



ACON FUNDS MANAGEMENT, L.L.C.

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August 15, 2013

This amended and restated brochure provides information about the qualifications and business practices of ACON Funds Management, L.L.C. (“**AFM**” or the “**Adviser**”) and its affiliates. If you have any questions about the contents of this brochure, please contact the Adviser’s Chief Compliance Officer at 202-454-1100. 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. The Adviser is registered with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). This registration does not, however, imply a certain level of skill or training of the Adviser or its personnel.

Additional information about the Adviser and its affiliates also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

The Adviser registered as an investment adviser with the SEC on March 30, 2012. The Adviser has filed interim and annual updating amendments to its Part 2A Brochure since its initial filing. This amended and restated brochure (this “**Brochure**”) replaces the amended and restated brochure that was filed on March 28, 2013.

This Brochure has been updated in Item 4 (*Advisory Business*) to reflect the value of the Adviser’s assets under management as of March 31, 2013. In addition, this Brochure has been updated to reflect the appointment of Teresa Y. Bernstein as Chief Compliance Officer.

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Item 4 - Advisory Business

- A. ACON Funds Management, L.L.C. (“**AFM**” or the “**Adviser**”) was formed in 2006 as a Delaware limited liability company to provide investment supervisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and whose securities are not registered under the Securities Act of 1933, as amended (the “**Funds**”).

AFM from time to time may serve as the sponsor of entities that act as feeder vehicles into the Funds (the “**Feeders**”). Additionally, in order to meet tax, regulatory or other requirements, certain investors may invest in substantially the same portfolio as the applicable Funds through specially formed investment vehicles which are also advised by AFM (collectively, the “**SPVs**”).

AFM from time to time also may establish, on a transaction-by-transaction basis, investment vehicles through which certain persons may invest alongside one or more Funds (each such pooled investment vehicle, a “**Co-Investment Vehicle**”).

The only advisory clients of AFM are the Funds and certain Feeders, SPVs, and Co-Investment Vehicles (collectively, the “**AFM Funds**”).

The owners of AFM are Bernard Aronson, Kenneth Brotman, Jonathan Ginns, Daniel Jinich and Guillermo Bron.

- B. As an investment adviser, AFM provides investment-related services to the AFM Funds, including: identifying and recommending investment opportunities; analyzing and investigating potential investment opportunities; structuring investments; identifying sources of financing for proposed investments; monitoring, managing and evaluating investments; analyzing and investigating positional dispositions of investments; supervising the negotiation, preparation and review of agreements and other documents in connection with investments, dispositions and financings; and providing all administrative, clerical and financial support services related to the management of the AFM Funds.
- C. The AFM Funds have a set of specific guidelines which are set forth in the governing documents of each AFM Fund and its offering documents. These guidelines may provide for limits on the size, concentration, geography, type of security and/or terms of the applicable AFM Fund’s investments. Each AFM Fund is advised by the Adviser and managed in accordance with its investment guidelines and an investment in any AFM Fund does not, in and of itself, create an advisory relationship between any investor in any AFM Fund and the Adviser.
- D. The Adviser does not participate in wrap fee programs.
- E. As of March 31, 2013, AFM manages approximately \$1,465,800,000 of client assets, all of which is managed on a discretionary basis.

Item 5 - Fees and Compensation

- A. As compensation for its services, AFM generally receives from each AFM Fund an annual management fee (the “**Management Fee**”) payable semi-annually in advance (subject to potential reductions due to waivers and offsets under certain circumstances). Each AFM Fund’s organizational documents permit the Management Fee to be waived and for the Adviser to receive a credit against capital contributions otherwise owed. Principals or other employees of the general partners of the AFM Funds, or other of the Adviser’s supervised persons, may receive a portion of the performance fees or carried interest received by the general partners of the AFM Funds or their affiliates.

