



ACON FUNDS MANAGEMENT, L.L.C.

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This amended and restated brochure provides information about the qualifications and business practices of Acon Funds Management, L.L.C. (“**ACON**” 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 is filing this annual updating amendment to its Part 2A Brochure (this “**Brochure**”). This Brochure replaces the amended and restated brochure that was filed in March 2017.

Since the last annual update, this Brochure has been updated in:

- Item 4 (*Advisory Business*) to update the Adviser’s regulatory assets under management;
- Item 5 (*Fees and Compensation*) to clarify and update certain disclosures regarding the fees and expenses associated with the Adviser’s investment program, including the allocation of certain types of fees and expenses; and
- Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks*) to clarify, update and supplement certain risks associated with the Adviser’s investment program, including relating to certain conflicts of interest.

Item 3 - Table of Contents

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Item 4 - Advisory Business

Advisory Firm

Acon Funds Management, L.L.C. (“**ACON**” or the “**Adviser**”) is a private equity investment advisory company located in Washington, D.C. The Adviser was formed in 2006 and provides investment supervisory services to various pooled investment vehicles (each, an “**ACON Investment Vehicle**” or an “**Investment Vehicle**”) that target making investments in middle-market companies, principally in the United States, with the objective of achieving long-term appreciation for their investors. The Adviser’s investment strategy focuses on revenue growth and operational improvements as one of the primary tools to achieve value creation. The Adviser’s Investment Vehicles target equity and equity-linked debt investments and other opportunistic investments, and aim to invest primarily in companies in which the Adviser will have the right to control or exert significant influence over the portfolio company’s strategic planning, operations and development. One or more ACON representatives typically participate as a member of the board of directors of each portfolio company investment and as a member of one or more board committees.

The Adviser is a limited liability company organized under the laws of the State of Delaware. The Adviser is owned by Bernard Aronson, Kenneth Brotman, Jonathan Ginns, Daniel Jinich and Guillermo Bron.¹ The Adviser is party to an arrangement with ACON Investments, L.L.C. (“**ACON Investments**” or the “**Firm**”) pursuant to which ACON Investments and/or its affiliates provide the services of various private equity fund investment, finance, accounting, tax, investor relations, legal, compliance and support professionals to the Adviser. ACON Investments is an international private equity fund management company that was founded in 1996 by Messrs. Aronson, Brotman and Ginns. Since its inception, the Firm has managed, or has had under management, approximately \$5.5 billion in capital.² ACON and its affiliated investment advisers currently operate private equity funds and other investment vehicles in two primary lines of business: (1) United States-based middle-market leveraged buyout transactions and (2) Latin America-based middle-market leveraged buyout or mezzanine like or similar debt transactions.³

The Adviser currently manages one private equity fund:

¹ Please refer to Schedules A and B to ACON’s Part 1 of Form ADV for information regarding ACON’s beneficial owners and control persons.

² Represents cumulative capital commitments in the Firm’s U.S. and Latin American private equity platforms since ACON Investments’ inception in 1996 through March 31, 2018. Excludes co-investment capital invited by ACON Investments to invest alongside, but not managed by, affiliates of ACON Investments.

³ See Item 10 (*Other Financial Industry Activities and Affiliations*) for a list of the other ACON affiliated registered investment advisers.

- **ACON-BASTION PARTNERS II, L.P.**,⁴ an approximately \$374.3 million fund that was established in 2006 to make middle-market private equity investments principally in the United States, with a focus on demographic growth/Hispanic-themed, deep value/distressed and energy/energy services investments (“**ABP II**”). ABP II began investing in 2006 and its commitment period expired in 2011. As permitted by the terms of the agreements governing the operation and establishment of ABP II, an affiliated registered investment adviser of ACON has formed a successor private equity fund, ACON Equity Partners III, L.P. that is managed by ACON EQUITY MANAGEMENT, L.L.C. (SEC File No. 801-74406).

ABP II is also referred to herein as the “**ACON Fund**” or the “**Fund**.”

In addition to the private equity fund platform that the Adviser offered to its investors, ACON and its affiliates (including other registered affiliated investment advisers of ACON) also offered investors in its Fund, prospective investors and third parties that were not Fund investors, opportunities to co-invest alongside the Fund in ACON-identified investment opportunities through a co-investment platform named **ACON INVESTMENT PARTNERS** (“**AIP**”). AIP was a dedicated co-investment platform whereby interested investors could elect to participate in co-investment transactions alongside the Fund, with a new limited partnership vehicle being established for each co-investment transaction (each, an “**AIP Vehicle**”). AIP was marketed alongside ABP II. In addition, the Adviser and its affiliates (including other registered affiliated investment advisers of ACON) offered co-investment opportunities outside the AIP platform (each AIP Vehicle as well as each vehicle formed outside the AIP program for co-investors, a “**Co-Invest Vehicle**”). The Co-Invest Vehicles typically invest and divest at substantially the same time and on the same terms and conditions as the Fund (subject to applicable tax, legal, regulatory, accounting and other similar considerations, and it being understood that the Fund may have differing rights relating to board, committee or other designations or governance, approvals, voting, veto, consultation and control). Often, a Co-Invest Vehicle will also be an aggregation vehicle through which both the ACON Fund and the various co-investors make their investment into the portfolio company.

In connection with the sponsorship and operation of the Fund and under certain circumstances the Co-Invest Vehicles, the Adviser organizes various domestic and foreign feeder funds, parallel funds and alternative investment vehicles (and related blockers) (collectively, “**Feeders, Parallel Funds and AIVs**”). The Adviser organizes these vehicles to accommodate the particular tax, regulatory, or other specific needs of an investor or group of investors investing in the Fund or Co-Invest Vehicle. With respect to AIVs, the Adviser generally has limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the Fund. For avoidance of doubt, the term “**Investment Vehicles**” includes the ACON Fund, Co-Invest Vehicles and Feeders, Parallel Funds and AIVs for which the Adviser provides advisory services.

