

Form ADV Part 2A

American Capital Asset Management, LLC
2 Bethesda Metro Center
14th Floor
Bethesda, MD 20814
(301) 951-6122
IR@AmericanCapital.com
www.americancapital.com

March 27, 2014

This brochure provides information about the qualifications and business practices of American Capital Asset Management, LLC (the “Company”). If you have any questions about the contents of this brochure, please contact us at (301) 951-6122 or IR@AmericanCapital.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 American Capital Asset Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC as an investment adviser does not imply that the Company or any of its officers or employees possess a particular level of skill or training.

Table of Contents

	<u>Page</u>
Advisory Business	1
Fees and Compensation	4
Performance-Based Fees and Side-by-Side Management	4
Types of Clients	6
Methods of Analysis, Investment Strategies and Risk of Loss	7
Disciplinary Information	10
Other Financial Industry Activities and Affiliations	11
Code of Ethics, Participation or Interest in Client Transaction and Personal	
Trading	13
Brokerage Practices	15
Review of Accounts	17
Client Referrals and Other Compensation	18
Custody	19
Investment Decision	20
Voting Client Securities	21
Financial Information	22

ADVISORY BUSINESS [Item 4]

American Capital Asset Management, LLC (“the Company”) is a limited liability company which is a wholly owned portfolio company of American Capital, Ltd. (“American Capital”). American Capital is a closed-end, nondiversified investment company, which has filed an election to be regulated as a business development company under the Investment Company Act of 1940, as amended (the “1940 Act”). American Capital is one of the largest business development companies in the industry and is traded on The NASDAQ Global Select Market under the symbol “ACAS.”

American Capital formed the Company on March 22, 2007 to conduct its asset management platform through its subsidiaries (listed below). The Company, through its subsidiaries, manages a number of private investment funds (each a “Fund” and collectively, the “Private Funds”), a public business development company investing primarily in senior loans and two public real estate investment trusts. The Private Funds rely on Section 3(c)(7) of the 1940 Act as the basis for their exemption from the registration requirements of the 1940 Act. Presently, the Company has several other private funds in various stages of development.

The Private Funds’ investments include, but are not limited to, equity, mezzanine and senior debt investments, broadly syndicated and middle market senior loans, real estate and private equity investments. In connection with certain investments, the Company may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. The Company manages the Private Funds through its subsidiaries (together, the “AC Subs”). The AC Subs are:

American Capital Equity Management I, LLC (“ACEM1”) is a Delaware limited liability company. ACEM1 acts as investment manager to American Capital Equity I, LLC (“ACE I”), a private equity fund organized in September 2006. Effective August 7, 2013, American Capital Equity Management I, LLC changed its name from American Capital Equity Management, LLC.

American Capital Equity Management II, LLC (“ACEM2”) is a Delaware limited liability company. ACEM2 acts as investment manager to American Capital Equity II, LP (“ACE II”), a private equity fund similar to ACE I organized in September 2007.

American Capital Leveraged Finance Management, LLC (“ACLFM”) is a Delaware limited liability company. American Capital CLO Management, LLC (“ACCM”), a subsidiary of ACLFM, acts as investment manager to ACAS CLO 2007-1, Ltd. (“ACAS CLO-1”), ACAS CLO 2012-1, Ltd. (“ACAS CLO-2”), ACAS CLO 2013-1, Ltd. (“ACAS CLO-3”) and ACAS CLO 2013-2, Ltd. (“ACAS CLO-4” and together with ACAS CLO-1, ACAS CLO-2 and ACAS CLO-3, the “ACAS CLOs”), each a private investment fund. The ACAS CLOs each invest primarily in broadly syndicated and middle market senior secured loans. The ACAS CLOs were established as follows:

- ACAS CLO-1 in March 2006
- ACAS CLO-2 in May 2012

- ACAS CLO-3 in March 2013
- ACAS CLO-4 in September 2013

American Capital CRE Management, LLC (“ACREM”) is a Delaware limited liability company. ACREM serves as the collateral administrator for ACAS CRE CDO 2007-1, Ltd. (“ACAS CRE CDO”), a private investment fund that was organized in April 2007 and invests primarily in commercial mortgage-backed securities.