In addition to the Management Fee, in connection with the affairs of the AFM Funds, AFM may receive (i) monitoring fees, organizational fees, set-up fees, financial advisory fees, transaction fees or other similar fees; (ii) cash and non-cash directors’ fees; (iii) certain management and other fees with respect to co-investment capital; and (iv) termination, break-up or other similar fees. Each AFM Fund’s Management Fee may be reduced by a portion of such other fees. The Management Fee may be further reduced, waived or rebated at the sole discretion of AFM.

Fees are non-negotiable, however, the general partner of any AFM Fund may exempt certain persons from payment of the Management Fee or otherwise reduce the Management Fee payable by certain investors, including owners of the general partners or their affiliates, persons with family or other relationships with the general partner or its affiliates, service providers for the general partners or its affiliates, or other unaffiliated parties. In addition, members of the general partners effectively do not pay the Management Fee on their indirect interests in AFM Funds.

- B. The general partner of each AFM Fund causes the Management Fee to be paid to AFM by or on behalf of each AFM Fund by (i) requiring investors to make capital contributions, (ii) withholding from investment proceeds that would otherwise be distributable to investors or (iii) causing the AFM Fund to borrow money. The Management Fee is due semi-annually in advance.
- C. Each AFM Fund bears and is charged with costs and expenses of its organization, activities, operations and meetings, including without limitation: (i) costs and expenses directly related to the discovery, investigation, development, making, management, monitoring and disposition of investments; (ii) fees and expenses of administrators, custodians, economists, consultants, outside counsel and accountants; (iii) the costs of insurance; (iv) any taxes, fees or other governmental charges levied against the AFM Fund; (v) costs and expenses of the AFM Fund’s advisory committee and any firm retained to determine the fair market value of unrealized portfolio investments; (vi) interest on and fees and expenses arising out of all borrowings, including the arrangement thereof; (vii) fees and expenses incurred in connection with any audit investigation, governmental inquiry or public relations undertaking; and (viii) costs and expenses of any litigation relating to the activities or operations of the AFM Fund, the amount of any

judgments or settlements paid in connection therewith and any other indemnification or other expenses or liabilities related to the affairs of the AFM Fund.

Each AFM Fund pays the costs incurred in connection with the organization of the AFM Fund (including fees and expenses of counsel, the AFM Fund and its general partners, travel, accommodations and related expenses of personnel of the general partner and other direct costs) up to a certain amount, as specified in each AFM Fund's partnership agreement.

- D. The Management Fee is generally due semi-annually in advance. In the event AFM does not provide services for the full semi-annual period, the Management Fee is typically required to be returned to the investors in the AFM Fund. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.
- E. Neither AFM nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

The general partner of each AFM Fund charges a performance-based fee (referred to as “**carried interest**”). Each AFM Fund's general partner may, in its sole discretion, waive or reduce an investor's obligation to pay carried interest and/or may amend the preferred rate of return earned by an investor. Such variation in charges could create an incentive to favor investors that pay the highest carried interest fee (and/or the lowest preferred rate of return) over those whose fees have been waived or amended. Each AFM Fund's governing documents set forth specific procedures designed to ensure that investors are treated fairly and to prevent this conflict from unduly influencing the allocation of investment opportunities among them.

In addition, the carried interest may create an incentive for each general partner to make riskier or more speculative investments on behalf of its AFM Fund than it would otherwise make in the absence of such performance-based arrangements. However, the principals of AFM have invested substantial personal capital, directly and indirectly, in the AFM Funds, which may serve to reduce this incentive.

Finally, if distributions are made in kind, the amount of any such distributions will be accounted for at the fair market value of the distributed property and determined in accordance with the procedures specified in the AFM Fund's governing documents. The amounts that an investor in the AFM Fund ultimately realizes from amounts distributed in kind may be less than the fair value determined at the time of the distribution from the AFM Fund. Because the general partner receives carried interest distributions based upon the fair value of amounts distributed to investors, there could be an incentive for the general partner to make distributions in kind rather than liquidating an investment and distributing the net proceeds to the AFM Fund investors. Each AFM Fund's governing documents have specific procedures surrounding the distributions in kind, including their valuation, that serve to reduce this potential incentive.

