

Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Bedford Funding Capital Management, L.L.C. ("Bedford Funding"). If you have any questions about the contents of this brochure, please contact Chief Compliance Officer Jonathan Salon at (914) 287-4886 or at jon.salon@bedfordfunding.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Bedford Funding is also available on the SEC's website at www.adviserinfo.sec.gov. An investment adviser's registration with the SEC does not imply a certain level of skill or training.

February 14, 2012

Item 2: Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the brochure.

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Item 4: Advisory Business

A: Firm Description

Bedford Funding Capital Management, L.L.C. ("Bedford Funding") is a Delaware limited liability company that was formed in October 2006 and is located in White Plains, New York. Charles Snowden Jones is the sole principal owner of Bedford Funding.

B: Types of Advisory Services

Bedford Funding is a private equity management company that currently only provides discretionary investment advisory services to pooled investment vehicles. Specifically, Bedford Funding identifies investment opportunities and participates in the acquisition, monitoring and disposition of such investments for private equity funds.

The private equity funds that Bedford Funding provides investment advice to specialize in providing long-term capital to businesses in the software, information technology services and technology industries. Bedford Funding's clients may invest in public or private companies with a primary objective of providing capital to assist managers to execute transformative strategies, including consolidation.

Bedford Funding will provide advisory services with respect to each investment in accordance with the purposes, terms, restrictions and limitations set forth in the limited partnership agreements and subscription agreements ("governing documents") of each of its clients. Each client's governing documents may contain certain restrictions on the types of investments that may be made.

C: Tailored Services

Any investment advice that is given by Bedford Funding is provided in a manner consistent with the investment objectives of the applicable private equity fund. Bedford Funding can also tailor its advisory services to the individual needs of the limited partners investing in the private equity funds that Bedford Funding manages. Such limited partners may impose restrictions on investing in certain securities or types of securities.

D: Wrap Fee Programs

Bedford Funding does not participate in any wrap fee programs.

E: Client Assets Under Management

As of February 1, 2012, Bedford Funding manages approximately \$1,309,500,000 million in clients' assets on a discretionary basis. Bedford Funding does not manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

A. Description

Bedford Funding charges the private equity funds that it manages an annual management fee between 1.5% and 1.75% of each respective fund's committed capital. The management fee that Bedford Funding charges each fund depends on whether or not the fund is still in its capital commitment period. Clients also pay an affiliate of Bedford Funding carried interest in each private equity fund. Because this Brochure will only be delivered to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), this Brochure does not include a fee schedule.

B. Fee Billing

Management fees are deducted from client's assets and are calculated semi-annually and paid in advance on the first business day of each semi-annual period.

C. Other Fees and Expenses

All fees charged by Bedford Funding are negotiable in Bedford Funding's sole and absolute discretion. Private equity funds managed by Bedford Funding pay all expenses attributable to the formation and operation of such private equity fund, including, but not limited to, (i) expenses incurred in the actual or proposed acquisition or disposition of securities, whether or not consummated, including, without limitation, accounting fees, consulting fees, due diligence expenses, brokerage commissions and fees and other investment costs incurred by or on behalf of a fund, legal fees, travel, transfer taxes, costs related to the registration or qualification for sale of securities and other out-of-pocket expenses, in each case to the extent not paid for by the issuer of such securities; (ii) expenses incurred in connection with out of pocket expenses related to monitoring investments by a fund, including, without limitation, legal, travel, insurance, accounting, custodial and safekeeping, consulting and auditing expenses; (iii) administrative, legal, custodial, accounting, auditing, banking, professional, consulting and appraisal expenses of a fund, including expenses associated with the preparation of the fund's financial statements, tax returns and Schedule K-1s; (iv) taxes and other governmental charges, fees and duties payable by a fund to U.S. federal, state, local and other governmental agencies, and all expenses incurred in connection with any tax audit, investigation, settlement or review of a fund; (v) interest on and fees and expenses arising out of all permitted borrowings made by a fund and (vi) costs and expenses incurred in connection with winding up and liquidating a fund.

D. Fees in Advance

Private equity funds managed by Bedford Funding must pay management fees in advance. Management fees are computed semi-annually and billed in advance on the first business day of each semi-annual period. The management fee computed for the first and last semi-annual periods of each private equity fund will be proportionately adjusted based upon the ratio the number of days in each such period bears to one hundred eighty (180) days. There are no refunds of any management fees paid in advance. However, if a client pays Bedford Funding a fee for any period that is determined by the firm to be more than the amount the client should have paid for the period, Bedford Funding will refund the excess payment or offset subsequent fees by the amount of the excess payment, depending on the specific agreement with the client.

