

**Accretive, LLC**

Form ADV Part 2A

July 22, 2014

**Item 1 – Cover Page**

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This brochure provides information about the qualifications and business practices of Accretive, LLC, a Delaware limited liability company and investment adviser registered with the United States Securities and Exchange Commission (SEC). If you have any questions about the contents of this brochure, please contact us at (646) 282-1920, or by email at [ashelley@accretivelc.com](mailto:ashelley@accretivelc.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.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about Accretive, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This brochure, dated July 22, 2014 amends the brochure dated June 16, 2014 and reflects the following material changes:

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

Item 5 has been amended to reflect the potential for the payment of consulting fees to Accretive employees under certain circumstances.

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

Item 10 has been amended to disclose that from time to time: (i) Fund portfolio companies utilize the services of one another; and (ii) certain strategic investors are permitted to make coinvestments on a company-by-company basis rather than investing in all investments made by the Coinvestment Fund (defined below). Item 10 has also been amended to disclose information regarding Accretive's Fund Expense Allocation Policy.

### **Item 13 – Review of Accounts**

Item 13 has been amended to disclose that Investors in the Funds that operate as fund of funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 180 days after the fiscal year end of such Fund.

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#### **Item 4 – Advisory Business**

Accretive, LLC is an investment advisory firm with its principal place of business located in New York, New York. Accretive, LLC will be referred to in this brochure as “Accretive,” “we,” the “Advisor,” or the “firm.”

Accretive has been in business since 1999 and was founded by J. Michael Cline, who is the current Managing Member. The firm is organized as a Delaware limited liability company.

Accretive serves as investment adviser and provides discretionary investment supervisory services to private investment funds (each, a “Fund” and collectively, the “Funds”). The Funds do not offer their interests to the public. Fund interests are offered only in private placements to qualified investors. The detailed terms applicable to investors in the Funds are detailed in the Funds’ organizational documents provided to prospective investors.

Accretive employs a rigorous, systematic approach to investing, which analyzes markets and uncovers large opportunities for value creation for portfolio company customers. Through this process, we determine whether we can create a meaningfully higher value solution for the market and, if so, we design a customer-centric business model ideally with win-win characteristics for all constituents, which is capable of driving the desired outcome. We implement this investment strategy by aggressively backing a team of top executives that we hand-pick to build a company from the ground-up or by investing in the growth of exceptional like-minded enterprises.

Our investments generally take the form of privately negotiated investments in the form of unregistered equity from U.S. issuers. Accretive may from time to time recommend other types of investments consistent with each Fund’s investment strategy and objectives. The investment strategies we employ on behalf of the Funds are described in greater detail below at Item 8 and in the organizational documents of the Funds.

Accretive provides investment advisory services to each Fund pursuant to an investment advisory agreement. Investment advice is provided by Accretive directly to the Funds, subject to the direction and control of the general partner or manager of such Fund, which in each case is an affiliate of Accretive.

Any restrictions on investments in certain types of securities are established by the general partner or manager of the applicable Fund and are set forth in the organizational documents of the Funds. Once invested in a Fund, investors cannot impose restrictions on the types of securities in which such Fund may invest.

We do not participate in wrap fee programs.

As of December 31, 2013, Accretive managed approximately \$492.4 million of client assets, all of which is managed on a discretionary basis.

*See Item 8 of this brochure for a more detailed discussion of Accretive’s investment strategies.*

## **Item 5 – Fees and Compensation**

As compensation for investment advisory services rendered to the Funds, Accretive may receive from a Fund an annual management fee. The specific terms of the management fees are set forth in the applicable Fund's organizational documents. Depending on the applicable period of the Fund's term, the management fees may be based on committed or invested capital and may be payable either quarterly or semi-annually in advance. Generally, the management fee for any period in which Accretive serves as investment adviser for less than a full period will be prorated on the basis of the number of days in such period compared to the number of days Accretive served as investment adviser during such period. As described below, the management fee may be reduced or waived in some circumstances in connection with the receipt by Accretive or its related persons of various fees paid by actual or prospective portfolio companies. The management fee is generally subject to waiver or reduction by Accretive in its sole discretion, including in connection with investments made by the general partners, managers or related persons. The management fee may also be reduced to offset certain Fund expenses and other fees received by Accretive or its affiliates, in each case in accordance with the particular terms of the Fund's organizational documents.

