standards may result in such Clients bearing significant financial costs. Such costs may adversely affect returns to the applicable investors and if the Client's assets are insufficient to satisfy such indemnification obligations, its investors may be required to return amounts distributed to them, subject to any limitations set in the governing documents.

### **Indemnification of Service Providers and Depositors**

The Firm may from time to time enter into transactions or arrangements with service providers and/or depositors in order to facilitate their purchase, management and disposition of, in particular, non-performing loans, and may be required to indemnify such service providers and/or depositors if any representations and warranties made to the original loan seller in connection with such arrangements are breached.

### **Regulatory Approvals**

There can be no assurance that a portfolio company targeted by the Firm will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals.

Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent a portfolio company from operating in accordance with a Client's expectations in respect of such company, the completion of a previously announced acquisition or sales to third parties, could limit the portfolio companies ability to engage in certain regulated activities or could otherwise result in additional costs to a portfolio company and an adverse impact on any investment by a Client in such company.

### **Market and Economic Risks**

Market, economic, and political conditions globally and in the jurisdictions and sectors in which the investments are made or the portfolio companies operate, including factors affecting property values, rental rates, interest rates, credit availability, currency exchange rates and trade barriers, may materially and adversely affect a Client's investments. Although financial markets have shown intermittent signs of improvement, global economic conditions remain tenuous, and to the extent that they do not improve, the investments of Clients will be adversely impacted. Difficult market conditions and market volatility may adversely affect a Client by reducing the value or performance of its investments, by reducing its ability to raise or deploy capital, by reducing the availability and attractiveness of debt financing or by reducing the ability to exit investments on attractive terms, each of which could negatively impact the returns to limited partners. Investments made by Clients may involve a high degree of business and financial risk that can result in substantial losses.

### **Underlying Exposure to the Consumer Market**

A portion of a Client portfolio may be (directly or indirectly) exposed to the consumer market. The financial condition of consumers is difficult to assess and predict as many consumer borrowers have no or very limited credit history. There is a greater risk of default in relation to the consumer market which may directly have an impact on returns to Clients.

### **Inflation Risk**

The market price of fixed-income investments generally falls as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by the Client. Fixed-income investments that pay a fixed rather than a variable interest rate are especially vulnerable to inflation risk because variable-rate securities may be able to participate, over the long term, in rising interest rates which have historically corresponded with long- term inflationary trends. Most high yield investments pay a fixed rate of interest and are therefore vulnerable to inflation risk.

If a company is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Companies may have long-term rights to income linked to some extent to inflation. Typically, as inflation rises, a company will earn more revenue but also will incur higher expenses; as inflation declines, a company may not be able to reduce expenses in line with any resulting reduction in revenue. A rise in real interest rates would likely result in higher financing costs for portfolio companies and could therefore result in a reduction in the amount of cash available for distribution to investors or the value of the portfolio company.

### **Fraudulent Conveyance, Lender Liability, Equitable Subordination and Re-characterization**

Investments in the debt of distressed companies could be subject to U.S. state and federal bankruptcy laws and state fraudulent transfer laws, which may vary from state to state, if the debt obligations relating to such investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such debt obligations. If the debt is used for a buyout of shareholders, this risk is