⁴ This fund consists of two parallel partnerships, Acon-Bastion Partners II, L.P., a Delaware limited partnership, and Acon-Bastion Partners II (Offshore), L.P., a Cayman Islands exempted limited partnership.

Types of Advisory Services Offered

The Adviser focuses on deep value investments in middle-market companies organized principally in the United States. In connection therewith, ACON directly or through special purpose general partner or manager entities established to manage ACON Investment Vehicles (collectively, “**GPs/Managers**”) provides investment advisory services to the Investment Vehicles, including identifying, evaluating, structuring, recommending and negotiating investment acquisition and disposition opportunities; identifying sources of financing for proposed investments; supervising the negotiation, preparation and review of agreements and other documents in connection with investments, dispositions and financings; and ongoing monitoring and management of portfolio company investments.

The relationship between ACON and each Investment Vehicle is governed by the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), as well as the governing documents of each Investment Vehicle (each an “**Investment Agreement**”; and, when specifically referring to the Fund, the “**Fund Agreement**”) and the terms of any investment advisory agreements concluded between ACON and each Investment Vehicle. Investments in the ACON Investment Vehicles are privately offered only to qualified investors that satisfy applicable eligibility and suitability requirements. ACON Investment Vehicles are not registered under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and the limited partnership or other interests offered by such vehicles are not registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). Certain ACON personnel (including without limitation employees of ACON affiliates and Principals of the Fund) also often invest (and often are required by investors to invest) in ACON Investment Vehicles (including Co-Invest Vehicles), and as a result, their economic interests may be better aligned with those of the investors.

In connection with the provision of advisory services to the Investment Vehicles, ACON or its GPs/Managers often enter into side letters or other writings (“**Side Letters**”) with certain investors, including Fund investors, which have the effect of establishing rights under, or altering or supplementing the terms of, a vehicle’s Investment Agreement in respect of the investor to whom a Side Letter is addressed. Side Letters provide the investor with economic, regulatory and other terms that are more favorable than the terms offered to other investors. Side Letter provisions cover a broad variety of topics. Examples of certain Side Letter provisions for the benefit of an investor include, without limitation, a waiver or reduction of management and/or other fees/allocations (including differences in application of fee offset provisions with respect to such investor), payment of reduced carried interest, the provision of additional information or reports, rights related to specific regulatory requests of certain investors, more favorable transfer rights, the ability to opt-out of certain investments, withdrawal rights due to adverse tax, investor policy, regulatory or other events, consent rights to certain Investment Vehicle actions or Investment Agreement amendments, priority and/or other rights with respect to the review of co-investment opportunities (and the terms thereof) and rights to participate on the ACON Fund’s investor advisory committee.

Services Tailored to Individual Needs of Clients

ACON provides investment advice to the Investment Vehicles consistent with the terms of the Investment Agreements and not individually to the investors in such vehicles.

Wrap Fee Programs

Wrap fee programs are comprehensive fees charged by an investment adviser to a client for providing a bundle of services, such as investment advice, investment research and brokerage services. ACON does not participate in wrap fee programs.

Client Assets

As of December 31, 2017, ACON had approximately \$110.2 million of client assets under management, all of which is managed on a discretionary basis.⁵

Item 5 - Fees and Compensation

Fees

ACON and/or its affiliates receive a management fee and carried interest in connection with advisory services provided to the ACON Fund, and may receive such economics in connection with advisory services provided to Co-Invest Vehicles, although this is not always the case. From time to time, ACON and/or its affiliates receive additional compensation in connection with management or other services performed for the portfolio companies of Investment Vehicles, as described in detail below.

⁵ ACON uses the same methodology for reporting its regulatory assets under management (“**RAUM**”) in both Part 1A and 2A of the Form ADV. Instructions for Item 5.F of Part 1A of the Form ADV provide that, in determining the amount of a registered adviser’s RAUM, an adviser should “include the entire value of each securities portfolio for which [it] provide[s] continuous and regular supervisory or management services.” The Adviser provides management services to several private fund clients, including the Fund and several Investment Vehicles formed to facilitate co-investment for discrete Fund portfolio investments. In some cases, an Investment Vehicle will aggregate third-party co-investment alongside the Fund’s share of invested capital in respect of such portfolio investment. Prior to November 2015, and pursuant to the Form ADV instructions, ACON calculated RAUM as the sum of all portfolios advised by the Adviser, notwithstanding the fact that some Investment Vehicles include a portion of the assets of the Fund as described above, thereby capturing a portion of such Fund’s assets (or, in some cases, intercompany loans or other accounts receivable as between a Fund and an Investment Vehicle) twice in the aggregate calculation of RAUM. ACON has revised the calculation of RAUM to avoid such “double counting.” (Note that the structures in question do not fit the definition of either a “master-feeder arrangement” or a “fund of funds,” for which the Form ADV instructions already account for this issue of “double counting.”) Had ACON not revised this calculation, it would have reported the same figure (\$110.2 million) as of December 31, 2017.

Management Fees

Generally

Initially, ACON charged the Fund a management fee (the “**Fund Management Fee**”) of a maximum of 1.875% per annum of capital committed to the Fund by each investor in the Fund. The Fund Management Fee is payable semi-annually in advance and is subject to waiver and/or offsets as more fully described below (including under the subheading “*Other Fees Earned by ACON and Fee Offsets*”). After the end of the Fund’s commitment period, which was scheduled to be four years from commencement absent an extension or early termination, or after the raising of a successor fund, the Fund Management Fee was scheduled to step down to a maximum of 1.75% per annum calculated on the basis of each investor’s actively invested capital. Pursuant to an amendment to the Fund Agreement in 2016 that extended the term of the Fund, the Fund Management Fee was reduced.