European Capital Asset Management Limited (“ECAM”) is organized in Guernsey. ECAM wholly-owns ECFS (defined below). Effective September 5, 2013, European Capital Asset Management Limited changed its name from European Capital Financial Services (Guernsey) Limited.

European Capital Financial Services Limited (“ECFS”) is a private limited company incorporated under the laws of England and Wales. ECFS is currently registered with and regulated by the U.K. Financial Conduct Authority. ECFS acts as investment manager and sub-adviser to European Capital Limited (“ECAS”), an investment fund incorporated in Guernsey in August 2005, which invests in pan-European equity, mezzanine and senior debt investments. ECAS is a wholly owned portfolio company of American Capital.

ACEM1, ACEM2, ACLFM, ACREM and ECAM are each wholly-owned by the Company, which, in turn, is wholly owned by American Capital. ECFS is wholly-owned by ECAM, and ACCM is wholly owned by ACLFM.

As business units and supervised persons of the Company, the AC Subs intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules thereunder. Any employees of the AC Subs and other persons acting on their behalf are and shall be subject to the supervision and control of the Company. The AC Subs are not separately registering themselves and are relying on the Company’s registration under the Advisers Act. This brochure provides information relating to the AC Subs and the Company as it pertains to their management of the Private Funds. The Company’s subsidiaries that manage public companies are separately registered under the Advisers Act and information pertaining to them is included in other filings. The AC Subs and the Company shall be referred to together herein as the “Company.”

The Company manages the investments of each Fund according to the respective investment management agreement with the Fund and consistent with the Fund’s investment objectives and strategy and has discretionary trading authorization. The Private Funds’ investments are subject to certain restrictions and limitations set forth in the offering and constituent documents of the relevant Fund, such as restrictions on issuer domiciles, restrictions on price or rating of investments, limitations on investing in certain types of entities, limitations on the size of an investment and limitations on the

percentage a particular type of security can comprise of a Fund's investment portfolio, among others.

The Company may add additional AC Subs or Funds without prior consultation with clients.

Investors and prospective investors in the Private Funds should refer to the offering materials and related agreements and other governing documents for such Fund for complete information. Prior performance is not necessarily indicative of future results, and there is no assurance that any Fund's investment objectives will be achieved.

The Company does not participate in any wrap fee programs.

As of December 31, 2013, the Company managed \$3,493,000,000 of client assets on a discretionary basis.

FEES AND COMPENSATION [Item 5]

The Company generally earns base management fees based on the gross assets of the Private Funds under management, other than ACAS CRE CDO, and may earn incentive income, or a carried interest, based on the performance of these Funds. The Company earns collateral administration fees based on the collateral balance in ACAS CRE CDO. The specific payment terms and other conditions of the fees charged to the Private Funds are set forth in the relevant Fund's offering documents. The respective fee arrangements reflect arms-length negotiations and prevailing market comparables for similar investment vehicles.

Generally, a Fund's management fees and/or performance-based fees are payable monthly, quarterly or annually in arrears as set forth in the applicable investment management agreement and are deducted directly from the assets of the Fund or through a capital call issued to all investors. The management fees for ACE I though are paid quarterly in advance. An investment management agreement is generally terminated upon the completion of the winding-up of a Fund.

The Funds generally bear all expenses related to their operations, including, *e.g.*, fees, costs and expenses directly related to the purchase and sale of their investments, taxes, fees of auditors and counsel, fees of consultants, expenses of the advisory boards and annual meetings, insurance, litigation expenses, custodial expenses and any extraordinary expenses. Each Fund's offering materials contain complete information on the expenses payable by the Fund.

The Company has entered into administrative service agreements with American Capital to provide certain of the Private Funds with investment advisory and administrative services, as well as access to its employees, infrastructure, business relationships, management expertise and capital raising capabilities. American Capital charges the Company a fee based on allocation of costs for such services. American Capital is reimbursed by the Funds for expenses incurred in connection with their organization.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT [Item 6]

As described in Item 5 above, for some of the Private Funds, the Company may be entitled to an incentive fee as part of its compensation for management services, including in certain situations allocations calculated and charged based on a share of cumulative profits of the Fund.