greater than if the debt proceeds are used for day-to-day operations or organic growth. If a court were to find that the issuance of debt obligations held by Clients was a fraudulent transfer or conveyance, the court could void or otherwise refuse to recognize the payment obligations under the debt obligations or the collateral supporting such debt obligations, further subordinate the debt obligations or the liens supporting such obligations to other existing and future indebtedness of the issuer or require the Clients to repay any amounts received by them with respect to the debt obligations or collateral. In the event of a finding that a fraudulent transfer or conveyance occurred, Clients may not receive any repayment on the debt obligations. Under Title 11 of the United States Code, as amended (the “Bankruptcy Code”), lenders engaging in certain types of inequitable or inappropriate conduct may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. A lender’s investment may also be re-characterized or treated as equity if it is deemed to be a contribution to capital or if the lender attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. There can be no assurance that such claims will not be asserted against, or will be successfully defended by Allegiant. In addition to placing representatives on creditors’ committees, Allegiant may from time to time seek to place representatives on the boards of directors of certain companies in which they invest or may invest in portfolio companies in which certain other Allegiant Clients or other affiliated investment vehicles already have representatives on the boards. While such representation may enable the Allegiant to enhance the sale value of their debt investments in a company, such involvement may also prevent the Allegiant from freely disposing of their debt investments and may subject them to additional liability or result in re-characterization of their debt investments as equity. The above risks are enhanced to the extent a Client has a material equity stake in the relevant portfolio company.

#### **Borrower Fraud; Breach of Covenant**

Allegiant Clients will seek to obtain structural, covenant and other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect and potential investors should regard an investment in Allegiant as being speculative and having a high degree of risk. Of paramount concern in originating or acquiring the financing contemplated by Allegiant is the possibility of material misrepresentation or omission on the part of borrower or other credit support providers or breach of covenant by such parties. Such inaccuracy or incompleteness or breach of covenants may adversely affect the valuation of the collateral underlying the loans or the ability of Allegiant to perfect or effectuate a lien on the collateral securing the loan or otherwise realize on the investment. Allegiant will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness.

#### **Reliance on Management; Possibility of Fraud and Other Misconduct**

Although it is our intention to ensure that Allegiant has strong management teams, there can be no assurance that any Allegiant Client’s management team will be able to operate successfully. In addition, instances of fraud and other deceptive practices committed by the management team of Allegiant may undermine the due diligence efforts of the Client. Additionally, misconduct by employees of Allegiant, and their respective affiliates could cause significant losses to Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Firm, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such clients, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to applicable Clients.



The success of the Firm will depend in large part upon the skill and expertise of our professionals and those of our affiliates, and there can be no assurance that any individual professional will continue to be associated with Allegiant. The ability to recruit, retain and motivate qualified professionals is dependent in part on our ability and that of our affiliates to offer attractive incentive opportunities. There is competition among alternative asset firms, financial institutions, private equity firms, investment managers, and other industry participants for hiring and retaining qualified investment professionals. If legislation were to be enacted to treat carried interest as ordinary income rather than capital gain, the amount of taxes that such professionals would be required to pay with respect to their carried interest would materially increase, thereby adversely affecting our ability and that of our affiliates to offer such attractive incentive opportunities. Should any of our professionals join or form a competing firm, become incapacitated or in some other way cease to participate in investment activities, its performance could be adversely affected.

### **Legal and Regulatory Risks**

The regulatory considerations affecting the ability of Clients to achieve their investment objectives are complicated and subject to change. In the United States and other jurisdictions, the private funds industry has, over the last several years, been subject to criticism by some politicians, regulators, and market commentators. The recent negative perception of this industry in certain countries could make it harder for funds sponsored by alternative management firms, such as Allegiant, to successfully bid for and complete investments. This increased political and regulatory scrutiny of the private funds industry has been particularly acute during the recent global financial crisis. For example, the U.S. Congress has recently passed into law sweeping financial regulatory reform legislation as a direct response to this crisis; it is now falling to the U.S. Department of Treasury, the SEC, and other U.S. regulatory agencies to implement these reforms. Such reforms require, among other things, increased registration and regulation of alternative management firms and disclosure with respect to such firms and the funds they sponsor that could impact Allegiant's management. Such increased regulatory burdens and reporting requirements may divert the attention of personnel and the management teams of issuers, and may furthermore place Allegiant at a competitive disadvantage to the extent that Allegiant or its affiliates or issuers are required to disclose sensitive business information. There is, therefore, the risk that burdensome, existing or new laws (including tax laws) or regulations or changes in applicable laws or regulations or in the interpretation or enforcement thereof, specifically targeted at the private funds industry, or other related regulatory developments could adversely affect private fund managers and their clients.