E. Securities Compensation

Not applicable.

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

Private equity funds managed by Bedford Funding pay an affiliate of Bedford Funding performance-based fees. It is common for funds managed by Bedford Funding to be charged both management fees and performance-based fees but such fees may be waived or reduced in Bedford Funding's discretion.

The fact that Bedford Funding may in part be compensated based on the performance of investments may create an incentive for Bedford Funding to recommend investments to or make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of a performance-based compensation arrangement. However, Bedford Funding will provide its investment advisory services to each of its clients in accordance with the investment strategy disclosed in each client's governing documents to help ensure that its clients and their investors are aware of the investment strategy and the risks associated with the strategy.

Item 7: Types of Clients

Description

Bedford Funding provides investment advisory services to private equity funds only on a discretionary basis.

Investors in the private equity funds include institutional investors and pension funds.

Account Minimums

Private equity funds managed by Bedford Funding have no stated minimum capital commitments for their respective limited partners. However, each limited partner in each private equity fund must be an "accredited investor," as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser," as defined under the Investment Company of 1940, as amended.

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

Methods of Analysis and Investment Strategies

Bedford Funding is a private equity management company that provides discretionary investment advisory services to pooled investment vehicles. Specifically, Bedford Funding identifies investment opportunities in the software and IT services sectors and participates in the acquisition, monitoring and disposition of such investments for private equity funds.

The private equity funds that Bedford Funding advises offer flexible capital solutions for complex situations in the software and IT services sectors. Bedford Funding's clients invest capital to assist managers to execute transformative strategies, including consolidation. Bedford Funding's methodical but aggressive approach is built on its deep operational understanding of the needs of these specific businesses and its solutions are carefully crafted by highly experienced technology professionals.

Bedford Funding manages its capital base by using a variety of investment strategies and transaction structures, including:

- Open market and/or negotiated common stock purchases in public companies
- Leveraged buy-outs, including public-to-privates
- PIPES and convertible debt security investments
- Recapitalizations
- Roll-ups/consolidations

Focus on Opportunities in our Employees' Core Area: The Bedford Funding principals all worked together while at Geac, a highly successful enterprise software company. Bedford Funding therefore continues to focus on opportunities in its core area—the large and consolidating technology market—in which the Bedford Funding advisors have deep domain expertise.

Targeted Acquisitions: Bedford Funding targets significant growth opportunities and complex, underperforming or distressed companies. Bedford Funding believes in customer-focused decision making, and uses reasonable leverage and basic funding models to create the financial structure of its acquisitions.

Operational Improvements. Bedford Funding's focus is on operational improvements in stable, profitable companies that can lead to substantial earnings and EBITDA growth. Bedford Funding implements customer-focused decision making and develops product solution expansion through numerous channels. It also incorporates topgrading as a management technique, while also emphasizing performance by implementing financial benchmarks as incentives. Bedford Funding also focuses on product and service innovation, imposing fiscal discipline and striving for continuous improvement in its portfolio companies.

C. Material Risks

An investment in any of Bedford Funding's private equity funds involves a significant degree of risk. The environment for private equity investments is increasingly competitive and an investor should only invest in a private equity fund if the investor can withstand a total loss of its investment. Investing in securities involves risk of loss that clients should be prepared to bear.

Reliance on Key Personnel. The success of each private equity fund will depend on the ability of the Bedford Funding principals to identify and consummate suitable investments, to assist in improving the operating performance of portfolio companies and to dispose of investments at a profit. The loss of the services of one or more of the Bedford Funding principals would likely have a material adverse effect on each private equity fund.

Unspecified Investments. There can be no assurance that Bedford Funding will be able to identify a series of suitable investment opportunities for each respective private equity fund, or that such investment opportunities will lead to completed investments by each respective private equity fund or enable each respective private equity fund to meet its investment objectives. There can be no assurance that any portfolio investments completed by each respective private equity fund will provide returns commensurate with the risk of investment in each respective private equity fund. Each respective private equity fund may sustain losses with respect to some or all of its investments.