To the extent provided in the investment advisory agreements and the organizational documents of the Funds, Accretive will pay out of its management fees certain of its own operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, travel, entertainment, compensation of its employees (other than the performance-based compensation described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by Accretive to the Funds. The Funds typically bear all other expenses relating to it to the extent not borne by its portfolio companies, including organizational, legal, insurance, accounting, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, interest, taxes and extraordinary expenses, and other similar fees and expenses. Some of these expenses borne by the Funds may relate to costs associated with unexecuted transactions.

Accretive generally deducts management fees and expenses directly from the assets of the Funds (and accordingly, from the capital accounts of the Funds' investors). The details of how the management fees are calculated for the Funds can be found in the organizational documents of the Funds, which are provided to potential investors.

### ***Other Fees***

The general partner or manager of certain Funds may impose management fees for late subscriptions, which must be paid concurrently with the investor's subscription.

Accretive and its affiliates will typically perform management, advisory, transaction related services, financial advisory and other services for, and will receive fees from, actual or prospective portfolio companies or other deal related investment vehicles of the Funds, including such fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. These fees may be significant and may, in some instances, exceed the management fee.

Although such fees are in addition to the management fees paid by the Funds, Accretive will in some circumstances reduce future management fees in connection with the receipt of these fees. The calculation of such reduction varies from Fund to Fund and is described in the applicable Fund organizational documents. Such reductions will be credited on a regular basis. To the extent any such credit would reduce the management fee for a given period below zero, such credit will be carried forward for future application. These fees are disclosed in the annual financial statements of the applicable Fund.

From time to time, certain employees of Accretive may engage in outside business activities that result in the payment of consulting fees to such individuals. Prior to an employee's entering into any such arrangement, the Chief Compliance Officer reviews the terms thereof to determine whether such arrangements create a conflict of interest for employees to provide such services and/or receive fees or compensation. *See Item 10 of this brochure for additional information regarding Conflicts of Interest.*

Although Accretive does not generally utilize the services of broker-dealers for transaction related services, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund, such Fund will incur brokerage and other transaction costs.

*See Item 12 of this brochure for additional information regarding Accretive's brokerage practices.*

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

The Funds may allocate a portion of their investment profits to their general partners or managing members as a carried interest, subject to the terms and conditions set forth in the Funds' organizational documents, which may include a waterfall distribution and clawback provisions. Such performance-based compensation may create an incentive for Accretive to take risks in managing the Funds that it would not otherwise take in the absence of such arrangements. Additionally, since performance-based compensation rewards Accretive for performance of the Funds that are subject to such compensation, Accretive may have an incentive to favor those Funds over those that have either only fixed asset-based fees or no fees with respect to allocating new investment opportunities. Although Accretive's affiliates may be investing their own capital in certain Funds that co-invest with other Funds, the interests of these affiliates may under some circumstances differ from those of the Funds and the investors. Accretive manages the Funds in accordance with the investment strategy and allocation restrictions set forth in the Funds' organizational documents to help ensure that investors are aware of the applicable investment strategy and restrictions.

See Item 10 of this brochure for additional information regarding Accretive's investment allocation procedures.

#### **Item 7 – Types of Clients**

Accretive currently provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the general partner or manager of such Fund, and not individually to the investors of such Fund. Investors in the Funds

may include high net worth individuals, trusts, estates, charitable organizations, endowments, limited partnerships and limited liability companies or other business entities.

Although Accretive does not impose minimum dollar values on creating a Fund, legal eligibility requirements must be met. Minimum investment commitments may be established for investors in Funds. The general partner or manager of each Fund, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the applicable Fund documents. Investors in the Funds generally must qualify as "accredited investors" as defined in Rule 501 of Regulation D. From the time our SEC registration became effective, investors in the Funds that compensate us based on performance must be "qualified clients" as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended, or be grandfathered pursuant to SEC rulemaking.

