



Report of Independent Registered Public Accounting Firm

To Management and Shareholders of AMG Distributors, Inc.:

In our opinion, the accompanying balance sheet and the related statements of operations, changes in shareholder's equity and of cash flows present fairly, in all material respects, the financial position of AMG Distributors, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule I is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 27, 2017

AMG Distributors, Inc.
(A wholly owned subsidiary of AMG Funds LLC)
Balance Sheet
December 31, 2016

	2016
Assets	
Cash & cash equivalents	\$ 4,079,280
Due from related parties (Note 6)	1,224,231
Tax receivable	16,143
Prepaid expenses and other current assets	165,182
Total assets	<u>\$ 5,484,836</u>
Liabilities and Shareholder's Equity	
Liabilities	
Distribution fee payable	\$ 1,762,875
Due to related parties (Note 6)	453,417
Other liabilities	31,374
Total liabilities	<u>2,247,666</u>
Shareholder's Equity	
Common stock (50,000 shares authorized, 1,000 shares issued and outstanding; par value \$.01 per share in 2016)	10
Paid-in capital	1,129,990
Retained earnings	2,107,170
Total shareholder's equity	<u>3,237,170</u>
Total liabilities and shareholder's equity	<u>\$ 5,484,836</u>

The accompanying notes are an integral part of these financial statements.

AMG Distributors, Inc.
(A wholly owned subsidiary of AMG Funds LLC)
Notes to Financial Statements
December 31, 2016

1. Organization and Nature of Business

AMG Distributors, Inc. (the "Company"), is a broker-dealer registered with the Securities and Exchange Commission pursuant to Section 15 of the Securities Exchange Act of 1934, is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"), and is incorporated under the Laws of Delaware. The Company's principal business activities are to act as a distributor of AMG Funds LLC's ("LLC") family of funds (the "Funds") known as AMG Funds. Effective October 1, 2016, LLC assumed the role of investment manager for the Aston Funds and concurrently the Company became the distributor for these same funds. In addition, the Company serves as an intermediary placement agent for certain affiliated sub-advisors (the "Affiliates") for the private placement of securities issued by the funds through financial intermediaries, such as registered investment advisers, broker-dealers and other intermediaries engaged by the Company to facilitate the launch and/or offering of the funds. See Note 6 – Related Party Transactions for further information pertaining to these agreements.

The Company is a wholly owned subsidiary of LLC, whose ultimate parent company is Affiliated Managers Group, Inc. ("AMG"), an asset management holding company whose stock is listed on the New York Stock Exchange.

2. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates or assumptions.

Revenue Recognition

12b-1 Fee Revenue and Distribution Expenses. 12b-1 fee revenue consists of fees from mutual funds for distribution services provided by the Company, as further described in Note 6. Fee rates are generally between 0.25 - 1.00% (the maximum allowed) of a fund's average net assets for certain share classes. Revenue is recognized in the period earned. Directly related to the 12b-1 revenue are the distribution and servicing expenses which include payments to intermediaries for the marketing and selling of fund shares, advertising, printing and mailing of prospectuses to new investors, and printing and mailing of sales literature. Distribution expenses are recognized in the period incurred.

Private Placement Revenue. Private placement revenue consists of revenue earned pursuant to Intermediary Private Placement Agreements, as further described in Note 6. Revenue is recognized when earned.

Service and Other Revenue. Service Revenue consists of revenue earned pursuant to a Services Agreement with LLC. Revenue is recognized when earned. Other revenue consists of reimbursements from certain affiliates for the costs incurred by the Company for FINRA licensing and registration of employees of the affiliates who are registered representatives of the Company. Both of these arrangements are discussed further in Note 6.

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Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less, including money market mutual funds, to be cash equivalents. Cash and Cash Equivalents are stated at cost, which approximates fair market value and are classified as Level 1 financial assets. Money market mutual funds with a floating net asset value would not meet the definition of a cash equivalent if the fund has enacted liquidity fees or redemption gates.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of prepaid FINRA fees, prepaid state registration fees, and receivables from third-parties.

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of bank deposits and money market funds. The Company maintains cash balances with financial institutions, which may exceed the federally insured limit of \$250,000 per institution. The Company also maintains investments in money market instruments, which are not federally insured.