In the ACON Fund Agreement, “actively invested capital” generally means the amount of capital that is currently invested in Fund assets (*i.e.*, portfolio companies that have not been realized) as of the particular calculation date reduced only for permanent impairments of value in such assets. “Actively invested capital” is not calculated in the same manner as “fair value” (nor does “actively invested capital” equate to “assets under management” as reported in Item 4 of this Brochure). The Fund Management Fee was initially described in the Fund’s private placement memorandum. It was subsequently negotiated by investors prior to the final closing of the Fund and is detailed in the Fund Agreement. For a discussion of offsets applied to the Fund Management Fee, see below under the heading “*Other Fees Earned by ACON and Fee Offsets.*”

Principals or other current or former employees of the Adviser or its affiliates generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Adviser or its affiliates.

Secondments, Operating Personnel and Consultants

As described in more detail below under the heading “*Other Fees and Expenses,*” current or former ACON personnel serve in interim or part-time roles at one or more portfolio companies, or provide services to portfolio companies as secondees or in similar capacities, while maintaining certain benefits, support services or indicia of employment at ACON. In addition, ACON causes one or more persons who are independent contractors of ACON or its affiliates to provide consulting services to portfolio companies on a range of operational issues. In addition to operating professionals, ACON also engages and compensates certain other consultants on behalf of its Fund and Co-Invest Vehicles to assist ACON in sourcing, analyzing and executing investments, often with the intention that such consultants will assume board, executive or other management roles at the portfolio companies they identify. Compensation, expenses, fees and other amounts received by the foregoing, including amounts received by such personnel or consultants from portfolio companies or any ACON Investment Vehicle, will not result in an offset of any Fund Management Fee or other management fee and therefore subjects the Adviser to conflicts of interest. See Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks—Certain Conflicts of Interest*) for more detail.

Co-Investment Vehicles

ACON or a GP/Manager thereof has in the past charged, and in the future may sometimes charge, the Co-Invest Vehicles (including the AIP Vehicles or the investors therein) a per annum management fee (a “**Co-Invest Vehicle Management Fee**” and together with the Fund Management Fee, the “**Management Fee**”).⁶ Co-Invest Vehicle Management Fees are not generally subject to fee offset provisions as is the case with Fund Management Fees. The economics received by ACON in connection with, or as a result of, investments by co-investors create incentives that could affect how ACON allocates investment opportunities or ultimately makes decisions with respect to its management of a particular portfolio company investment. The terms of each Co-Invest Vehicle may vary from one another depending upon, among other factors, the size, investment stage and risk profile of the portfolio company investment and the investor base. Typically, existing investors in an ACON Fund will not be charged a Co-Invest Vehicle Management Fee, however there is no assurance that this practice will not change or that this will always be the case with respect to co-investors that invest in one or more ACON Investment Vehicles.

Management Fee Exemptions, Reductions and Waivers

The Adviser and its GPs/Managers may exempt certain persons from payment of both Fund Management Fees and Co-Invest Vehicle Management Fees or otherwise reduce such Management Fees payable by certain investors, including without limitation ACON personnel, persons with family or other relationships with the Adviser and its affiliates and unaffiliated parties, including without limitation business associates, strategic partners, advisors, consultants and significant investors.

As permitted under the Fund Agreement, the Adviser and its GPs/Managers may also waive or agree to reduce the Fund Management Fee in exchange for a credit towards the amount of capital the Fund Principals and other ACON personnel would otherwise be required to contribute to the Fund. The investors of the Fund may be required to make a *pro rata* contribution according to their respective commitments to fund any contribution that would otherwise have been required of ACON personnel and Fund Principals in connection with any such waiver or reduction and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced Fund Management Fees in these circumstances are not subject to the Fund Management Fee offsets described below and may be significant.

⁶ Note that the Management Fee provisions relating to the AIP program were set forth in the offering memorandum for ABP II and AIP and were structured to be similar to the terms offered to investors in ABP II. However, certain AIP vehicles were formed after the end of the AIP commitment period or otherwise outside the AIP framework. Accordingly, the economics of certain AIP vehicles were negotiated by investors at the time of the relevant vehicle’s formation and are different from the economic terms paid by investors in ABP II.

Carried Interest (Performance-Related Compensation)

Generally

The Adviser, directly or through GPs/Managers, charges the ACON Fund a maximum 20% participation in the profits of the Fund. This “profits interest” is referred to as the “**Fund Carried Interest**.” The Fund Carried Interest is only payable after certain return thresholds are met, including a compound annual 8% preferred return hurdle, the clawback described below and an escrow requirement in place for the benefit of the investors in the Fund. See Item 6 (*Performance-Based Fees and Side-by-Side Management*) for greater detail about the Fund Carried Interest.

The Fund Carried Interest is payable based on the aggregate performance of all of the investments in the Fund. To address potential interim distributions, the aggregate Fund Carried Interest is subject to recalculation at various points during the Fund’s life, including at the end. Following each recalculation, to the extent more than 20% of the Fund’s profits have been distributed to the ACON GPs/Managers (or earmarked for distribution thereto and placed in escrow for the benefit of investors), the investors are entitled to “claw back” such excess by receiving a distribution from escrow or, if insufficient, through a return of funds from the ACON GP/Manager. To support the repayment of this clawback, the Fund Principals execute a guaranty in favor of the Fund and its investors. From time to time, certain third parties, including for example advisors and third-party solicitors, may also be granted the right to receive a portion of the Fund Carried Interest, or the cash equivalent to the amount that would be distributed if such third party had been granted a carried interest in the Fund.