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

Accretive has developed a systematic investment approach, which analyzes markets and uncovers large opportunities for value creation. This approach involves research to understand markets and customers. Through this approach, we determine whether we can create a meaningfully higher value solution for the market and, if so, we design a customer-centric business model ideally with win-win characteristics for all constituents, which is capable of driving the desired outcome. We implement this investment strategy by aggressively backing a team of top executives that we hand-pick to build a company from the ground-up or by investing in the growth of exceptional like-minded enterprises. Accretive closely monitors investments through board and committee representation at the portfolio company level and through frequent informal briefings and interaction with the executive teams of its portfolio companies.

There can be no assurance that the objectives associated with our investment strategy will be met. At any time, Accretive may add, remove or modify any of the strategies it employs, including the strategies described above.

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

Investing in securities involves risk of loss that clients should be prepared to bear. The investment strategies described above involve a substantial degree of risk, and the Funds may lose all or a substantial portion of the value of their investments. No guarantee or representation is made that the strategies will be successful, that the targeted return and risk will be achieved or maintained, or that the various investments made in the accounts will have low correlation with each other or with the financial markets in which the accounts invest.

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective clients should read this entire Form ADV and all accompanying materials provided by Accretive and consult with their own advisers before deciding whether to invest with Accretive. In addition, as the strategies develop and change over time, an investment may be subject to additional and different risk factors. Accretive will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate. Material risks relating to the

investment strategies and methods of analysis described above include the following:

*Competition for Investments.* Accretive expects that a Fund will encounter competition from entities having similar investment objectives, certain of which may possess competitive advantages over the Fund in bidding for investments, including greater financial, technical, marketing and other resources, higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital and access to funding sources unavailable to the Fund, as well as an ability to achieve synergistic cost savings in respect of an investment.

*Non-Controlling Investments.* A Fund may hold less than 50% of the outstanding voting interests of a portfolio company, or may hold investments in debt instruments or other securities that do not entitle the Fund to voting rights, and, therefore, may have a limited ability to protect its investment in such portfolio company.

*Diversification.* There can be no assurance as to the degree of diversification that will actually be achieved in a Fund's investments. While recent Fund investments may be made in built-for-purpose portfolio companies that serve the needs of different markets, many of the portfolio companies in which the Funds invest are in the early stages of their development and serve similar markets. We strive to mitigate risk with intensive research and a studied approach, but because investing in early stage companies is unpredictable and a substantial portion of certain Funds' committed capital may be invested in such companies, a loss with respect to one or more of such portfolio companies could have a significant adverse effect on the Funds' returns. Likewise, a substantial portion of the committed capital of other Funds under our management is committed to a limited number of larger, later stage companies, a loss with respect to one of these portfolio companies could have a material adverse effect on such Funds' returns. See Early Stage Investments.

*Reliance on Accretive Management.* A Fund's success will depend in large part upon the skill and expertise of Accretive, and there can be no assurance that any individual Accretive professional will continue to be associated with the Fund.

*Reliance on the Management of Portfolio Companies.* Although it is Accretive's intention to ensure that Fund portfolio companies have strong management teams, there can be no assurance that any portfolio company's management team will be able to operate successfully.

*Early-Stage Investments.* Certain Funds invest in early-stage investments. While early-stage investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial or total loss. Many early-stage portfolio companies will operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion or to achieve or maintain a competitive position.

In the event that Accretive determines that an early-stage portfolio company's business model is unlikely to generate revenue or to become profitable over the longer term, Accretive and the portfolio company's management team work closely together to determine the best alternative available for shut down of such companies to limit liability and risk. Despite such efforts, there is



the risk of litigation either in connection with the bankruptcy or dissolution process associated with a shut-down. Accretive actively monitors such situations and uses its best efforts to ensure that a company shut-down is completed in an orderly manner.

Another risk associated with early-stage portfolio companies is intense competition, including competition from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Certain portfolio companies may have only one product or service offering, and a failure to obtain necessary licensing, approvals or other necessary government action with respect to such product or service offering may cause the entire company to fail.

*Liabilities Upon Disposition.* In connection with the disposition of an investment in a portfolio company, a 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 and may be responsible for the content of disclosure documents under applicable securities laws. A Fund also may be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities for a Fund.