Performance-based fee and allocation arrangements received by the Company may create incentives for the Company to recommend investments that may be riskier or more speculative than those that would be recommended under different fee arrangements. Please refer to the offering materials of each Fund for more complete information on the Fund's performance-based fee arrangements.

The Company is focused on identifying and mitigating potential conflicts of interest. For example, as set forth in the applicable offering documents, American Capital may not buy from certain Private Funds investments that were previously included on American Capital's balance sheet without the consent of a majority of the investors by aggregate value. Other Private Funds may limit the purchase or sale of assets with American Capital unless the terms and conditions are no less favorable than those obtainable in an arm's-length transaction and in accordance with all applicable laws. American Capital and certain of the Private Funds co-invest under certain circumstances, such as side-by-side with funds under on-going fixed percentages as set forth in applicable operating documents. Further, American Capital may seed certain Private Funds in their initial stages.

There may be situations in which American Capital and one of the Private Funds might invest in different interests issued by the same company. This could occur where American Capital provides second lien or mezzanine debt and a Fund is participating as a syndicate member in providing first lien debt. It is possible that if the borrower's financial performance and condition deteriorates such that one or both investments are or could be impaired, the Company might face a conflict of interest given the difference in seniority of the respective investments. In such situations, the Company's legal and compliance team would generally implement procedures, such as investment sharing barriers, so that, consistent with their fiduciary duties, investment professionals are not conflicted when making decisions that are in the best interests of their respective Funds.

The Company maintains investment committees which follow consistent processes for investment decisions. The investment committees are comprised of senior officers of the Company and the AC Subs, and the composition varies depending on the nature of the proposed investment. Where appropriate, the members of the investment committees vote separately on behalf of each Private Fund. This structure seeks to facilitate the detection and avoidance of potential conflicts of interest throughout the investment process as well as during the time a portfolio investment is held.

The Private Funds invest in securities or other assets that are illiquid and lack a readily assessable market value. Such illiquid investments are typically subject to the management fees described above and are valued pursuant to American Capital's valuation policy and procedures. For example, a Private Fund's private equity and private equity-like assets are valued at fair value for financial statement reporting purposes. If Fund assets are valued at other than fair value, the Fund's constituent documents will disclose the applicable valuation methodology.

TYPES OF CLIENTS [Item 7]

The Company provides investment advice to the Private Funds described in Item 4.B. The minimum investment in each of the Funds is stated in its offering materials and ranges from \$500,000 to \$50,000,000. The Company generally may waive this minimum in its discretion. Generally, investors in the Private Funds are required to meet certain suitability and net worth qualifications such as (i) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “1933 Act”), (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the 1940 Act or (iii) a “knowledgeable employee” within the meaning of Rule 3c-5 under the 1940 Act, depending on the applicable eligibility requirements of the respective Private Fund.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

[Item 8]

The following is a summary of the investment strategies and methods of analysis employed by the Company with respect to its management of the Private Funds and the material risks applicable to an investment in the Private Funds. **Specific descriptions of such strategies, methods and risks are included in each Fund's offering materials and should be reviewed carefully.**

Methods of Analysis and Investment Strategies

For Funds seeking both current income and capital appreciation through debt and equity investments in middle market companies, the Company will utilize its deep understanding of the middle market to facilitate an efficient entry into both the mezzanine and buyout markets across North America and Europe. The Company will pursue two types of transactions, which incorporate the ability to provide financing across the entire capital structure, sponsored buyouts and mezzanine investments. A Fund may underwrite all investments from the perspective of an equity holder, not just a lender. This approach will allow the Company to assess most appropriately the risk, structure and pricing of its investments. The Company will respond quickly to potential investment opportunities and effectively solve problems that arise during the course of a transaction.

A Fund may use equity and floating and fixed rate debt to invest in fixed and floating rate assets. In order to manage its interest rate risk, a Fund may enter into interest rate swap agreements. Use of interest rate swaps will enable the Company to manage the impact of changing interest rates on spreads between the yield on its investments and the cost of borrowings, thereby locking in the spread between its asset yield and the cost of borrowings. A Fund may also borrow in various currencies and invest in various currencies. In order to manage its currency risk, a Fund may enter into currencies futures contracts.