Illiquidity. Participation in each respective private equity fund will generally be an illiquid investment. Interests in each private equity fund will be transferable only under very limited circumstances and with the consent of the general partner of the private equity fund (the "General Partner"), which may withhold its consent in its sole discretion. No market exists for interests in the private equity funds managed by Bedford Funding and none is expected to develop.

The investments made by each respective private equity fund may be very illiquid, and consequently each respective private equity fund may not be able to sell such investments at prices that reflect Bedford Funding's assessment of their value or the amount paid for such investments by each respective private equity fund. Furthermore, securities of portfolio companies acquired by each respective private equity fund may be illiquid for significant periods of time or indefinitely due to the absence of established market for such securities as well as legal, contractual or other restrictions on their resale by each respective private equity fund. The nature of each respective private equity fund's investments may also require a long holding period prior to profitability.

Lack of Diversity. Each private equity fund may make only a limited number of investments and, as a consequence, the aggregate returns realized by each respective private equity fund's limited partners (the "Limited Partners") may be substantially adversely affected by the unfavorable performance of even one of such investments.

In addition, each respective private equity fund's assets may be concentrated in certain industry sectors. This lack of diversification in each respective private equity fund's portfolio may result in each respective private equity fund's performance being vulnerable to business or economic conditions and other factors affecting particular companies or particular industries, which may adversely affect the return to investors in the respective private equity fund.

Long-Term Investment. While it is the intention of Bedford Funding to achieve target returns over a limited time horizon, other factors such as overall economic conditions, the competitive environment, the limited availability of appropriate potential investments, and access to public markets or potential acquirers may cause each respective private equity fund to be unable to realize substantial capital gains during its term.

Risks of Certain Investments. In connection with the disposition of an investment in a portfolio company, each fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be borne by each respective private equity fund.

Reliance on Management of Portfolio Companies. Although Bedford Funding will monitor the performance of each investment, it will primarily be the responsibility of management to operate the portfolio company on a day-to-day basis. There can be no assurance that the existing management team, or any new one, will be able to operate the portfolio company in accordance with each private equity fund's desired objectives.

Economic and Market Risk. Companies in which each private equity fund invests may be sensitive to general downward swings in the overall economy or in a particular industry. In addition, factors specific to a portfolio company may have an adverse effect on each private equity fund's investment in such company. A major recession or adverse development in the securities markets might have an impact on some or all of each private equity fund's investments. Bedford Funding may rely upon its own or a portfolio company's projections concerning the portfolio company's future performance in making investment decisions. Such projections are inherently subject to uncertainty and factors beyond the control of the portfolio company and the General Partner.

Uncertainty in the U.S. and Global Financial Markets. The upheavals in the United States and global financial markets that began in 2008 illustrated the possibility of extraordinary and unprecedented uncertainty and instability in such markets. There can be no assurances that conditions in the global financial markets will not adversely affect one or more of a fund's portfolio companies or other investments, its access to capital or leverage or its overall performance.

No Right to Control Each Private Equity Fund's Operations. Limited partners will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the private equity fund(s) in which they invest. Limited partners must rely entirely on Bedford Funding and its affiliates to conduct and manage the affairs of each private equity fund.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur during the term of a fund that may adversely affect such fund. There is a material risk that regulatory agencies in the United States, Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private equity industry, or other changes that could adversely affect private equity firms and the funds they sponsor.

Control Person Liability. Each private equity fund is generally expected to have controlling interests in its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, each respective private equity fund might suffer a significant loss. In addition, each respective private equity fund's assets, including any investments made by each respective private equity fund and any capital held by each respective private equity fund, might be determined to be available to satisfy all liabilities and other obligations of each respective private equity fund. If each respective private equity fund becomes subject to liability, parties seeking to have the liability satisfied may have recourse to each respective private equity fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

Small-Cap Issuers. A portion of a fund's assets may be invested from time to time in small-cap issuers. While the securities of small-cap issuers may offer the potential for greater capital appreciation than investments in securities of larger-cap issuers, securities of small-cap issuers also present greater risks. For example, some small issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small-cap issuers generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small-cap issuers may be higher than in those of large-cap issuers.