3. Income Taxes

The Company is a member of AMG's consolidated group for U.S. federal income tax purposes and certain state tax filings. For financial accounting purposes, the Company recognizes taxes based on its allocated share of taxes from AMG, as if it operated on a stand-alone basis. Federal and state income taxes as well as benefits for net operating losses are allocated based on a tax sharing policy between the Company and other members of AMG's consolidated group. Under this policy, members of AMG's consolidated group that contribute net operating losses are compensated by the remaining members of the consolidated group in an amount equal to the tax savings generated from the utilization of their respective tax losses to offset taxable income of other members. At December 31, 2016, the Company has a receivable for federal and state tax benefits in the amount of \$235,693 which is included in Due from related parties. In addition, federal estimated tax payments benefitting the consolidated group are reimbursable under the tax sharing policy.

A summary of the provision (benefit) for income taxes is as follows:

	2016
Current	
Federal	\$ (201,882)
State	(18,949)
	<u>\$ (220,831)</u>

The Company's effective income tax rate differs from the amount computed by using income before income taxes and applying the U.S. federal income tax rate to such amount because of the effect of the following items:

	2016
Tax at U.S. federal income tax rate	35.0%
State income taxes, net of federal benefit	2.1
	<u>37.1%</u>

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At December 31, 2016, the Company had a \$16,848 deferred tax asset related to a state net operating loss carryforward that will expire in 19 years. The Company has established a full valuation allowance to offset this amount because of the uncertainty of realizing its value.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. The Company did not have any unrecognized tax benefits in the accompanying financial statements. In the normal course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. As of December 31, 2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2013 forward (with limited exceptions). The tax receivable as of December 31, 2016 is the result of an overpayment of taxes to the State of Connecticut.

4. Commitments and Contingencies

The Company is not aware of any contingencies, claims against it or guarantees that would likely result in a liability.

5. Net Capital Requirements

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2016, the Company had net capital of \$1,759,198 which was \$1,609,354 above the minimum net capital required of \$149,844. The Company's ratio of aggregate indebtedness to net capital was 1.2777 to 1 as of December 31, 2016.

6. Related Party Transactions

The Company provides distribution services for mutual fund shares in five Trusts: AMG Funds, AMG Funds I, AMG Funds II, AMG Funds III and AMG Funds IV. Gross revenues from these services totaled \$3,950,091 in 2016, of which \$784,637 was included in Due from related parties in the Balance Sheet at December 31, 2016.

The Company has charged certain affiliates for the costs associated with FINRA licensing and registration associated with employees of the affiliates who are registered representatives of the Company. These reimbursements amounted to \$76,427 and are reflected in Other income in the Statement of Operations and are included in Due from related parties at December 31, 2016.

In 2014, the Company entered into an Intermediary Placement Agent Agreement with an Affiliate to serve as the placement agent for the private placement of securities issued by certain of the Funds through financial intermediaries, such as registered investment advisers, broker-dealers and other intermediaries identified by the Company to facilitate the launch and/or offering of certain of the Funds. Revenues from these services totaled \$585,799 in 2016, of which \$138,125 was included in Due from related parties at December 31, 2016.

In 2014, the Company entered into an agreement with an Affiliate to facilitate the offer and sale of securities of the Affiliate's mutual funds as each Fund's distributor, sales agent, placement agent,

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and/or distribution coordinator. Revenues from these services totaled \$225,000 in 2016, of which \$50,000 was included in Due from related parties at December 31, 2016.

AMG assumes some of the Company's direct expenses such as professional fees. At December 31, 2016, the Company owed AMG \$77,183 for such expenses. This amount reduces the tax receivable from AMG described in Note 3.

LLC assumes some of the Company's direct and indirect overhead expenses such as compensation, occupancy, telephone, administrative and personnel costs. The officers of the Company serve as officers to related companies, including LLC. LLC pays these costs and allocates a representative portion to the Company. The allocated costs from LLC totaled \$1,473,000 in 2016. As of December 31, 2016, the Company owed LLC \$457,002 under this agreement which is included in Due to related parties.

Pursuant to a Services Agreement between the Company and LLC, LLC pays the Company a fee equal to 105% of certain service costs as defined in the agreement. The service revenue from LLC totaled \$361,872 in 2016, of which \$91,287 is reducing the amount in Due to related parties from the allocated expenses described above.

The Company has agreed to reimburse LLC for certain shareholder servicing and distribution related expenses to the extent that the 12b-1 revenue from applicable funds exceeds amounts paid to financial intermediaries. Expenses related to these agreements totaled \$138,488 in 2016 and are included in the Statement of Operations as Distribution expenses. As of December 31, 2016, the Company owed LLC \$87,702 which is included in Due to related parties.

7. Subsequent Events

The Company has determined that no material events or transactions occurred subsequent to December 31, 2016 and through February 27, 2017, the date of the financial statement issuance which require additional disclosure in the financial statements.