A Fund may invest in private equity, private debt, private real estate securities and other investments, technology investments, special situation investments and structured finance investments. These investments constitute, in part, what are considered alternative assets. The Company originates, reviews and screens investment opportunities, conducts business, management and operations due diligence, prepares investment committee reports and models, makes recommendations to the investment committee, executes investments, represents the Funds on the boards of directors of portfolio companies, assists in monitoring and valuing of investments and manages acquisitions, divestures and exiting of investments. The Company conducts due diligence of each target company that passes the initial screening process. This may include one or more on-site visits, a review of the target company's historical and prospective financial information, identifying and confirming pro-forma financial adjustments, interviews with and assessments of management, employees, customers and vendors, review of the adequacy of the target company's systems, background investigations of senior management and research on the target company's products, services and industry. The Company often

engages professionals such as environmental consulting firms, accounting firms, law firms, risk management companies and management consulting firms with relevant industry expertise to perform elements of the due diligence.

Material Risks

The Private Funds may invest in and lend to private middle market companies. There is generally little publicly available information about these companies. Thus, the Funds will have to rely on the Company's investment professionals to investigate and perform due diligence on these businesses. The portfolio companies in which the Private Funds may invest may have significant variations in operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Furthermore, portfolio companies may not meet the financial objectives set by senior lenders. Numerous factors may affect a portfolio company's ability to repay its loans, including the failure to meet its business plan, a downturn in its industry or weak economic conditions. As a result, deterioration in a portfolio company's financial condition and prospects may be accompanied by deterioration in the value of a Fund's investment in such portfolio companies.

General interest rate fluctuations may have a substantial negative impact on a Fund's investments and investment opportunities and, accordingly, may have a material adverse effect on investment objectives and the Fund's rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt to finance the Fund's investments.

Past recessions have had a significant negative impact on the operating performance and fair value of many portfolio investments. A Fund's portfolio companies could be adversely impacted by an economic downturn or a future recession and may be unable to repay the Fund's debt investments, may be unable to be sold at a price that would allow the Fund to recover its investment, or may be unable to operate during such recession.

The debt levels of certain portfolio companies may have important adverse consequences to such companies and to a Fund as an investor. Portfolio companies that are indebted may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. As a result, their flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A company's income and net worth will tend to increase or decrease at a greater rate than if the company did not capitalize itself in part with debt.

A Fund's investment in non-investment grade structured products may be illiquid, may have a higher risk of default, and may not produce current returns. Investments in structured products securities are generally non-investment grade, which means that major rating agencies rate them below the top four investment-grade rating categories

(i.e., “AAA” through “BBB”). Non-investment grade structured products bonds and preferred shares tend to be less liquid, may have a higher risk of default and may be more difficult to value than investment grade bonds. Recessions or poor economic or pricing conditions in the markets associated with structured products may cause defaults or losses on these bonds and preferred shares. Non-investment grade securities are considered speculative, and their capacity to pay principal and interest in accordance with the terms of their issue is not certain.

A Fund’s assets may include subordinated CMBS, CLO and CDO securities which are subordinated classes of securities in a structure of securities secured by a pool of loans and accordingly are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Additionally, estimated fair values of these subordinated interests tend to be more sensitive to changes in economic conditions than more senior securities. As a result, such subordinated interests generally are not actively traded and may not provide holders thereof with liquid investments.

Investing in structured products may entail a variety of unique risks. Among other risks, structured products may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk. Structured products have experienced significant losses and declines in interest and principal payments in recent years.

Collateral pledged to secure notes is subject to credit, liquidity and interest rate risks, general economic conditions, operational risks, structural risks, fraud, the condition of financial markets, political events, developments or trends in any particular industry, changes in prevailing interest rates and periods of adverse performance.