Co-Investment Vehicles

ACON or a GP/Manager thereof also has charged the Co-Invest Vehicles (including the AIP Vehicles or the investors therein) a percentage participation in the profits of such vehicles, which percentage may vary (“**Co-Invest Vehicle Carried Interest**” and together with the Fund Carried Interest, the “**Carried Interest**”).⁷ The Co-Invest Vehicle Carried Interest payments (if any) typically are subject to a “preferred return” rate as set forth in the particular Investment Agreement, however such Carried Interest payments are not otherwise subject to clawback or escrow because these vehicles do not usually make more than one portfolio company investment. In addition, as indicated above, the economics received by ACON in connection with, or as a result of, investments by co-investors create incentives that could affect how ACON allocates investment opportunities or ultimately makes decisions with respect to its management of a particular portfolio company investment. The terms of each Co-Invest Vehicle may vary from one another depending upon, among other factors, the size, investment stage and risk profile of

⁷ Note that the Carried Interest provisions relating to the AIP program were set forth in the offering memorandum for ABP II and AIP and were structured to be similar to the terms offered to investors in ABP II. However, certain AIP vehicles were formed after the end of the AIP commitment period or otherwise outside the AIP framework. Accordingly, the economics of certain AIP vehicles were negotiated by investors at the time of the relevant vehicle’s formation and are different from the economic terms paid by investors in ABP II.

the portfolio company investment and the investor base. Typically, existing investors in an ACON Fund will not be charged a Co-Invest Vehicle Carried Interest, however there is no assurance that this practice will not change or that this will always be the case with respect to co-investors that invest in one or more ACON Investment Vehicles.

Carried Interest Exemptions and Reductions

As is the case with Management Fees, the Adviser and its GPs/Managers exempt certain persons from payment of both Fund Carried Interest and Co-Invest Vehicle Carried Interest or otherwise reduce such Carried Interest payable by certain investors, including without limitation ACON personnel, persons with family or other relationships with the Adviser and its affiliates and unaffiliated parties, including without limitation business associates, strategic partners, advisors, consultants and significant investors.

Other Fees Earned by ACON and Fee Offsets

Description of Fees

In addition to Management Fees and Carried Interest, in connection with the affairs of the ACON Investment Vehicles, ACON (or its GPs/Managers) and affiliates thereof receive fee income paid by portfolio companies or other third parties, including, for example: (i) monitoring fees, set-up fees, operational consulting fees or other fees; (ii) cash and non-cash directors' fees; and (iii) termination, break-up or other similar fees, payments or compensation, in each case received in connection with investments or proposed investments of the ACON Fund and/or co-investors and Co-Invest Vehicles, or services provided in connection therewith (collectively, "**Other Fees**"). Other Fees negotiated for by ACON also include accelerated portfolio company monitoring fees or "success fees" in the event of a sale of a company prior to the expiration of the term of the applicable portfolio company monitoring fee or management services agreement. Such accelerated monitoring fees may be calculated based on expectations or estimates of future events and, accordingly, may be higher or lower than the actual cost and/or amount of services provided.

Fee Offsets, Allocation and Other Considerations

To the extent earned in connection with an investment made by the Fund, Other Fees, net of related expenses, are generally shared with the Fund and its investors as required pursuant to the terms of the Fund Agreement, through reductions or "offsets" against subsequent installments of the Fund Management Fee due from investors. If no such subsequent installments are due, then excess offset amounts will be returned to investors upon liquidation of the Fund. Any balance not so shared is retained by ACON (or affiliates) as additional revenue. The ACON Fund offset relating to Other Fees is 100%, meaning that each fee-paying investor in the ACON Fund will receive an offset of 100% of such investor's *pro rata* share (based on ownership of the Fund) of the Other Fees earned by ACON (or affiliates) relating to an investment made by the Fund. ACON (or affiliates) will retain 100% of the GPs/Managers' *pro rata* share (based on their

ownership of the Fund) of the Other Fees.⁸ Other Fees received by ACON and affiliates in connection with an investment made by two or more ACON Investment Vehicles (for example, by the Fund and a Co-Invest Vehicle) or by an ACON Investment Vehicle and co-investors, are first allocated among the various ACON Investment Vehicles and co-investors *pro rata* in accordance with the relative ownership by each such person of the portfolio company, or some other fair and reasonable methodology depending upon the circumstances and if permitted by the terms of the Fund Agreement. A portion of the Other Fees so allocable to the Fund is then further allocated among the investors in the Fund and applied to offset the Fund Management Fee as described above. The terms of the Investment Agreements governing the Co-Invest Vehicles typically do not provide for fee offsets. To the extent no such co-investor fee offsets are provided, then ACON (or affiliates) will retain as earned revenue all fee income not allocated to fee-paying investors in the Fund, which revenue may be significant.⁹

The right of ACON and its GPs/Managers and affiliates to receive Other Fees may create a conflict of interest between ACON, on the one hand, and the various Investment Vehicles and their investors, on the other hand, because the fees may be substantial and the Investment Vehicles and their investors do not have a direct interest in the fees. ACON believes, however, that the Management Fee offset mechanism described above (to the extent applicable) and the equity commitments made by owners of the Adviser and other ACON personnel in the ACON Fund and other Investment Vehicles, significantly mitigates this potential conflict. In addition, ACON believes this potential conflict is often further mitigated by the fact that Other Fees may become limited as the result of negotiations involving third parties, such as with sellers, buyers, and management teams or boards of directors of, or lenders to, portfolio companies.