Item 7 - Types of Clients

AFM provides investment advice to the AFM Funds. Investment advice is provided directly to the AFM Funds, subject to the direction and control of the general partner of each such AFM Fund, and not individually to the limited partners of such AFM Funds.

The AFM Funds are pooled investment vehicles formed under domestic and foreign laws and operated as exempt investment pools under the Investment Company Act. The investors participating in private investment funds may include high net worth individuals, banks or thrift institutions, other investment entities, 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 AFM and its affiliates.

Minimum investment commitments may be established for limited partners in AFM Funds. The general partner of each AFM Fund, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the applicable fund documents of such AFM Fund.

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

- A. The investment strategy of AFM and each AFM Fund's general partner is to seek to increase the value of, and to find desirable exit opportunities for, the investments made on behalf of each AFM Fund. This strategy may involve the use of information generated by individuals or entities not affiliated with AFM or its affiliates. Sources of such information include, but are not limited to, research provided by institutions and the brokerage community, internally and externally generated analysis of potential opportunities, specialized consultants, industry experts, and industry and trade publications, as well as direct contact with management of potential portfolio companies and related due diligence.

The Adviser's investment strategy begins by identifying middle-market companies in which it can generally invest \$20 to \$150 million of equity capital. AFM seeks to structure capital to each individual investment in order to meet the specific needs of a given opportunity and the company's specific business plan. As owners and board members, AFM becomes an active participant in guiding the growth of the AFM Fund's portfolio companies. The Adviser's industry experience and broad affiliate network allows its managers to draw on a diverse set of strategic, financial and industry-specific resources.

AFM focuses on investment opportunities at times of change—responding at points of inflection where value creation is possible. The Adviser's understanding of industry trends, regulatory mandates and changes, international trade opportunities, and demographic indicators help it to identify prospects that allow maximum value for its investors.

The Adviser believes its close work with proven partners and management teams drives performance improvement and unlocks shareholder value. The Adviser is committed to actively overseeing each portfolio company by helping its management develop and execute strategic initiatives; launch and integrate subsequent acquisitions; arrange for debt and/or equity financings; recruit additional management resources; and generate liquidity opportunities in public and/or private markets.

AFM generally follows an investment process which seeks to: (i) generate a continuous flow of quality, proprietary deal leads; (ii) subject potential transactions to a multi-stage screening process with certain hurdles at each stage; (iii) institute the appropriate controls and monitoring mechanisms to facilitate the ability of the AFM's professionals to add value to portfolio companies; and (iv) maximize the value of investments upon exit.

An investment in any AFM Fund involves a high degree of risk and, therefore, should be undertaken only by investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the AFM Fund and for which the AFM Fund does not represent a complete investment program. There can be no assurances any AFM Fund will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital contributed to the AFM Fund. In addition, there can be no assurance that any AFM Fund will be able to generate returns for investors or that returns will be commensurate with the risks of the AFM Fund's investments. An investment in any AFM Fund should only be made by persons that can afford a loss of their entire investment.

- B. AFM Funds seek private investments in companies that operate mainly within the United States. Certain of the risks related to this investment strategy are summarized below. However, prospective investors should carefully consider all of the risks related to investing in the AFM Fund that are set forth in the private placement or other offering document for that particular AFM Fund, including those discussed in Item 8.C. below.

In addition, an AFM Fund may use special purpose entities formed for the sole purpose of investment in a single asset. As such, a single asset investment may involve risks greater than those generally associated with more diversified funds, including significant fluctuations in returns. In addition, a single asset investment may be concentrated in a country that contains greater economic, political, and regulatory risk than a more diversified set of assets.

- C. There are significant risks and potential conflicts of interest in investing in private securities issued by middle market companies. Certain of these risks and potential conflicts of interest are summarized below. However, prospective investors should carefully consider all of the risks related to investing in an AFM Fund that are set forth in the private placement memorandum or other offering document for that particular AFM Fund.