The above general summary is not a complete list of the risks and other important disclosures involved in investing in the Funds and, with respect to any particular Fund, is subject to the more complete and specific disclosures contained in such Fund’s respective offering documents. Before making any investment, an investor should thoroughly review a Fund’s offering documents with the investor’s financial, legal and tax advisor to determine whether an investment in the Fund is suitable for the investor in light of the investor’s investment objectives, financial circumstances and tax situation.

DISCIPLINARY INFORMATION [Item 9]

There are no legal or disciplinary events involving the Company or its management persons required to be disclosed pursuant to this Item 9.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS [Item 10]

Neither the Company nor any of its management persons is registered as a broker-dealer or a registered representative of a broker-dealer or is affiliated with any broker-dealer, bank or, except as described below, other financial services firm.

Neither the Company nor any of its management persons is registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

As described in Item 4, the Company is a wholly-owned portfolio company of American Capital. The Company provides investment advice to the Funds through management agreements between its subsidiary managers and the respective fund. As described in Item 5, American Capital has entered into service agreements with the Company to provide it with additional asset management service support. Through these agreements, American Capital provides investment advisory and oversight services to the Company, as well as access to its employees, infrastructure, business relationships, management expertise and capital raising capabilities. The Company and its personnel may have conflicts in allocating their time and services among American Capital and/or the Funds and may spend substantially all of their business time on one or more of the Funds and/or American Capital. In addition, employees of the Company and its affiliates may serve as advisors, directors, members of credit committees or, less frequently, officers for portfolio companies in which the Funds or American Capital invest, or provide other services to portfolio companies. As a result of such roles and in connection with investment activities, employees may also from time to time be given access to confidential information relating to companies in which the Private Funds or American Capital invest. As a result, certain Private Funds may, under certain circumstances, be prohibited for periods of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the Private Funds.

As described in Item 6, the Company occasionally evaluates potential investment opportunities which may be an eligible investment for more than one Fund. The Company has adopted allocation policies to address the allocation of certain types of investments. Where no such formal policy is in place, it is the Company's policy that all investment opportunities will, to the extent practicable, be allocated among its Funds on a basis that over a period of time is fair and equitable to each Fund relative to other Funds, taking into account all relevant facts and circumstances.

The Company permits its principals, officers, employees and supervised persons ("Covered Persons") to engage in personal securities transactions, subject to compliance with the Firm's Code of Ethics, as described in Item 11.

The Company does not recommend or select other third-party investment advisers for its clients. Except as described herein, the Company does not have other business relationships with other advisers that create a material conflict of interest. As noted herein, the Company also manages through its subsidiaries two public real estate

investment trusts and a public business development company investing primarily in senior loans. Those subsidiaries, American Capital MTGE Management, LLC, American Capital AGNC Management, LLC and American Capital ACSF Management, LLC are each registered investment advisers.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING [Item 11]

The Company has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act, which includes formal personal trading policies and procedures, generally requiring, among other things, all Covered Persons and certain family members and other related persons to file with the Company’s Chief Compliance Officer certain reports concerning their personal securities holdings and transactions and, subject to certain exceptions, to obtain pre-clearance for purchasing and selling “covered securities.” All Covered Persons are also required to report any violations of the Code to the Company’s Chief Compliance Officer.

The Code provides that no Covered Person may, in breach of any fiduciary duty he or she owes to the Private Funds advised or managed by the Company, engage directly or indirectly in any business investment in a manner detrimental to the Funds or use confidential information gained by reason of his or her employment by or affiliation with the Company in a manner detrimental to the Private Funds.

The Company and the Covered Persons owe a fiduciary duty of care, loyalty, honesty and good faith to the Funds. The Code further obligates each Covered Person to:

- Observe all laws and regulations
- Avoid conflicts of interest
- Maintain accurate and complete company records, and
- Protect confidential information

Any client or prospective client or investor or prospective investor in a Fund may obtain a copy of the Code upon request.

The Code includes policies and procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information (“Inside Information”). Covered Persons are required to certify to their compliance with the Code, including these policies. The Code prohibits the Company and Covered Persons from trading for the Private Funds or themselves, or recommending trading, in securities of a company while in possession of Inside Information about the company, and from disclosing such information to any person not entitled to receive it.