### **Enhanced Scrutiny and Regulations of the Alternative Investment Industry**

In response to the recent global financial crisis, there have been unprecedented legislative and regulatory actions taken by numerous governments and their agencies, including the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act is comprehensive in scope (including the so-called "Volcker Rule," providing significant changes to the structure of federal financial regulation and new substantive requirements that apply to a broad range of market participants, including private investment funds). Significantly, the Dodd-Frank Act also mandates significant changes to the authority of the Federal Reserve and the SEC, as well as enhanced oversight and regulation of banks and non-bank financial institutions. This enhanced oversight and regulation and the need for significant additional rule-making by various governmental bodies have created uncertainty in the financial markets and, in particular, the private funds industry. Many of the regulators to which the Firm is expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an

investigation or proceeding did not result in a sanction or the sanction imposed against the Firm were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm the Firm's reputations which may adversely affect the Account and Fund investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the United States, European Union, and elsewhere will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations, as the United States and the global economy continues to struggle to improve. Any such events or changes could occur during the Firm's term and may adversely affect the ability to operate and/or pursue certain investment strategies. Such risks are often difficult or impossible to predict, avoid or mitigate in advance. In addition, as alternative asset managers become more influential participants in the U.S. and global financial markets and economy generally, the alternative investment industry has been subject to criticism by some politicians, regulators and market commentators. Recently, various federal, state and local agencies have been examining the role of placement agents, finders and other similar private equity service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Moreover, as a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets. There has been an active debate both nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. Any changes in the regulatory framework applicable to the Firm may impose additional expenses, require the attention of senior management or result in limitations in the manner in which Allegiant's business is conducted.

#### **Pay-to-Play**

A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations, or policies that prohibit, restrict, or require that individuals or entities seeking to do business with state entities, including those seeking investments by public retirement funds, disclose payments to and/or contracts with state officials. The SEC has adopted rules prohibiting investment advisers from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees, or agents makes a contribution to certain elected officials or candidates. If the Firm, any of its employees or affiliates, or any service providers acting on its behalf fail to comply with such laws, regulations, or policies, it could adversely affect the Firm and its Clients.

#### **Tax Risks**

An investment in a Fund involves complex U.S. federal income tax and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. There can be no assurance that the structure of an Allegiant Fund or of any other investment will be tax-efficient for any particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

#### **Material, Non-Public Information**

Allegiant investment professionals may acquire confidential or material, non-public information concerning an entity in which Clients have invested, or propose to invest, and the possession of such information may limit Allegiant's ability to buy or sell particular securities of such entity on behalf of Clients, thereby limiting the investment opportunities or exit strategies available to Clients. In addition, holdings in the securities of an issuer by the Firm may affect the ability of Clients to make certain acquisitions of, or enter into certain transactions with, such issuer.

### **Cybersecurity**

Increased reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber-attacks or accidental events can lead to breaches in computer and data systems security, and subsequent unauthorized access to sensitive transactional and personal information held or maintained by Allegiant, its affiliates, and third party service providers or counterparties. Any breaches that occur could result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors and the beneficial owners of investors, and may lead to theft, data corruption, or overall disruption in operational systems. Criminals may use data taken in breaches in identity theft, obtaining loans or payments under false identities and other crimes that have the potential to affect the value of assets in which Allegiant invests. The information and technology systems of the Firm may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. These risks have the potential to disrupt Allegiant's ability to engage in transactions, cause direct financial loss and reputational damage or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cybersecurity risks also necessitate ongoing prevention and compliance costs.

Prospective investors are strongly urged to carefully review these risks and those outlined in any relevant offering document, as applicable, and consult with their own financial, legal and tax advisers, before investing.