Investment Strategy Risks

Issuer selection and issuer-specific risks. In implementing its investment strategy, the Adviser will focus on identifying investments in the securities of companies that have significant issuer-specific risks as a result of business, financial, market or legal uncertainties, including companies that require operational improvements or restructuring. Changes to the financial condition or outlook of these issuers may cause the value of these investments to be volatile.

Availability of investment opportunities and diversification. The business of identifying and structuring private equity investments is highly competitive and involves a high degree of uncertainty. It is possible that any AFM Fund will never be fully invested if enough sufficiently attractive investments are not identified or consummated during that AFM Fund's commitment period. In addition, an AFM Fund may participate in a limited number of investments and, as a consequence, the aggregate return of that AFM Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

Long-term nature of interests and the Fund's investments. While an AFM Fund's investments may generate some current income, the return of capital and the realization of gains, if any, from an investment will occur only upon the partial or complete disposition of such investment. Investments in portfolio companies typically will not be liquidated for a number of years after the initial investment, and it is unlikely that any AFM Fund will realize substantial capital gains during its early years. An AFM Fund may invest in investments that unexpectedly cannot be realized in an orderly fashion until after the date on which the AFM Fund is scheduled to terminate. Although it is the expectation of the general partner that all investments will be disposed of prior to the end of an AFM Fund's term, the AFM Fund may have to sell or otherwise dispose of investments on disadvantageous terms as a result of the AFM Fund's termination, or distribute such investments in kind.

Leverage. To the extent that an AFM Fund invests in a company with a leveraged capital structure, its investment will be subject to increased exposure to adverse factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of the company or its industry. To the extent that a company is unable to generate sufficient cash flow to meet obligations under its indebtedness, the value of the AFM Fund's investment could be significantly reduced or even eliminated.

Controlling interests. Although it is the intention of the general partner to structure investments to avoid liability for any AFM Fund, because of its equity ownership, representation on the board of directors and/or contractual rights, an AFM Fund may often be considered to control, participate in the management of or influence the conduct of portfolio companies. This could expose the assets of the AFM Fund to claims by a portfolio company, its other security holders, its creditors or governmental agencies,

which may exceed the value of the AFM Fund's initial investment in that portfolio company.

Investment in joint-ventures and other entities. An AFM Fund may co-invest with third parties through partnerships and/or make investments through joint ventures or other entities. Such investments may involve risks not present in direct investments, including, for example, the outcomes of collaborative decision-making varying (adversely) from those which the general partner would have reached itself, and the possibility that a co-venturer or partner might become bankrupt, or might have interests, objectives, rights or remedies that are different from or may conflict with those of the AFM Fund. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the AFM Fund to make up the shortfall. The AFM Fund may be required to make additional contributions to replace such shortfall, reducing the diversification of the Fund's investments. The AFM Fund may also be liable for the conduct of its co-venturers or partners. In addition, in negotiating an investment through joint ventures or other similar arrangements, the AFM Fund may have to agree to less favorable terms (e.g., bearing a disproportionate share of expenses) than might be present in direct investments.

Transactions with Portfolio Companies and Conflicts of Interest. As described in Item 5, AFM and its related persons may receive, from prospective portfolio companies, actual portfolio companies or their respective affiliates, monitoring fees, organization fees, set-up fees, financial advisory fees, transaction fees and other similar fees. Certain of these fees may not be established on an arm's-length basis and may adversely impact the performance of the relevant portfolio companies. Moreover, because the limited partners will receive a benefit from such fees only to the extent set forth in the partnership agreement, such fees may create an incentive for the AFM Fund's general partner and its affiliates to approve and cause the AFM Fund to make more speculative investments than it would otherwise make in the absence of such compensation.