By reason of its various activities, the Company may have access to Inside Information and, as a result, be restricted from effecting transactions in certain investments that might otherwise have been initiated. For example, there may be certain cases where the Company or its personnel receive Inside Information due to their various activities on behalf of the Funds, which could result in either limited liquidity or in the Company or its personnel being prohibited from using such information for the benefit of the Private Funds. The Company seeks to minimize those cases whenever possible, consistent with applicable law and the Code, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

The Company permits its employees and other related persons to engage in personal securities transactions, subject to compliance with its Code. No such person shall purchase or sell, directly or indirectly, any covered security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and that he or she knows or should have known at the time of such purchase or sale is being considered for purchase or sale by the Company or is being purchased or sold by the Company. In addition, no such person shall purchase or sell eligible portfolio companies, initial public offerings or limited offerings without prior approval of the Chief Compliance Officer or the Chief Compliance Officer's designee.

In addition, the Company's related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Funds in connection with certain "warehousing" transactions, provided that the sale is consistent with the Company's fiduciary obligations to such Funds. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Fund, as applicable, will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

The Company's affiliated entities may co-invest with certain of the Funds, as described in Items 4.B. and 6. The Company also makes investments on its own behalf and on behalf of its affiliates.

In addition, the Company may engage, or cause the Funds to engage, placement agents to market and sell interests or shares in the Fund to prospective investors. The Company requires placement agents to have all appropriate licenses and registrations to conduct their business, including when applicable, to be registered as broker-dealers with the Securities and Exchange Commission ("SEC") and to be members of the Financial Industry Regulatory Authority ("FINRA"). The Company may elect to reduce its management fee to the extent of any placement fees borne by the Fund.

In connection with investments made by certain Funds, the Company or its affiliates or supervised persons may receive commitment, structuring, monitoring and/or other transaction fees from portfolio investments in which one or more of the Funds may invest or propose to invest. These types of arrangements present potential conflicts of interest and provide the Company's supervised persons with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To mitigate potential conflicts, such benefits received by the Company in connection with its services related to portfolio companies or transactions are generally offset against advisory fees payable by the related Fund. Please refer to the applicable Fund's offering materials for complete information on the additional compensation received by the Company or its affiliates or supervised persons in connection with investments and any offsets against advisory fees.

BROKERAGE PRACTICES [Item 12]

The Private Funds generally do not use broker-dealers when acquiring private securities directly from an issuer, and thus do not consider best execution factors.

The Company may also use electronic trading systems to execute fixed income trades. These systems charge transaction fees that are included in the price of the security.

If equity portfolio transactions are made on an exchange from time to time, they will be executed by brokers selected by the Company in its absolute discretion. In placing portfolio transactions, the Company must use reasonable diligence to ascertain the “best” market price for all securities bought and sold in that market so that the price to the Private Funds is as favorable as possible under prevailing market conditions. The determinative factor is whether the transaction represents the best qualitative execution for the Fund and not whether the lowest possible commission cost is obtained. The Company considers the full range of quality of the broker’s service in selecting brokers to meet best execution obligations and may not pay the lowest commission rates available. The Company generally takes the following factors into account to select brokers for portfolio transactions: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any), (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution, (iii) the financial strength, integrity and stability of the broker, (iv) the broker firm’s risk in positioning a block of securities, (v) the quality, comprehensiveness and frequency of available research services considered to be of value, and (vi) the competitiveness of rates in comparison with other brokers satisfying the Company’s other selection criteria. The Company is not required to weigh any of these factors equally.

The Company does not participate in “soft dollar” arrangements under which the Company “pays up” (in the form of higher markups, markdowns or commissions charged on Fund fixed income trades) for research in connection with fixed income trades. The Company may, however, receive research (including proprietary research) from various broker-dealers through which it may execute fixed income trades where the Company’s receipt of the research does not result in additional cost to Funds. Research so obtained results in an economic benefit to the Company, and the Company does not account for the value of this research. The Company generally uses the research to assist it in its investment decision-making process, but this research may not be used for each and every Fund. The Company may have an incentive to select or recommend a broker-dealer based on the Company’s interest in receiving the research or other products or services, rather than on the Fund’s interest in receiving most favorable execution.