### **Item 9 – Disciplinary Information**

To the best of our knowledge, there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Allegiant's advisory business or the integrity of Allegiant's management.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Allegiant uses services of certain employees of financial affiliates (along with employees of Allegiant are "Supervised Persons" of Allegiant) who also rely on the Supervised Persons to provide investment advisory services, the affiliations relating to key investment personnel are disclosed in the relevant ADV Part 2B. Potential conflicts of interest exist which include, but are not limited to, those discussed below. Allegiant's affiliates may be investors in Allegiant's Clients, which could serve to align the interests of Allegiant and third party investors in such Clients. In addition, Allegiant may use the services of various affiliates in relation to certain assets.

### **Affiliated Loan Origination and/or Servicing Businesses**

Affiliates of the Firm may be engaged in the loan origination and/or servicing businesses. In connection with their lending activities, such loan origination and/or servicing businesses may receive certain fees, including arranger, brokerage, placement, syndication, solicitation or underwriting, agency, origination, sourcing, structuring, collateral management, advisory, commitment, facility, float or other fees, discounts, spreads, commissions and concessions, and other fees received as part of such loan origination and/or servicing businesses. Clients or the issuers of financial instruments held by Clients may acquire loans originated, structured, arranged and/or placed and/or arranged by such affiliated loan originator and/or servicing businesses and in respect of which such businesses receive fees. Such fees will typically

be borne by the debtors of such loan instruments, but will be in addition to any management fees or other compensation received by the Firm from Clients. In addition, such activities by Firm affiliates may create an incentive for Allegiant to include such loans in Client portfolios.

Affiliates of the Firm may be engaged to identify certain commercial loans secured by mortgages, deeds of trust or instruments of similar effect or related mezzanine real estate loans (“CMLs”) that have not been originated by the Firm and are appropriate for maturity date extension and other loan term modification (“Modifications”). In connection with conducting an underwriting analysis and preparation of term sheets, the Firm and its Affiliates may receive certain fees charged to the borrower. The Firm does not receive sub-advisory or any other fee in connection with services related to CML Modifications.

### **Other Related Persons**

Allegiant, and certain affiliates of Allegiant, may serve as general partners of Fund products in the future. These affiliated advisers would be under common control and subject to Allegiant’s Code of Ethics and Advisers Act compliance program pursuant to the requirements of the Advisers Act.

### **Allocation of investments between and across Allegiant Clients**

Allegiant is committed to allocating investment opportunities among Clients in a manner that, over time, is on a fair and equitable basis, and will establish policies and procedures to guide the determination of such allocations. Those policies and procedures will seek to mitigate the potential that Allegiant will allocate investment opportunities in a self-interested manner.

### **Investing in Pre-Existing Investments held by Affiliates**

The Clients may invest in entities or assets in which other Allegiant affiliates hold an investment. Any investment by the Clients in an entity in which Allegiant affiliates have a pre-existing investment (or vice versa) could be viewed, especially in hindsight, to have been made based on a non-arm's-length valuation. Similarly, other Allegiant affiliates may later invest in entities in which the Clients have invested, which may have an effect (either positive or negative) on the market price of the Clients' investments. In circumstances in which the Clients make an investment in an entity in which other Allegiant affiliates have a pre-existing investment, the Clients expect Allegiant to make business decisions relating to such investment independently of the analogous decisions made with respect to such investment by such other Allegiant affiliates.

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

### **Code of Ethics and Personal Trading**

Allegiant’s Code of Ethics (the “Code”) sets forth a standard of business conduct expected of all Allegiant employees, reflecting Allegiant’s fiduciary obligations, supervisory requirements, and duty to comply with applicable federal securities laws. Employees are provided with a copy of the Code and are required to sign and acknowledge that they have read and understand it on an annual basis.

The Code requires Allegiant’s employees to periodically report their personal securities holdings and transactions to Allegiant’s Chief Compliance Officer or his designee. The Code also requires each employee’s broker-dealer to provide duplicate personal account statements and trade confirmations directly to Allegiant or its designee.