Conflicts of interest will also arise in situations where an AFM Fund (i) makes an equity or other subordinated investment in a portfolio company that has issued or is issuing a senior mezzanine or debt security to an portfolio company of an affiliated fund (a "**Legacy Investment**") or (ii) purchases securities, the proceeds of which are used to repay a loan to the portfolio company from a Legacy Investment. Conflicts will also arise in connection with any purchase or sale of a portfolio company, or assets or businesses held by a portfolio company, from or to a Legacy Investment, including with respect to the amount of consideration paid by or to, and the obligations and rights of, such Legacy Investment. If a portfolio company in which the AFM Fund and a Legacy Investment hold different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including conflicts over proposed waivers and amendments to debt covenants).

Conflicts with portfolio companies. Officers and employees of the general partner and its affiliates will serve as directors of certain portfolio companies and, in that capacity

will be required to make decisions that consider the best interests of the portfolio company. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interest of that portfolio company may not be in the best interests of the AFM Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interests between such individual's duties as an officer or employee of the general partner or its affiliates and such individual's duties as a director of a portfolio company.

Material non-public information. By reason of their responsibilities in connection with their other activities, certain of the AFM Fund's partners may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. The AFM Fund will not be free to act upon any such information. Due to these restrictions, the AFM Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Reliance on AFM Investment Professionals and Related Conflicts. The success of each AFM Fund may depend, in substantial part, upon the skill and expertise of the investment professionals of AFM and, in particular, on certain key executives named in each AFM Fund agreement (i.e., the Principals). There can be no assurance that any or all of these investment professionals will continue to be associated with AFM throughout the life of any AFM Fund. The loss of services of one or more such professionals could have a material adverse effect on the performance of one or more AFM Funds and AFM.

Investment professionals responsible for managing a particular AFM Fund will have responsibilities with respect to other AFM Funds and funds sponsored by affiliates of AFM. Conflicts of interest may arise in allocating the time and services of these investment professionals between such funds.

One of the Principals is a Managing Director of another private equity fund adviser, focusing on investments in the financial services sector. AFM and its affiliates are implementing policies and procedures to address potential conflicts of interest that may arise as a result of this affiliation. Inasmuch as the Principal remains an owner of AFM and an equity participant in, and investment committee member of, the AFM Funds in respect of which the Principal had previously been involved, and that such AFM Funds are mature funds no longer making new investments, AFM believes any such conflicts of interest that may arise are manageable.

Item 9 - Disciplinary Information

AFM is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of AFM or the integrity of its management. AFM does not have any disclosure applicable to this item to report.

Item 10 - Other Financial Industry Activities and Affiliations

- A. Neither AFM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither AFM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Some of the Principals, officers, chief compliance officer, employees and/or consultants of AFM serve in similar capacities for the general partner (or similar managing body) of the AFM Funds, ACON Equity Management, L.L.C. (“**ACON Equity**”) or other affiliates.

AFM, ACON Equity, ACON LatAm Management, L.L.C. (“**ACON LatAm**”) and ACON Investments Management, L.L.C (“**AIM**”) are affiliates and each is an investment adviser. AFM, ACON Equity, ACON LatAm and AIM and other affiliates, including the general partner (or similar managing body) of each entity, share certain employees and officers, and ACON Investments, L.L.C., a service affiliate, provides certain administrative services under services agreements to AFM, ACON Equity, ACON LatAm and AIM, including the payment of payroll, benefits and overhead costs related to the shared employees and facilities.

- D. AFM does not recommend or select other investment advisors for the AFM Funds. However, it may, as described in Item 10.C., sub-contract certain services to its affiliates.

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

- A. AFM and its affiliates have adopted a Code of Ethics (the “**Code**”) to ensure that AFM fulfills its fiduciary requirements to the AFM Funds and to address and avoid potential conflicts of interest which exist when providing advisory services to the AFM Funds. The Code requires that personnel of AFM comply with all applicable provisions of federal securities laws. The Code includes policies and procedures related to the disclosure and pre-clearance of certain trading activity. The policy also addresses confidentiality and insider trading and expressly prohibits personnel from disseminating material nonpublic information or using such information inappropriately for the benefit of any party. Personnel are required to provide written certification as to their compliance with the Code on an annual basis.

AFM will provide a copy of its Code of Ethics to any client or prospective client upon request by contacting the Chief Compliance Officer, Teresa Y. Bernstein; 202-454-1100 x771.