⁸ By way of example, if an investor contributes 10% of the capital to the Fund with respect to an investment by the Fund alone, and ACON receives Other Fees in the amount of \$1,000,000 with respect to the investment, then the investor will receive an offset of \$100,000 against its next installment of the Fund Management Fee (*i.e.*, 100% of the \$100,000 that is the investor's *pro rata* share (10%) of the \$1,000,000 of Other Fees). Using this same example, assume ACON affiliates provide 2% of the Fund's capital and that such capital does not pay Fund Management Fees. In this example, ACON will retain as revenue 100% of the ACON affiliates' 2% *pro rata* share of the Other Fee (*i.e.*, \$20,000) since the ACON affiliate does not pay Management Fees and therefore is not subject to a fee offset.

⁹ To the extent of investments made by investment vehicles managed by ACON-affiliated registered investment advisers, this same allocation methodology will apply across all such vehicles/investors/co-investors, with similar procedures being followed for purposes of applying fee offsets and determining the amount retained by ACON and/or its affiliates as additional revenue. Thus, if an investor in an ACON Fund contributes 10% of the capital to the Fund with respect to an investment by the Fund where a Co-Invest Vehicle invests 30% and the Fund invests 70%, and ACON receives Other Fees in the amount of \$1,000,000 with respect to the investment, then the investor will (typically) receive an offset of \$70,000 against its next installment of the Fund Management Fee (*i.e.*, the portion of the Other Fee attributable to the Fund is 70% or \$700,000; and the investor will receive a fee offset of 100% of the \$70,000 that is the investor's *pro rata* share (10%) of this \$700,000 attributable fee). Using this same example, assume ACON affiliates provide 2% of the Fund's capital and that such capital does not pay Fund Management Fees. In this example, ACON will retain as revenue (i) 100% of the ACON affiliates' 2% *pro rata* share of the Other Fee (*i.e.*, \$14,000) since the ACON affiliate does not pay Management Fees and therefore is not subject to a fee offset plus (ii) the \$300,000 attributable to the Co-Invest Vehicle as typically the investors in such vehicle will not pay a Management Fee and therefore are not subject to a fee offset. Note that co-investors may negotiate for the right to be reimbursed for their *pro rata* share of Other Fees attributable to Co-Invest Vehicles and, accordingly, ACON may not retain all of the amounts cited above.

Board Fees

With respect to directors' fees or other similar compensation, to the extent an employee of an ACON affiliate or a Fund Principal receives directors' compensation in connection with board service for a portfolio company of an Investment Vehicle managed by the Adviser, the compensation is (if required by the terms of the applicable Investment Agreement) turned over to ACON or its affiliates and is allocated across ACON Investment Vehicles and co-investors *pro rata* as described above. Any requisite offsets against the Fund Management Fee and/or Co-Invest Vehicle Management Fee (if any) are applied as described above. Persons who are not employees of ACON affiliates or Fund Principals, even if they serve at ACON's request on a board of directors of a portfolio company advised by the Adviser, are permitted to retain board fees and the like that they may receive as individual compensation for themselves. Consequently, no fee offset will be applied to such fees. Employees of ACON affiliates and Fund Principals that serve on the boards of companies that are managed by other ACON affiliated investment advisers also are not required to turn directors' fees and other similar compensation over to the Adviser, but rather are required to turn such compensation over to the relevant ACON affiliated investment adviser for allocation and offset in accordance with the terms governing such affiliates' investment vehicles. Finally, board fees and other similar compensation received by employees of ACON affiliates and Fund Principals in connection with outside board service (*i.e.*, companies that are not owned by investment vehicles managed by ACON or any of its affiliates) may be retained by such persons for themselves and, accordingly, there is no offset taken against Management Fees in connection therewith.

The recipients of this Brochure should refer to the detailed information found in each Investment Agreement (including applicable Side Letters) for specific information about the fees earned by ACON, including Other Fees, and the fees charged to the ACON Fund, Co-Invest and other Investment Vehicles (including the AIP Vehicles) as well as the treatment of fee offsets. In addition, inasmuch as the Management Fees, Other Fees and Carried Interest payable by investors in Feeders, Parallel Funds and AIVs may vary depending upon the particular tax, economic, regulatory or other circumstances that prompted the formation of such vehicles, recipients should also refer to the operative agreements of such entities for specific information regarding such aspects of ACON's compensation.

How Fees are Billed

The Adviser or its GPs/Managers causes the Management Fees due in respect of a particular Investment Vehicle to be paid to ACON (or an affiliate thereof) by (i) requiring investors to make capital contributions, (ii) withholding from investment proceeds that would otherwise be distributable to investors or (iii) in certain cases, causing the Investment Vehicle to borrow money (subject in each case to the terms of the respective Investment Agreement).

Distributions of Carried Interest are made in accordance with the terms of each Investment Vehicle's Investment Agreement.

Other Fees and Expenses

Expenses Generally

The various types of fee income received by ACON are described above.

Except to the extent set forth below or in an applicable Investment Agreement, each ACON Investment Vehicle bears and is charged with costs and expenses of its organization, activities, operations and meetings (to the extent not reimbursed by third parties), including without limitation:

- (i) costs and expenses related to the investigation, purchase, holding, making, monitoring, management, restructuring and disposition of investments (including unconsummated investments or “**broken deals**”) (collectively, “**Portfolio Investment Expenses**”);
- (ii) fees and expenses of administrators, custodians, economists, consultants, outside counsel and accountants (including audit fees);
- (iii) the costs of insurance, including premiums for directors’ and officers’ and liability insurance;
- (iv) any taxes, fees or other governmental charges levied against the ACON Investment Vehicle;
- (v) costs and expenses of annual and other investor meetings, meetings of any investor advisory committees, and other investor advisory committee costs, including any firm retained by such committee to determine the fair market value of unrealized portfolio investments;
- (vi) interest on and fees and expenses arising out of all borrowings made in connection with the Investment Vehicle’s activities and operations, including the arrangement thereof;
- (vii) fees and expenses incurred in connection with any audit investigation, governmental inquiry or public relations undertaking relating to the ACON Investment Vehicle or its activities;
- (viii) costs related to investor reporting, including preparation of tax reporting and filing documents and Schedule K-1s as well as electronic delivery of investor materials and the software costs associated therewith; and
- (ix) costs and expenses of any litigation relating to the activities or operations of the ACON Investment Vehicle, 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 ACON Investment Vehicles.