*Third Party Involvement.* A Fund may co-invest with third parties through joint ventures or other entities, and those investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties, negatively affecting such investment, may have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In certain circumstances, a Fund may be liable for the actions of its third-party co-venturers.

*Uncertainty of Financial Projections.* Accretive generally establishes the capital structure of companies in which a Fund invests in reliance upon financial projections for such companies, which are based primarily on management judgments. Projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed, there can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

*Controlling Interests.* Because of its equity ownership, representation on the board of directors and/or contractual rights, a Fund may often be considered to control, participate in the management of or influence the conduct of portfolio companies. We typically invest in early stage, built-for purpose companies offering back office processing and administrative support. Other than the inherent risks associated with early stage companies, the most significant risks related to those investments are regulatory and compliance. The exercise of control over a company may impose additional risks of liability for compliance deficiencies, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a Fund may suffer a significant loss.

*Additional Capital Requirements of Portfolio Companies.* Certain of a Fund's portfolio companies,

especially those in a development phase, may require additional financing to satisfy their working capital requirements or acquisition strategies. Each round of financing is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone, and the amount of such additional financing will depend upon the maturity and objectives of the portfolio company. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. A Fund also may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in a portfolio company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when a portfolio company's performance does not meet expectations. There can be no assurance that Accretive will be able to predict accurately the future capital requirements necessary for the success of portfolio companies or that additional funds will be available from any source.

*SBA Regulation.* One of the Funds operates as a small business investment company and as such, the Fund must comply with Small Business Administration ("SBA") regulations. If the Fund violates these regulations, the SBA may declare funds it has previously provided to the Fund to be immediately due and payable. Since the Fund will have only limited liquidity any such demand for immediate payment by the SBA could force the Fund to liquidate its investments at distressed prices. Additionally, there can be no assurance that the SBA will continue to exist in its present format. SBA regulations may also prevent distributions to partners on final liquidation of the Fund until all monies due to the SBA have been repaid in full.

*Business and Market Risks.* Fund investments may involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity or portfolio company in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks.

*Uncertainty Regarding Investments.* Although Accretive makes every effort to conduct appropriate due diligence and research prior to making an investment in a portfolio company, and often will spend 12-18 months on due diligence and research prior to investing in a built-for-purpose company, the due diligence and research process may be subjective at times, may be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require a Fund to rely on limited resources available to it including information provided by third party consultants, legal advisers, accountants and investment banks. As a result, the due diligence investigation and research process may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. As such, the degree of risk associated with early-stage investing is significant and may result in a total loss on an investment for Fund clients despite the research and due diligence undertaken prior to investment.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective clients should read this entire Form ADV and all accompanying materials provided by Accretive and consult with their

own advisers before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment may be subject to additional and different risk factors. Accretive will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

## **Item 9 – Disciplinary Information**

In mid-2002, APPAC, a minority shareholder group of Vivendi Universal, initiated an inquiry in the Trial Court of Paris into various issues relating to Vivendi, including Vivendi's financial accounts and disclosures, the appropriateness of executive compensation, and trading in Vivendi stock by certain individuals previously associated with Vivendi. The inquiry ultimately encompassed trading by Mr. Bronfman, a former director and Vice Chairman of Vivendi, in Vivendi stock on January 3-4, 2002.

In January 2009, the Paris public prosecutor formally recommended that no charges be filed and that Mr. Bronfman not be referred for trial. The investigating magistrate rejected the prosecutor's recommendation and, on October 22, 2009, served Mr. Bronfman and six other individuals, including Vivendi's former CEO, CFO, and COO, with an order referring them for trial. While the inquiry encompassed various issues, Mr. Bronfman was referred for trial solely with respect to his trading in Vivendi stock in January 2002. Over 200 civil claimants, including APPAC, also asserted claims for damages at various points in connection with certain of the conduct encompassed by the inquiry, including a claim against Mr. Bronfman related to his stock transactions in January 2002.