- B. From time to time, consistent with each AFM Fund's investment objectives and subject to satisfaction of the policies and procedures set forth in the Code, the AFM Fund's governing documents and applicable law, AFM may recommend that the AFM Fund acquire or sell securities in which an AFM related or affiliated person has a pre-existing direct or indirect interest, and an affiliate of AFM may cause the AFM Fund to effect the recommended transaction. A potential conflict of interest could arise in that the interested AFM related person could benefit from such a purchase or sale of the applicable security by the AFM Fund. However, the Code is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that AFM fulfills its role as a fiduciary to the AFM Funds. In particular, the Code requires that AFM act in the best interests of the AFM Funds, in good faith and in an ethical manner. Certain terms of each AFM Fund's governing documents and the equity participation of AFM related persons in the AFM Fund further mitigate such conflicts, including the need for approval by the AFM Fund's Limited Partner Committee in certain circumstances.
- C. From time to time, subject to satisfaction of the policies and procedures set forth in the Code, the AFM Fund's governing documents and applicable laws, an AFM related person may acquire or sell securities that are recommended to the AFM Fund or in which the AFM Fund has a pre-existing direct or indirect interest. A potential conflict of interest could arise in that the interested AFM related person or affiliate could benefit from the AFM Fund's ownership of, or subsequent sale of, the applicable security. However, the Code is designed to identify and manage conflicts of interest to the extent they arise in connection with the personal securities transactions and other investment activities of AFM related persons, and to ensure that the Firm fulfills its role as a fiduciary to the AFM Fund. In particular, the Code requires that AFM related persons abide by policies in procedures in connection with their personal securities trading activities, and such activities are monitored under the Code to ensure compliance with such policies and procedures.
- D. From time to time, in appropriate circumstances and subject to satisfaction of the policies and procedures set forth in the Code and each Partnership's governing documents, AFM personnel and other related persons or affiliates may co-invest in the AFM Fund investments at the same time as and on a side-by-side basis with the AFM Fund's limited partners and other investors. AFM does not believe that this common industry practice gives rise to a material conflict of interest, and that any potential conflicts of interest are addressed by the Code and the AFM Fund's governing documents.

Item 12 - Brokerage Practices

- A. AFM primarily invests in private securities and does not regularly engage in high volume trading of public securities. Accordingly, AFM is generally not in a position to select a broker-dealer for any AFM Fund's transactions.

AFM may distribute securities to investors in an AFM Fund or sell such securities, including through using a broker-dealer if a public trading market exists. AFM may also sell securities in an AFM Fund through privately negotiated transactions with or without the use of brokers or dealers. If AFM or the general partner of an AFM Fund sell publicly traded securities for the AFM Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for managed accounts. AFM will select brokers on the basis of best price and execution capability. AFM has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting client transaction to the extent consistent with the interests and policies of the accounts. Although AFM generally seeks competitive commission rates, they will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

1. AFM does not have any soft dollar arrangements.
2. AFM does not engage placement agents.
3. In the private equity context, aggregation of the purchase or sale of securities for multiple client accounts is generally not relevant.

Item 13 - Review of Accounts

- A. The investments made by the AFM Fund are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, AFM’s personnel monitor and review companies in which an AFM Fund invests including, for example, by participating in board meetings and management calls, reviewing annual and interim financial statements and making on-site visits to such companies. Each AFM Fund’s financial statements are maintained and monitored by the finance staff of an affiliate of AFM under the supervision of the Controller and Chief Financial Officer. In addition, each AFM Fund’s financial statements are audited on an annual basis by an independent third-party accounting firm.
- B. AFM’s investment committee regularly supervises and monitors the investment activities of the AFM Funds.
- C. Audited financial statements are provided to investors in the AFM Funds, generally within 120 days of the end of the AFM Fund’s fiscal year. Unaudited financial statements and investor-specific account statements are generally provided to investors in an AFM Fund within 45-60 days of the end of the AFM Fund’s fiscal quarter, along with

information about the financial performance of the companies in which the AFM Fund has invested.