For avoidance of doubt, “**Portfolio Investment Expenses**” generally include without limitation expenses paid to brokers in connection with the sale or purchase of portfolio company interests; sales commissions; appraisal fees; taxes; brokerage fees; underwriting commissions and discounts; and legal, accounting, investment banking, consulting, information services and professional fees related to the discovery, investigation, development, making, management and disposition of investments; and travel and accommodation expenses incurred in connection with such activities, including by ACON personnel. Out-of-pocket expenses associated with completed investments by an ACON Investment Vehicle typically are reimbursed by the relevant portfolio company or capitalized as part of the acquisition price of the relevant transaction.

Allocation of Certain Expenses, including Broken Deal Expenses

Certain expenses, including insurance premiums, audit and tax preparation fees and annual meeting expenses are allocated by ACON to the various ACON Investment Vehicles and to ACON, as necessary and appropriate, at the discretion of ACON using its best judgment. Such allocations consider a variety of factors including, for example, the invested and committed capital of the Investment Vehicle and the number of portfolio companies.

ACON or its affiliates may permit certain investors to co-invest in portfolio companies alongside the Fund. If a transaction in which a co-investment was planned (including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise have been beneficial, in the judgment of ACON or the relevant GP/Manager) ultimately is not consummated, ACON expects that in most or all cases, all broken deal expenses relating to such proposed transaction, including without limitation “reverse break-up” or similar fees required by the target company, will be borne by the Fund, and not by any potential co-investors that were to participate in such transaction.

Organizational Expenses

Unreimbursed costs and expenses associated with all legal and other organizational and offering expenses incurred in connection with organizing and establishing ACON Investment Vehicles and related entities, including the Fund(s) (collectively, “**Organizational Costs**”) are also charged to Investment Vehicles.¹⁰ In the case of the Fund, Organizational Costs are capped at an amount set forth in the Fund Agreement. Excess amounts incurred above such cap are borne by ACON. Organizational Costs include, without limitation, all legal, accounting, incorporation, and securities filing expenses, and other out-of-pocket costs incurred in connection with capital raising such as printing and other similar costs, fees, and expenses (but excluding travel and entertainment expenses of ACON personnel) and may include expenses incurred by third-party solicitors if permitted by the specific Fund Agreement. With respect to organization of an ACON Investment Vehicle, fees (and typically expenses) of third-party solicitors engaged by ACON or

¹⁰ Often, in connection with the acquisition of a portfolio company or completion of a follow-on acquisition for an existing portfolio company, the portfolio company will pay for Organizational Expenses associated therewith such that there may not be unreimbursed costs.

other affiliates thereof in connection therewith are borne by ACON and not charged to the Investment Vehicle.

Expenses Borne by ACON

ACON bears the cost of all routine overhead expenses, including rent, utilities, secretarial expenses and compensation and employee benefits of employees of ACON and its affiliates, as well as travel and entertainment expenses of ACON personnel incurred in connection with any general or background investigation of industries suitable for investment.

Secondments, Operating Personnel and Consultants

In certain circumstances, current or former ACON personnel serve in interim or part-time roles at one or more portfolio companies, or provide services to portfolio companies as secondees or in similar capacities, while maintaining certain benefits, support services or indicia of employment at ACON. Under such arrangements, ACON and/or the relevant portfolio company may pay all or a portion of the personnel costs of the relevant employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships will not result in offsets to the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to ACON at the end of such secondee arrangements.

ACON has in the past caused, and expects in the future to cause one or more persons who are independent contractors of ACON or its affiliates to provide consulting services to portfolio companies on a range of operational issues. To the extent that any such person's time is allocated to a portfolio company with respect to the provision of operational services, the costs associated with such time shall be allocated to and paid (or reimbursed, if applicable) by such portfolio company or by the Investment Vehicle. Such allocations will be made by ACON in a manner that ACON believes to be fair, equitable and consistent with the terms of such portfolio company's management services agreement or other agreement with the Investment Vehicle and/or an ACON affiliate. Operating personnel also generally will be reimbursed for certain travel and other costs in connection with their services. The resulting payments received by ACON, its affiliates or the independent contractor providing the services will not result in an offset of any Management Fee.¹¹

¹¹ For time these operational personnel spend providing general non-operational portfolio company monitoring services and/or general administrative Firm time, ACON will allocate costs associated with such time for these services provided to itself. In this case, investors will not bear, directly or indirectly, such costs. Reasonable travel, lodging and meal costs incurred by such operations personnel when providing services (operational or not) to a portfolio company will be billed to such portfolio company to the extent consistent with the specific portfolio company management services agreement or other agreements with ACON or its affiliates and reimbursed in accordance with ACON's regular expense billing and reimbursement practices and, as with other ACON executives' out-of-pocket expenses, will not result in an offset of any Fund Management Fee or other management fee.