In June 2010, a trial was held in the Trial Court in Paris on both the criminal charges and the civil claims. At the trial, the public prosecutor and the lead civil claimant both took the position that Mr. Bronfman should be acquitted. On January 21, 2011, the court found Mr. Bronfman guilty of the charge relating to his trading in Vivendi stock, found him not liable to the civil claimants, and imposed a fine of 5 million Euros and a suspended sentence of 15 months. Mr. Bronfman appealed that verdict.

In November 2013, Mr. Bronfman participated in a re-trial before a new judicial panel as part of his appeal of the Paris Trial Court's January 2011 decision. In May 2014, the new judicial panel rendered its decision. The new judicial panel affirmed the Paris Trial Court's finding that Mr. Bronfman was guilty of the charge, but stated that its finding would appear only in French judicial records and not Mr. Bronfman's public record, removed the suspended sentence imposed by the Paris Trial Court, and reduced the fine to 2.5 million Euros. The new judicial panel affirmed the Paris Trial Court's finding that Mr. Bronfman was not liable to the civil claimants.

Mr. Bronfman has appealed the verdict and believes that his trading in Vivendi stock was proper. Under French law, the penalty is suspended pending the final outcome of the case.

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

### ***Material Financial Industry Affiliations of the Firm***

Affiliates of Accretive serve as the general partners and managers of the Funds. In addition, BIN Insurance Holdings, LLC (“BIN”), a subsidiary of INSUREON Holdings, LLC, one of the Fund’s portfolio companies, is licensed as an insurance agency in 49 states and Washington, DC.

### ***Conflicts of Interest***

In the ordinary course of conducting its activities, the interests of a Fund or its investors may conflict with the interests of Accretive or its affiliates or one or more other Funds or with their respective affiliates.

When identified, business conflicts are brought to the attention of Anne-Marie Shelley, Chief Compliance Officer, for review and resolution monitoring.

The Funds may engage in transactions with affiliates.

To the extent Accretive or its affiliates provide services to the Funds or any Fund portfolio company that would otherwise be performed by independent third parties, Accretive or its affiliates, as applicable, will receive fees at rates customarily charged for similar services in arm’s-length transactions by persons engaged in the same or substantially similar activities. The provisions of any such agreement to provide services entered into between the applicable Fund or any Fund portfolio company and Accretive or its affiliates will be at least as favorable to the applicable Fund or such Fund portfolio company as the terms reasonably expected by the Accretive to be available in an arm’s-length transaction with an independent third party.

From time to time, Fund portfolio companies enter into business arrangements with one another pursuant to which one Fund portfolio company utilizes the services of another Fund portfolio company. When such arrangements are entered into, the Fund portfolio company management teams conduct all such negotiations on an arm’s length basis to obtain the most favorable terms possible. Accretive does not participate in or advise on any such arrangements nor does Accretive receive any compensation from Fund portfolio companies when they enter into business arrangements with one another. Accordingly, Accretive believes that these arrangements, when they exist, are in the best interests of Accretive’s Fund clients.

The organizational documents of certain Funds restrict the applicable Funds, without the consent of certain investors, from purchasing from, or selling to, certain affiliates, any Fund portfolio investment or investing in a company controlled by certain affiliates. In addition, without the consent of certain investors, certain affiliates may not purchase from, or sell to, the applicable Fund, any Fund portfolio investment or proposed investment or invest in a company controlled by the Fund.

Accretive and its personnel may have other obligations which take time away from the Funds.

Certain of Accretive’s personnel have conflicts in allocating their time and services to each Fund and other ventures. Thus, while it is anticipated that such personnel will devote substantially all of their respective business time and attention to the Funds as is required under the Funds’

organizational documents, certain personnel may have to devote a substantial amount of time to matters other than a particular Fund or the Funds collectively. Subject to any restrictions set forth in the Funds' organizational documents, Accretive and its affiliates may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature and description, individually and with others, including, without limitation, the ownership and investment in securities, and neither the Funds nor any of the investors have any right in or to any such activities or the income or profits derived therefrom.

There may be conflicts relating to the allocation of investment opportunities.

Prospective investment opportunities identified by Accretive are allocated among the Funds, in accordance with and subject to the restrictions in the Funds' organizational documents, based on the scope of each Fund's investment objectives and the aggregate investment expected to be made in respect of such prospective investment opportunity. Notwithstanding the foregoing, Accretive generally allocates investment opportunities that meet the investment objectives of the Funds on a basis which Accretive believes is fair and equitable. In addition, Fund coinvestment opportunities are allocated subject to restrictions set forth in the applicable Fund organizational documents.