Portfolio Liquidity and Transfer Restrictions (PIPEs and Similar Investments). Bedford Funding may invest the assets of the funds that it manages in so-called "PIPE" transactions, in which a private purchase of common stock or a security convertible into common stock, is anticipated to be followed shortly by a registered public offering of such common stock, or of common stock of the same class. As securities sold in a PIPE transaction will generally be restricted only for the period from the private sale until the issuer's registration statement with the SEC covering resale of such securities becomes effective, the fund may pay more for such securities than for other private placement securities. If the issuer is unable to obtain an effective resale registration statement for a PIPE, the PIPE will remain restricted under U.S. securities laws (subject to the availability of some other exemption) and the fund may be unable to recover from the issuer an amount sufficient to compensate the fund for the loss of liquidity of such security.

Leverage. While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Use of leverage may increase the exposure to adverse economic factors such as significantly rising interest rates, downturns in the economy or deterioration in the condition of the portfolio company or its industry. In the event a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its third-party indebtedness, the value of a fund's investment in such company could be significantly reduced or even eliminated.

Item 9: Disciplinary Information

Legal and Disciplinary

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Bedford Funding's advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer

Bedford Funding and its management persons are not registered and do not have an application to register as a broker-dealer or as a registered representative of a broker-dealer.

B. Financial Industry Activities

Bedford Funding and its management persons are not registered and do not have an application to register as a future commission merchant, commodity pool operator or a commodity trading advisor, or an associated person of the foregoing entities.

C. Affiliations

Bedford Funding and its management persons have relationships and arrangements that are material to its advisory business or its clients with various related persons as described below. None of these relationships or arrangements creates a material conflict of interest with clients.

1. Not applicable
2. Not applicable.
3. Not applicable.
4. Not applicable.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Not applicable.
10. Not applicable.

11. The following related persons of Bedford Funding and its management persons are sponsors or syndicators of limited partnerships: (i) Bedford Funding I G.P. L.P., a Delaware limited partnership, is the general partner of Bedford Funding I, L.P., a Delaware limited partnership and (ii) Bedford Funding II G.P. L.P., a Delaware limited partnership, is the general partner of Bedford Funding II, L.P., a Delaware limited partnership and Bedford Funding II Co-Investment Fund, L.P., a Delaware limited partnership.

D. Compensation for Referrals.

Not applicable.

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

A. Code of Ethics

Bedford Funding recognizes and believes that high ethical standards are essential for its success and to maintain the confidence of its clients and their investors. Bedford Funding believes its interests are best served by adherence to the principle that clients' interests come first. Bedford Funding's personnel are required to act in accordance with the implied contractual covenants of good faith and fair dealing in respect of their dealings with clients. Bedford Funding's personnel must also comply with all federal securities laws.

Bedford Funding's Chief Compliance Officer is responsible for identifying, reviewing, and resolving potential and actual conflicts of interest with the Bedford Funding's clients. Bedford Funding's Chief Compliance Officer is responsible for designing procedures, where applicable, to address the potential or actual conflicts. All of Bedford Funding's employees have the duty to report any material potential or actual conflicts of interest to Bedford Funding's Chief Compliance Officer. All material conflicts of interest are reviewed and resolved by Bedford Funding's Chief Compliance Officer.

The access persons of Bedford Funding have committed to a Code of Ethics (the "Code of Ethics") that is available for review by clients and prospective clients upon request. Each access person must read, sign and deliver a certificate of compliance with the Code of Ethics and may only effect a personal transaction in a limited offering or initial public offering by pre-approving such transaction with Bedford Funding's Chief Compliance Officer. Each access person also must provide initial securities holdings reports and annual securities holding reports to the Chief Compliance Officer. Furthermore, each access person shall provide either quarterly securities transaction reports or in the alternative have copies of all account statements or broker trade confirmations related to personal securities transactions in which such person or any member of his or her immediately family has a beneficial ownership interest sent directly to Bedford Funding's Chief Compliance Officer within 30 days of each calendar quarter.

B. Participation or Interest in Client Transactions

Bedford Funding's related persons, Bedford Funding I G.P, L.P., a Delaware limited partnership ("Bedford Funding I") and Bedford Funding II G.P, L.P., a Delaware limited partnership ("Bedford Funding II") (each, a "General Partner" and, collectively, the "General Partners"), are the General Partners of Bedford Funding's clients. Specifically, (i) Bedford Funding I is the General Partner of Bedford Funding I, L.P., a Delaware limited partnership and (ii) Bedford Funding II is the General Partner of Bedford Funding II, L.P., a Delaware limited partnership and Bedford Funding II Co-Investment Fund, L.P., a Delaware limited partnership. The General Partners each maintain a capital account in the funds that they manage. Charles Snowden Jones wholly owns Bedford Funding and partially owns the General