Allegiant generally prohibits purchases by employees of individual securities without prior approval. Short selling of individual securities is generally prohibited by the Firm unless approved by the Chief Compliance Officer. Employees are permitted to purchase and sell certain exempt securities (as that term

is described under the Investment Advisers Act of 1940, including mutual funds, index funds, exchange-traded funds, direct obligations of the U.S. government, money market funds and similar instruments) without prior approval. Some clients may potentially invest in the same or similar instruments. Any exceptions to these policies must be expressly approved by the Chief Compliance Officer or his designee.

The Code includes restrictions designed to supervise the giving or receiving of gifts and entertainment, and employees' outside business activities. The Code also includes restrictions on certain political contributions and related solicitation activities.

Allegiant will provide a copy of the Code to any investor or prospective investor upon request.

### **Cross Trades**

To the extent that Allegiant is trading on behalf of two or more clients and in limited circumstances, Allegiant may cross trade securities between its clients. Such cross trades will be executed either (i) by an independent broker-dealer on an agency basis at the current fair market value as determined by such broker-dealer and/or as otherwise consistent with Allegiant's fiduciary obligations, or (ii) through a private transaction which consented to by all applicable Clients. Cross trades will not be executed for any client where such trade would not be permitted under applicable law (e.g., under the Employee Retirement Income Security Act of 1974 ("ERISA")).

### **Principal Transactions**

Allegiant does not expect to engage in principal transactions. However, if it were to do so, the Firm would need to ensure that any such transactions are conducted in accordance with applicable regulations and do not unfairly disadvantage any Client. A principal transaction is deemed to occur when an investment advisor, acting for its own account or an account of an affiliate, trades with a Investor's account. Thus, a principal transaction would arise, for example, if a trade occurs between two or more Clients, depending on the percentage ownership held by Allegiant (and its affiliates) in a Fund at the time of the transaction. When applicable, trades effected between such accounts must be approved in advance by the Chief Compliance Officer who will ensure that such trading is conducted properly. Under no circumstances will a principal trade occur in any account subject to ERISA.

### **Material Non-Public or Confidential Information**

The Code includes policies and procedures concerning "inside information" (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information. The Insider Trading Policies prohibit employees from trading for Clients or themselves, or recommending trading, in securities of a company while in possession of material, non-public information (the "Inside Information") about the company, and from disclosing such information to any person not entitled to receive it.

By reason of Allegiant's business or investment activities, it may acquire material nonpublic or confidential information or otherwise be restricted in its investment activities, and, in such event, may not be free to act upon such information. Moreover, due to such confidential information and/or restrictions, Allegiant may not initiate a transaction for an Account of Fund that it otherwise might have initiated, and an Account or Fund may, as a result, be required to maintain a position that it otherwise might have sold, or be required to refrain from acquiring a position that it otherwise might have acquired.

### **Additional Considerations**

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of Allegiant, its affiliates and their personnel). Allegiant has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with

respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

## **Item 12 – Brokerage Practices**

### **Trading and Execution**

Due to the nature of the Firm's business and the investments made by the Fund and Account, the Firm rarely executes a brokerage transaction. Should the Firm engage in securities transactions executed through broker-dealers, the Firm will choose a broker for these transactions and will generally consider qualitative factors including, but not limited to, the broker's reliability and execution capabilities, the broker's ability to provide best execution, the commissions charged by the broker, and the broker's reputation, financial strength and stability.