Employee members of Accretive's coinvestment Fund (the "Coinvestment Fund") are required to invest in all investments made by the Coinvestment Fund while strategic members of the Coinvestment Fund are permitted to make investments on a company-by-company basis and are not required to make all investments that the Coinvestment Fund makes. Accretive invites strategic investors to coinvest in the Coinvestment Fund when Accretive believes that such investors have a level of knowledge or expertise that may be beneficial to a particular Fund portfolio company's business.

### **Fund Expense Allocation Policy**

To the extent provided in the investment advisory agreements and the organizational documents of the Funds, Accretive will pay out of its management fees certain of its own operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, travel, entertainment, compensation of its employees and other routine administrative expenses relating to the services and facilities provided by Accretive to the Accretive Funds. Each Accretive Fund typically bears all other expenses relating to it to the extent not borne by its portfolio companies, including organizational, legal, insurance, accounting, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, interest, taxes and extraordinary expenses, and other similar fees and expenses. Some of these expenses borne by the Accretive Funds may relate to costs associated with unexecuted transactions.

All expenses incurred by the Accretive Funds are recorded by Accretive's controller and reviewed and approved by the Chief Financial Officer and/or its General Counsel/Chief Compliance Officer, as appropriate. Any expenses that are deemed partnership expenses under a fund's operative agreements will be (i) paid by the applicable Accretive Fund directly to the service provider, (ii) allocated among the Accretive Funds and paid directly to the service provider, or (iii) if paid by Accretive on behalf of a fund or funds, the expenses will be allocated among the Accretive Funds (and Accretive under certain circumstances) and reimbursed to Accretive, if appropriate. The

payment procedure is driven by the nature of the expense and the method by which a service provider bills the expenses and generates invoices.

Generally, expenses are allocated among the Accretive Funds as set forth below. Expenses that require allocation among the Accretive Funds will be based on an equitable allocation methodology taking into account the nature of the expense and circumstances giving rise to the expense. Under certain circumstances, expenses will be allocated among the Accretive Funds and Accretive, as appropriate.

TYPE OF EXPENSE:	ALLOCATION METHOD:
Accounting, Audit and Tax:	Fees and out of pocket expenses for fund specific work are billed to and paid directly by the Accretive Fund incurring the expense.
Filing Fees:	Fund specific fees are billed to and paid by Accretive and then allocated to the appropriate Accretive Fund.
Legal:	Fees and out of pocket expenses for external legal work are generally billed to and paid by Accretive and then allocated to the appropriate Accretive Fund.
Insurance:	Insurance premiums are allocated among the Accretive Funds (and Accretive) on a pro rata basis and taking into account an assessment of historical and potential risk.

#### **Accretive may be influenced by performance-based compensation and management fees.**

The general partners and managers of the Funds may receive performance-based compensation, which may create an incentive for Accretive to make more speculative investments on behalf of the Funds than the Funds would otherwise make in the absence of such compensation. Although Accretive and its affiliates are investing in certain Funds that coinvest with other Funds, their interests may under some circumstances differ from those of the Funds or the investors. Such conflicting interests could potentially affect the decisions of Accretive in purchasing, holding and disposing of the Fund's investments. Furthermore, Accretive's management fee is payable with respect to the invested capital of the Funds, which will be reduced upon the liquidation of investments. As a result, there is incentive for Accretive to avoid such liquidation in order to continue to receive its management fee, resulting in a potential conflict of interest with the Funds and their investors.

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

##### ***Code of Ethics***

Accretive has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics, which was

amended and restated in January 2014, includes provisions relating to a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Accretive must acknowledge the terms of the Code of Ethics annually, or as amended. A copy of Accretive's Code of Ethics will be provided to any client or prospective client upon request.