Partner. Mr. Jones is also a limited partner of Bedford Funding II, L.P. and Bedford Funding II Co-Investment Fund, L.P. There is a potential conflict of interest in this arrangement since the General Partner is generally entitled to a carried interest percentage of the net distributable cash of the Fund, which could encourage Bedford Funding to invest more aggressively in riskier securities than in the absence of this carried interest. Bedford Funding addresses any potential conflicts in this arrangement by fully disclosing this arrangement to potential limited partners and ensuring that any investments in the Fund by Bedford Funding and its access persons are pre-cleared by Bedford Funding's Chief Compliance Officer.

C. Participation or Interest in Client Transactions

See response to Item 11.B above.

D. Participation or Interest in Client Transactions

See response to Item 11.B above.

Item 12: Brokerage Practices

A. Selecting Brokerage Firms

Bedford Funding utilizes various investment banking firms that are broker-dealers to assist it in evaluating portfolio company investments for its private equity funds. Bedford Funding considers such factors as price, the ability of the broker-dealers to effect the transactions, their personnel, experience, particular industry knowledge, reliability and financial responsibility. Accordingly, if Bedford Funding determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, the clients may pay fees to such broker-dealer that are greater than those fees another might charge.

Research and Other Soft Dollar Benefits. Not applicable.

- a. Not applicable.
- b. Not applicable.
- c. Not applicable.
- d. Not applicable.
- e. Not applicable.
- f. Not applicable.

2. Brokerage for Client Referrals. Not applicable.

- a. Not applicable.
- b. Not applicable.

3. Directed Brokerage. Not applicable.

- a. Not applicable.
- b. Not applicable.

B. Aggregation

If Bedford Funding determines that the purchase or sale of a security is appropriate with regard to multiple clients, Bedford Funding may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law.

Item 13: Review of Accounts

A. Periodic Reviews

Account reviews are performed periodically by Larry Kaplan, Chief Financial Officer, on no less than a quarterly basis.

B. Review Triggers

Other conditions that may trigger a review are changes in applicable laws, new investment information, and changes in a particular limited partner's circumstances.

C. Regular Reports

The General Partner shall prepare and send to current partners of each fund, or make available to each limited partner on a website, and shall use its reasonable best efforts to do so within 90 days after the end of each fiscal year and within 45 days after the end of each quarter other than the last quarter, a financial report (audited in the case of the year-end report and unaudited in the case of the quarter-end reports), including: (i) a balance sheet of the fund; (ii) a statement (including related footnotes) of the net income or net loss for such period and such partner's allocable share thereof; (iii) a statement of cash flows (only in the case of the audited year-end report); (iv) a statement of each partner's capital account; and (v) information relating to each portfolio investment (only in the case of semi-annual reports sent to partners).

Item 14: Client Referrals and Other Compensation

A. Referrals

Not applicable.

B. Other Compensation

Not applicable.

Item 15: Custody

Bedford Funding's clients generally maintain custody arrangements through independent qualified custodians. Bedford Funding's clients have selected as their qualified custodian JP Morgan Chase, 1 Chase Manhattan Plaza, 17th Floor, New York, New York 10005.

However, Bedford Funding may in some circumstances be deemed to have "custody" of client securities and funds, even though it does not actually maintain client assets. In such instances, it is Bedford Funding's policy to cause each fund with assets over which the company is deemed to have "custody" to distribute annually audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and audited by an accountant subject to regular inspection by the Public Company Accounting Oversight Board, to investors no later than 90 days after the end of each fiscal year (or 180 days for any funds that are "funds of funds" as defined by Rule 206(4)-2). In addition, upon the final liquidation of any such fund, Bedford Funding will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such fund to all investors promptly after completion of the audit.

Item 16: Investment Discretion

Discretionary Authority for Trading

Bedford Funding accepts discretionary authority to manage securities on behalf of its clients. Bedford Funding has the authority to determine, without obtaining specific client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of clients. Clients do not customarily place any limitations on this discretionary authority.

Limited Power of Attorney

Before Bedford Funding assumes discretionary authority, limited partners investing in the private equity funds that it manages sign a limited power of attorney by execution of the limited partnership agreement for that particular private equity fund.