In addition to operating professionals, ACON also engages and compensates certain other consultants on behalf of its Funds and Co-Invest Vehicles to assist ACON in sourcing, analyzing and executing investments, often with the intention that such consultants will assume board, executive or other management roles at the portfolio companies they identify. Compensation, expenses, fees and other amounts received by the foregoing, including amounts received from portfolio companies or any ACON Investment Vehicle, will not result in an offset of any Management Fee.

The use of secondment arrangements, operating personnel and consultants subjects the Adviser to conflicts of interest. See Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks—Certain Conflicts of Interest*) for more detail regarding these arrangements.

Other Benefits

From time to time, the Fund (or other private equity funds sponsored by ACON's other affiliated registered investment advisers) invests in portfolio companies engaged in the retail, consumer products, services or other industry. ACON personnel and investors derive immaterial benefits from such investments due to the fact that they may obtain, for personal use, discounts on, or receive on a complimentary basis, goods or services as a result of their employment or association with ACON or its affiliates.

Investors should review all fees and expenses charged by ACON, its GPs/Managers and others to the respective ACON Investment Vehicles to determine the total amount of fees and expenses to be paid by these vehicles and, indirectly, their investors.

Refunds for Fees Charged in Advance

Management Fees typically are paid in advance. The terms of the ACON Investment Vehicles (which are closed-end vehicles) do not generally contemplate a return of fees to investors to the extent that ACON's services terminate prior to the end of the relevant payment period, except that at the end of the term of the ACON Fund, the Fund Management Fees are due in advance only for the applicable *pro-rated* partial period.

Compensation for Sales of Securities

Neither ACON nor any of its supervised persons accept 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

Performance-Based Fees Generally

As noted in Item 5 (*Fees and Compensation*), the ACON Fund, and sometimes the Co-Invest Vehicles, pay a performance-based fee, referred to as Carried Interest, to the Adviser or its GPs/Managers. A potentially significant portion of the long-term compensation of ACON's investment and other professionals is derived from their participation in the Carried Interests

paid by these Investment Vehicles. As such, ACON may be incentivized to make investments that are more speculative than would be the case in the absence of such compensation.

Potential Conflicts relating to Side-by-Side Fund Investing

The difference in performance fee arrangements across various Investment Vehicles managed by ACON as well as by its other affiliated registered investment advisers may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities or create other conflicts of interest as between and among the Fund and Co-Invest Vehicle(s).

ACON believes there are several mitigants to these potential conflicts. All of the private equity funds sponsored by ACON and its affiliates (including its other affiliated registered investment advisers) have substantially similar fee structures. The investment strategies of the U.S. and Latin America private equity funds sponsored by ACON and its affiliated registered investment advisers do not overlap. Consequently, these funds do not compete to invest in the same target portfolio companies. In fact, the U.S. funds, by and large, are specifically prohibited from investing in the Latin America funds' geographical focus area, and the Latin America funds are generally prohibited from investing outside of Latin America. Within each of the U.S. and Latin America fund strategies, ACON and its affiliates have agreed generally not to establish a competing (or successor) private equity fund until such time as a substantial portion of the commitments (typically 75%) made to the existing fund have been drawn down from investors to make portfolio company investments, used for expenses or reserved (although the specific provisions of such successor fund trigger may vary from fund to fund across the entire platform offered by affiliates of ACON Investments). The personal capital invested by ACON personnel also serves to mitigate these conflicts. In addition, each investment made by the Fund undergoes a rigorous due diligence and transaction approval process that culminates in the approval (or rejection) of each investment and disposition by the ACON investment committee. Finally, ACON allocates investment opportunities consistent with the legal obligations set forth in the various Fund Agreements governing its various Funds and its written Fund Allocation and Co-Investment Policy (the "**Allocation Policy**").

Potential Conflicts relating to Allocation of Co-Investment Opportunities

Offering co-investment opportunities to investors is a cornerstone of ACON's investment platform (although ACON does not make any guarantees to investors that co-investment opportunities will arise). The different performance fee arrangements that exist across ACON Investment Vehicles may cause conflicts of interest to arise relating to the allocation of investment opportunities to and among co-investors.

As described above, ACON and its GPs/Managers have reserved the right to waive or reduce the Carried Interest for certain investors in the Fund and the Co-Invest Vehicles. In addition, to the extent ACON or a GP/Manager thereof charges Carried Interest with respect to a Co-Invest Vehicle (including the AIP Vehicles or the investors therein) or a "standalone" Investment Vehicle (*i.e.*, one that owns only one portfolio company), ACON may be incentivized to allocate investment opportunities away from an ACON Fund and toward these co-investors because

Carried Interest in a Co-Invest Vehicle (including the AIP Vehicles or with respect to the investors therein) is not typically subject to clawback or escrow.

To address the potential conflicts raised by these types of allocation issues, ACON has established the Allocation Policy. In determining how to allocate investments across multiple eligible Investment Vehicles, ACON generally offers investment opportunities first to the ACON Fund up to an amount of the transaction deemed prudent by ACON, taking into account, for example:

- (i) investment and operating guidelines, restrictions and objectives;
- (ii) diversification objectives and limitations;
- (iii) tax and regulatory considerations;
- (iv) minimum or maximum dollar limits (including, where applicable, potential for follow-on investments associated with a particular investment and the minimum and maximum Fund allocation that is prudent for such follow-on investment);
- (v) sharing agreements set forth in the ACON Fund Agreement and conflicts provisions set forth therein;
- (vi) and other relevant factors, including strategy, risk profile, time horizon, asset composition, life cycle and structure (collectively, the “**Allocation Factors**”).

ACON typically applies such Allocation Factors on a facts-and-circumstances basis because allocation decisions for each investment opportunity are fact-intensive exercises. While ACON bases its allocation decisions on the information available at the time the opportunity arises, such information may prove in hindsight to be either incomplete or flawed. In addition, the importance that ACON ascribes to any single Allocation Factor may fluctuate over time in response to many factors, including changes in market conditions and the spectrum of investment opportunities available to ACON.