### ***Financial Interest in Client Transactions***

We may, from time to time, recommend a security in which our firm or one of our related persons, directly or indirectly, has an interest. For instance, our affiliates invest in certain Funds that coinvest with other Funds. In addition, Fund assets may be invested in securities of portfolio companies in which one or more other Funds hold positions. Given the likely frequency of such occurrence, clients will not be provided with notification of such occurrences. This may represent a conflict of interest for us, and this conflict, and our procedures for addressing such conflict, are described in detail in Item 10 of this brochure.

### ***Participation in Client Transactions and Personal Trading***

Accretive's employees and persons associated with Accretive are required to follow Accretive's policies regarding personal investments, which are described in its newly adopted Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Accretive and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Accretive's clients. Certain of our affiliates invest in Funds that coinvest with other Funds, subject to the restrictions set forth in the applicable Fund organizational documents. The investment policies described in the Code of Ethics are designed to ensure that the personal securities transactions, activities and interests of the employees of Accretive will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Pursuant to such policies, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Accretive's clients. In addition, these personal investment policies require pre-clearance of certain transactions. Employee trading is periodically monitored to reasonably detect conflicts of interest between Accretive and its clients.

## **Item 12 – Brokerage Practices**

Accretive currently does not engage in trading transaction on behalf of its clients or utilize the services of broker-dealers for transaction related services. In the event it chooses to use a broker-dealer, Accretive will seek to obtain best execution of transactions. To the extent they aggregate orders for purchase and sale, Accretive will aggregate such orders as it deems appropriate and in accordance with each Fund's organizational documents and in the best interests of each Fund.

## **Item 13 – Review of Accounts**

### ***Review***

The portfolio investments of each Fund are continuously reviewed by a team of investment professionals. The team generally includes J. Michael Cline, Edgar Bronfman, Jr. and other investment professionals of Accretive. Accretive actively monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies.

### ***Reporting***

Investors in the Funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund; provided, however, that Investors in the Funds that operate as fund of funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 180 days after the fiscal year end of such Fund. In addition, investors in each Fund will typically receive written reports containing unaudited summary financial information regarding such Fund at least semi-annually.

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

Accretive does not directly or indirectly compensate any person for client referrals.

### **Item 15 – Custody**

The assets of each Fund are held at unaffiliated qualified custodians as required by the rules adopted under the Investment Advisers Act of 1940, as amended. We provide Fund investors with the Fund's annual audited financial statements prepared by an independent public accountant and investors in each Fund receive the reports from Accretive described in Item 13 of this brochure.

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

Accretive has full discretionary authority and responsibility with respect to the investment management of the Funds pursuant to the investment advisory agreements. Investment advice is provided by Accretive directly to the Funds, subject to the direction and control of the affiliated general partner or manager of such Fund. Any restrictions on investments in certain types of securities are established by the general partner or manager of the applicable Fund, and are set forth in each Fund's organizational documents.

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

Accretive's authority to vote proxies for the Funds is established by its investment advisory agreement with each Fund. Accretive has adopted the proxy voting policies and procedures set forth in its Compliance Manual. Under our proxy voting policy, Accretive will generally vote proxies in accordance with the recommendation of the issuing company's management on routine and administrative matters unless Accretive has a particular reason to vote to the contrary. Non-routine matters will be voted on a case-by-case basis in a manner that serves the clients' best interest. Under certain circumstances, we may abstain from voting specific proxies if we believe that doing so is in the best interests of our clients. Furthermore, under our proxy voting policy, we may not vote proxies issued by companies if our clients no longer have any economic exposure to



the issuer of the proxy or if we believe that the subject matter of the proxy has no material impact on our clients. We follow procedures designed to identify conflicts or potential conflicts that could arise between our own interests and those of the Funds. If it is determined that any such conflict or potential conflict is not material, we may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, we will engage a third party to recommend a vote with respect to the proxy.

We do not permit clients to direct how we will vote on specific proxies. Each investor in the Funds may request information on how Accretive voted with respect to the securities of such Fund and obtain a copy of Accretive's policies and procedures, which are set forth in its Compliance Manual, by contacting Anne-Marie Shelley, Chief Compliance Officer, at (646) 282-1920, or by email at [ashelley@accretivelc.com](mailto:ashelley@accretivelc.com).

#### **Item 18 – Financial Information**

Not applicable.

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

Not applicable.