Allegiant does not anticipate receiving soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

### **Aggregation and Allocation**

Allegiant anticipates that it will generally execute transactions for Clients on an aggregated basis when it believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or avoid certain transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders across Client accounts that are managed on a *pari passu* basis, the order and subsequent fills will generally be allocated among such Clients based on a pre-set monthly weighting largely proportionate to such participating clients' relative assets under management (including available cash balances). To the extent Allegiant allocates a trade among any two or more Clients that are not managed *pari passu*, then a determination will be made prior to entering in such transaction as to the relative allocations of all participating clients. Reasons for allocating among Clients may include (but are not limited to): a client's investment guidelines and restrictions, available cash, liquidity requirements, leverage targets, rebalancing total risk exposure across all clients, tax or legal reasons, and to avoid odd-lots or in cases when a normal allocation would result in a *de minimis* allocation to one or more clients. No client will be favored over any other client with respect to an aggregated order.

## **Item 13 – Review of Accounts**

Generally, portfolios are monitored by investment professionals such as analysts and portfolio managers, as well as the Firm's Investment Committee on a periodic basis.

Content of regular reports that are provided to Clients regarding their accounts include portfolio information, account values, performance detail, updates on the Firm, updates on market conditions, and other financial information regarding their accounts. Certain clients or investors may ask for specific analysis or reports that other clients will not receive, possibly enabling such client to better assess the prospects of the Firm. In addition, reports are generally written, but could also include oral reports, for example when Allegiant provides a Client with one on one presentations and account updates. Clients and investors may be provided with information about Allegiant in response to questions and requests, and/or in connection with due diligence meetings and other communications, but such information will not be distributed to other clients or prospective clients or investors who do not request such information. Each client and investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by Allegiant is sufficient for its needs.

#### **Item 14 – Client Referrals and Other Compensation**

Allegiant does not compensate any third parties for client referrals. Allegiant may however, enter into arrangements with marketing representatives or selling agents or other third parties whereby it agrees to pay a portion of its fees to such other parties in connection with the introduction of investors.

Brokers, including prime brokers, and other counterparties may provide Allegiant a variety of services, including capital introduction services. While this creates an incentive to maintain the relationship with such counterparties, Allegiant will not be required to direct any volume of business in return for these services.

#### **Item 15 – Custody**

The Firm does not currently have custody of any Client assets that it manages. To the extent applicable, Allegiant anticipates that it will use a third party unaffiliated qualified custodians to hold funds and securities of Clients. To the extent that Allegiant launches any Fund product over which it is deemed to have custody, the Firm anticipates that it will rely on the “pooled investment vehicles” exemption from reporting and surprise examinations. Accordingly, it is anticipated that any such Fund will be subject to a year-end audit by a public accounting firm and audited financial statements of each such Fund will be provided to applicable investors of such Fund, typically within 120 days of the end of the fiscal year.

#### **Item 16 – Investment Discretion**

Currently, Allegiant advises non-discretionary accounts that give such Clients the ability to direct Allegiant not to effect a particular trade that the Firm recommends.

The Firm also provides investment advice to the Fund on a discretionary basis. An affiliate of the Firm, usually the general partners of the applicable Fund, accepts discretionary authority for each Fund. Allegiant’s authority over discretionary accounts is outlined in the applicable Limited Partnership Agreement (“LPA”), IMA or governing document.

#### **Item 17 – Voting Client Securities**

The strategies and products currently recommended to the Fund and Account are not likely to be subject to proxy votes.

Where Allegiant has the discretion to make decisions regarding corporate actions or proxies, if any, in connection with investments held by its Clients, the Firm will adopt proxy voting policies and procedures, pursuant to Rule 206(4)-6 under the Adviser Act. The Firm’s policies and procedures will be reasonably designed to ensure that proxies and corporate actions are determined in the best economic interest of Allegiant’s Clients and to avoid conflicts between the interest of Allegiant and its Clients, as determined by Allegiant in its discretion. Allegiant will refrain from voting proxies where Allegiant believes that voting would be inappropriate.

**Item 18 – Financial Information**

Allegiant is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual and fiduciary commitments to its clients, nor has it been the subject to any bankruptcy proceeding.

**Item 19 – Requirements for State-Registered Advisers**

Not applicable.