Item 17: Voting Client Securities

A. Proxy Votes

In accordance with Rule 206(4)-6 under the Advisers Act, Bedford Funding has adopted proxy voting policies and procedures (the "Policies") for the voting of proxies on behalf of clients for which Bedford Funding has voting discretion. Bedford Funding's general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, "proxies"), in a manner that serves the best interests of the applicable client, as determined by Bedford Funding in its discretion. When exercising voting rights, Bedford Funding takes into account, among other considerations, the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

In certain circumstances, proxy voting involves logistical issues which can affect Bedford Funding's ability to vote such proxies as well as the desirability of voting such proxies. These issues include, among others, untimely notice of shareholder meetings; requirements to vote proxies in person; potential difficulties in translating the proxy and requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions. As a consequence, Bedford Funding votes proxies in these markets only on a "best-efforts" basis. In addition, Bedford Funding may refrain from voting proxies where it determines that voting the proxies would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the applicable client. A copy of the Policies and the proxy voting record relating to a client may be obtained by contacting Bedford Funding.

Clients that have not granted Bedford Funding proxy discretionary voting authority over securities held in their accounts will receive their proxies in accordance with the arrangement they have made with their service providers. Bedford Funding generally does not provide proxy voting recommendations to clients who have not granted Bedford Funding voting authority over their securities.

B. Not applicable.

Item 18: Financial Information

A. Balance Sheet

Bedford Funding has included a balance sheet because Bedford Funding requires prepayment of fees from its clients six (6) months or more in advance.

B. Financial Condition

Bedford Funding does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Bankruptcy Petition

Bedford Funding has not been the subject of a bankruptcy petition at any time during the past ten years.

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

CONSOLIDATED BALANCE SHEET WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

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INDEPENDENT AUDITORS' REPORT

To the sole member
Bedford Funding Capital Management, L.L.C.

We have audited the accompanying consolidated balance sheet of Bedford Funding Capital Management, L.L.C. (a limited liability company) (the "Company") as of December 31, 2011. The consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Bedford Funding Capital Management, L.L.C. as of December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
February 10, 2012

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 240,683
Accounts receivable	85,000
Due from Bedford Funding II	205,994
Prepaid expenses	<u>18,173</u>

Total Current Assets 549,850

EQUITY IN BEDFORD FUNDING I, L.P. (cost \$100,000)	20,000,000
INVESTMENT IN PEOPLEFLUENT HOLDINGS CORPORATION, at cost	1,500,000

SECURITY DEPOSITS 122,500

PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	<u>8,768</u>
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Total Assets \$ 22,181,118

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 23,517
Accrued vacation payable	16,311
Deferred rent	<u>2,550</u>

Total Current Liabilities 42,378

EQUITY

Member's equity	12,238,740
Noncontrolling interest	9,900,000

Total Liabilities and Equity \$ 22,181,118

See independent auditors' report and accompanying notes to financial statement.

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

NOTES TO CONSOLIDATED BALANCE SHEET

December 31, 2011

1. BUSINESS DESCRIPTION AND PRINCIPLES OF CONSOLIDATION

Bedford Funding Capital Management, L.L.C. ("BFCM"), a Delaware limited liability company, commenced operations on October 17, 2006. The BFCM was organized for the purpose of providing management services to Bedford Funding I, LP (the "Fund"). In addition BFCM also provides management services to Bedford Funding II (see note 3) which was formed on December 12, 2011 and has had no activity through December 31, 2011. The Fund trades and invests in securities of companies, either public or private, engaged in the software, information technology services and technology industries.

This consolidated balance sheet includes the accounts of BFCM and those of Bedford Funding I GP, L.P. ("BFIGP") and Bedford Funding II GP, L.P. (which has not commenced activity as of December 31, 2011) which BFCM controls through its general partnership interest in each entity. The net assets of BFIGP that are allocable to the limited partners are shown as non-controlling interests. All significant intercompany transactions and balances have been eliminated from the consolidated balance sheet. BFCM and BFIGP are collectively referred to as the "Company."

BFIGP holds the sole general partnership interest in the Fund and also holds a direct investment in Peoplefluent Holdings Corporation, the company in which the Fund is also an investor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investment in the Fund

BFIGP's investment in the Fund is stated on the equity method of accounting. Although BFIGP has current control of the Fund as its general partner, consolidation is precluded under US GAAP because the limited partners have the unilateral right to dissolve the Fund.