The Company does not participate in directed brokerage arrangements.

As described in detail in Item 6, if the Company determines that the purchase or sale of the same security is in the best interest of more than one Fund, the Company may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent

permitted by applicable law. If an aggregated order is filled through multiple trades at different prices on the same day, each participating Fund will receive the average price with transaction costs allocated pro rata based on the size of each Fund's participation in the order (or allocation in the event of a partial fill) as determined by the Company. In the event of a partial fill, allocations generally will be made pro rata based on the initial order, but may be modified on a basis that the Company deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. This may result in allocations of certain investments on other than a pari passu basis.

REVIEW OF ACCOUNTS [Item 13]

The AC Subs monitor each investment in their respective Fund on an ongoing basis. In addition, the Company conducts periodic reviews in order to assess trends that may impact an individual investment's ability to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts.

Fund investors generally receive periodic reports, as set forth in the Fund's offering materials, summarizing the performance of the applicable Fund and market outlook, as well as a statement of net asset value, and on an annual basis, audited financial statements. Investors in the ACAS CLOs and ACAS CRE CDO do not receive audited financial statements.

With respect to certain Funds that hold collateralized loan obligations or similarly structured finance vehicles, the independent trustee of each such Fund generally prepares monthly compliance reports. Additionally, the Company may prepare periodic investor letters, portfolio profile summaries and pro forma results to supplement and further clarify any trustee reports. For ACE I and ACE II, the Company typically sends materials to the investors in these Funds summarizing the current status of the particular Fund and all distributions made to date in connection with equity distributions for these Funds and may hold annual investor meetings and calls and other interim calls as appropriate for these Funds.

CLIENT REFERRALS AND OTHER COMPENSATION [Item 14]

The Company may compensate third parties who refer prospective investors to any of its Funds. In addition, the Company may transact Fund orders through broker-dealers that also act as solicitors or placement agents for the Funds.

The Company endeavors at all times to put the interests of the Funds first as part of the Company's fiduciary duty. Nevertheless, the receipt of compensation by placement agents and the potential receipt of brokerage commissions by broker-dealers create potential conflicts of interest and may affect the judgment of placement agents and broker-dealers when making referrals to the Funds. Moreover, potential conflicts of interest may arise between the interests of the Funds in obtaining best price and execution and the Company's interest in receiving future referrals to the Funds from certain broker-dealers. The Company addresses these potential conflicts of interest by seeking to obtain best execution as set forth in Item 12.

CUSTODY [Item 15]

It is the Company's general practice not to have physical custody of any client assets.

To the extent that the Company might otherwise be deemed to have custody, the Company will operate on reliance upon the reporting requirement exemption in the Custody Rule with respect to certain of the Private Funds by causing each such Fund to distribute audited financial statements annually, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year. In the alternative, the Company may comply with the custody rules under the Advisers Act with respect to certain of the Private Funds by having a reasonable belief that a qualified custodian will send quarterly or more frequent account statements to each investor. For those Funds not subject to an annual audit of its financial statements, the Company has engaged an independent public accountant to perform an annual independent verification. The Company urges all investors to compare any reports they receive from the Company to the statements they receive from the custodians. Any issues or discrepancies should be communicated to the Company promptly.

INVESTMENT DISCRETION [Item 16]

Subject to the investment objectives, policies and restrictions of each Fund as set forth in the offering materials of such Fund, the Company has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold by each Fund, including the selection of, and commissions paid to, broker-dealers, if applicable.

VOTING CLIENT SECURITIES [Item 17]

The Private Funds typically do not hold public securities, and consequently the Company does not vote proxies on behalf of the Private Funds. To the extent the Funds hold voting securities, the Company has been delegated the authority to vote proxies regarding Private Fund portfolio securities. To the extent that the Company does vote proxies, they will be voted in the Private Funds' best interests and according to the Company's policy. A copy of the proxy voting policy and/or record of how proxies, if any, have been voted are available to clients upon request.

FINANCIAL INFORMATION [Item 18]

The Company does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. The Company is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has the Company been the subject of a bankruptcy petition at any time during the past ten years.