Certain investors in an AFM Fund may request information relating to the AFM Fund and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, AFM generally will provide such investors with the information requested. Investors that request and receive such information will consequently possess information regarding the business and affairs of the AFM Fund that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

Item 14 - Client Referrals and Other Compensation

- A. As described in Item 5, AFM and its related persons may receive, from prospective portfolio companies, actual portfolio companies or their respective affiliates, monitoring fees, organization fees, set-up fees, financial advisory fees, transaction fees and other similar fees, either in cash or securities, termination, break-up and topping fees, and cash and non-cash directors' fees, including any such fees payable in the form of warrants, options, derivatives and other rights in respect of securities owned by the Fund and otherwise.
- B. Neither AFM nor any of its related persons compensates any person who is not a supervised person for client referrals. However, from time to time, in the context of organizing an AFM Fund, AFM may compensate one or more placement agents for referrals of AFM Fund investors. A prospective investor solicited by a placement agent or other third party will be advised of any such arrangement, including the receipt of fees. As described in Item 5, placement fees are generally borne by each AFM Fund's general partner.

Item 15 - Custody

In connection with the management of investments for certain investors, AFM may have, or may be deemed to have, custody of certain funds or securities of the AFM Funds. Rule 206(4)-2 (the "**Custody Rule**") of the Advisers Act defines custody as holding client securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client's accounts or ownership of or access to client funds or securities (such as through fee deductions). With the exception of certain assets, which are defined as "privately offered securities" under the Custody Rule, all AFM Funds' assets are held in custody by unaffiliated broker/dealers or banks acting in the capacity as "qualified custodians."

In accordance with the Custody Rule, AFM's Chief Financial Officer is responsible for ensuring that the AFM Funds' securities, other than "privately offered securities," are held only with unaffiliated broker-dealers or banks acting as qualified custodians. AFM's Chief Financial Officer is also responsible for arranging for annual independent audits of the AFM Funds by a

major accounting firm within 120 days of each AFM Fund's fiscal year end and for obtaining audited financial statements prepared in accordance with generally accepted accounting principles in the United States. AFM generally arranges for the delivery of such audited financial statements to investors within 120 days of each AFM Fund's fiscal year end.

Item 16 - Investment Discretion

Typically, AFM provides investment advice to the AFM Funds on a discretionary basis and the general partner accepts discretionary investment authority for the AFM Funds pursuant to each AFM Fund's limited partnership agreement and other governing documents, as applicable, and subject to the investment guidelines set forth therein.

Item 17 - Voting Client Securities

- A. AFM accepts authority to vote the securities held by the AFM Funds. In accordance with SEC rules, AFM and its affiliates have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they votes proxies for the AFM Funds' portfolio investments. The Proxy Policy seeks to ensure that AFM votes proxies (or similar instruments) in the best interest of the AFM Funds, including when there may be material conflicts of interest in voting proxies. The general partners and their affiliates generally believe their interests are aligned with the AFM Funds through the general partners' ownership interest in the AFM Funds. In the event, however, there is or may be a conflict of interest between an adviser and an AFM Fund in voting proxies, the adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the AFM Fund's Limited Partner Committee on the proposed proxy vote or through other alternatives set forth in the Policy. AFM does not consider its personnel's service on portfolio company boards or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Policy sets forth certain specific proxy voting guidelines AFM and its affiliates follow when voting proxies on behalf of the AFM Funds. Upon request, an investor may obtain a copy of AFM's Proxy Voting Policy as well as information about how AFM voted any proxies on the AFM Funds' behalves by contacting the Chief Compliance Officer, Teresa Y. Bernstein; 202-454-1100 x771.
- B. See Item 17.A. above.

Item 18 - Financial Information

- A. Fees are not collected six months or more in advance. Accordingly, AFM has no disclosures related to this item.
- B. AFM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the AFM Funds.

C. AFM has never been the subject of a bankruptcy petition.