Under the equity method, the carrying value of the Company's investment in the Fund is stated at the company's share of the net asset value of the Fund. The net asset value of the Fund is, in turn, based on the estimated fair value of the Fund's significant asset, its investment in Peoplefluent Holdings Corporation which represents 97% of the Fund's assets. The Fund has no significant liabilities. The Company's minority share of the Fund's net asset value at December 31, 2011 was \$20,000,000.

As an investment company, the Fund determines net asset value by recording its investments at estimated fair value.

Valuation of the Fund's Investments in Securities at Fair Value – Definition and Hierarchy

The Fund follows the provisions of Accounting Standards Codification 820 "Fair Value Measurements" ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

NOTES TO CONSOLIDATED BALANCE SHEET

December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of the Fund's Investments in Securities at Fair Value – Definition and Hierarchy (continued)

In determining fair value, the Fund uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure; therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

Valuation Techniques

The Fund's only significant asset is a 99.4% ownership interest in Peoplefluent Holdings Corporation, a provider of human capital management software and related services. The Fund's management has valued Peoplefluent Holdings Corporation at a value determined by a non-related valuation company at December 31, 2010 and the cost of an additional acquisition completed during 2011. Management believes that the cost of this recent acquisition approximates its fair value at December 31, 2011. In addition, management is not aware of any matters that would materially modify their estimate of this Level 3 investment at December 31, 2011.

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

NOTES TO CONSOLIDATED BALANCE SHEET

December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation Techniques (continued)

Ongoing reviews of valuation by management are based on an assessment of the underlying investment, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions and performance multiples, among other factors.

Investment in Peoplefluent Holdings Corporation

The Company records its 0.6% direct ownership interest Peoplefluent Holdings Corporation at its \$1,500,000 cost. Management would assess the investment for possible impairment when there are events or circumstances that might have an adverse effect on fair value. No such events or circumstances existed at December 31, 2011.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. The Company capitalizes acquisitions that have a cost of \$1,500 or more and a useful life of greater than a year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Income Taxes

BFCM and BFIGP are treated as pass through entities for income tax purposes and as such their income is not subject to federal and state income taxes. The income or loss is included on the personal tax return of their members.

The Company follows the standards for establishing and classifying any tax provisions for uncertain tax positions and recognizing any interest and penalties. The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. The Company is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2008.

Use of Estimates

The preparation of consolidated financial statement in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated, for potential financial statement recognition and/or disclosure, events subsequent to the date of the consolidated balance sheet through February 10, 2012, which is the date the consolidated balance sheet was available to be issued.

3. DUE FROM BEDFORD FUNDING II, L.P. and BEDFORD FUNDING II CO-INVESTMENT FUND, L.P. (collectively, "Bedford Funding II")

In November 2011 and January 2012, the Company paid \$205,994 of fees to a law firm related to the formation of Bedford Funding II. As the agreements for Bedford Funding II were officially signed on December 12, 2011, the Company will seek recovery of these amounts as organizational expenses. In January 2012, Bedford Funding II made a capital call for recovery of these amounts and received payment from the main limited partner of Bedford Funding II.

BEDFORD FUNDING CAPITAL MANAGEMENT, L.L.C.

NOTES TO CONSOLIDATED BALANCE SHEET

December 31, 2011

3. DUE FROM BEDFORD FUNDING II, L.P. and BEDFORD FUNDING II CO-INVESTMENT FUND, L.P. (collectively, "Bedford Funding II") (continued)

Subsequent to December 31, 2011 the Company was reimbursed for these organizational expenses.

4. PROPERTY AND EQUIPMENT

Equipment as of December 31, 2011 consisted of the following:

Furniture and fixtures	\$ 110,137
Less: accumulated depreciation	<u>(101,369)</u>
	<u>\$ 8,768</u>

5. COMMITMENTS

On December 22, 2006, the Company entered into an operating lease agreement to lease office space in White Plains, New York. The operating lease will expire on March 31, 2012.

At December 31, 2011, the future minimum lease payment under the lease is as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 32,000

6. SUBSEQUENT EVENTS

On January 30, 2012, the Company has signed a letter of intent to extend its existing office space lease for an additional 5 year term.

On December 12, 2011, the Company entered into an agreement to provide management services to Bedford Funding II. In addition to the management fees it continues to receive for BFILP, this new agreement will result in additional management fees to the Company commencing on February 1, 2012.