To the extent there is excess investment opportunity beyond that which the Adviser or its GPs/Managers determines is appropriate or advisable to be offered to the Fund, then the Adviser or its affiliates may offer the remaining co-investment opportunity to potential eligible co-investors, following the procedures in ACON’s Allocation Policy as described herein (which includes consideration relating to the process by which ACON will select potential eligible co-investors) and consistent with the provisions in applicable Fund and Investment Agreements. See also Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks—Certain Conflicts of Interest*) for more detail.

Potential Conflicts relating to Non-Cash Distributions

ACON Investment Vehicles permit non-cash distributions of marketable securities to be made to investors (and in the case of liquidation of the vehicle, other types of in kind distributions), which may create a conflict of interest as hereinafter described. When distributions are made in

kind, the amount of any such distributions will be accounted for purposes of the Investment Vehicle's distribution waterfall at the fair market value of the distributed property (which determination is made in accordance with valuation procedures specified in the ACON Investment Vehicle's Investment Agreement). The amounts that an investor in such Investment Vehicle ultimately realizes from amounts distributed in kind may be less than the fair value determined at the time of the distribution from the ACON Investment Vehicle. Because the Adviser (or an affiliate thereof) receives Carried Interest distributions based upon the fair value of amounts distributed to investors, there could be an incentive for ACON to make distributions in kind rather than liquidating an investment and distributing the net cash proceeds to investors. Each Investment Agreement has specific procedures governing distributions in kind, including their valuation. With respect to marketable securities, the Investment Agreement typically requires ACON to value the investment by averaging inputs taken over a couple-week period before and sometimes after the determination date. ACON believes this and other procedures set forth in the Investment Agreement mitigate the potential conflicts associated with this risk by limiting the Adviser's ability to make in kind distributions and/or reducing the potential incentive to do so. In addition, the amount that an investor in an Investment Vehicle might ultimately realize from amounts distributed in kind may exceed the fair value determined at the time of the distribution, further mitigating the risk associated with this potential conflict.

Item 7 - Types of Clients

ACON, directly or through its GPs/Managers, provides investment advisory, management and administrative services to the ACON Investment Vehicles only. Investment advice is not provided individually to the investors in such vehicles.

The ACON Investment Vehicles are pooled investment vehicles formed under foreign and domestic laws and operated as exempt investment pools under the Investment Company Act. The investors participating in ACON Investment Vehicles may include, among others, a broad range of U.S. and non-U.S. investors, including without limitation pension funds, funds of funds, sovereign wealth funds, family offices, development banks, asset managers, endowments and foundations and insurance companies. On occasion, ACON may also offer investment opportunities to other qualified institutions and individuals (for example, executives of present or former portfolio companies). In addition, investors in ACON Investment Vehicles may include ACON personnel and persons with family or other relationships with the Adviser and its affiliates and unaffiliated parties, including without limitation business associates, service providers, strategic advisors, consultants and operating personnel as described above. Details concerning applicable investor suitability criteria are set forth in the respective private placement memoranda and subscription materials for the Investment Vehicles.

ACON may impose a minimum investment commitment for investors in ACON Investment Vehicles, however this minimum may be waived in ACON's sole discretion.

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

Methods of Analysis and Investment Strategies

The Adviser's U.S.-focused investment strategy on behalf of each Investment Vehicle is to seek to increase the value of, and to find desirable exit opportunities for, the investments made by or on behalf of each such vehicle. This strategy may involve the use of information generated by individuals or entities not affiliated with ACON 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, although the Adviser may seek to do transactions that involve more or less capital depending upon the circumstances. ACON 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 with ACON representatives serving on the portfolio company's board, ACON becomes an active participant in guiding the growth or expansion of the ACON Investment Vehicle's portfolio companies. The Adviser's industry experience and broad affiliate network allows its investment professionals and its portfolio company management teams to draw on a diverse set of strategic, financial and industry-specific resources.

ACON 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 the Adviser believes will 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.

ACON 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 ACON's investment professionals to add value to portfolio companies; and (iv) maximize the value of investments upon exit.

Risks

ACON Investment Vehicles generally seek private investments in middle-market companies the primary operations of which are typically within the United States. Certain of the risks related to this investment strategy are summarized below. There are significant risks and potential conflicts

of interest in investing in private securities issued by middle-market companies. Prospective investors should carefully consider all of the risks related to investing in an ACON Investment Vehicle that are set forth in the private placement memorandum or other offering document (if applicable) for that particular ACON Investment Vehicle, including those discussed below. Certain ACON Investment Vehicles, such as the Co-Invest Vehicles, are formed for the sole purpose of investing in a single asset. As such, a single asset investment may involve risks greater than those generally associated with more diversified funds like the ACON Fund, including significant fluctuation in returns. In addition, a single asset investment may be concentrated in an industry or country that contains greater economic, political and/or regulatory risk. Risk factors may occur simultaneously and/or may compound on each other, resulting in an unpredictable effect on the value of an investment in any ACON Investment Vehicle. As a result, no assurance can be given as to the effect that any risk factor may have on the value of an investment in an ACON Investment Vehicle. In addition, ACON has pursued investments outside of the industries and sectors in which ACON has previously made investments or has internal operational experience. For these and other reasons, there can be no assurance that ACON Investment Vehicles will be able to invest capital on attractive terms or generate returns for investors. The investment track records of the members of ACON's investment management team provide no assurance of future results for ACON Investment Vehicles.

Private equity-related investments generally. All securities investments risk the loss of capital. Investments in ACON Investment Vehicles are speculative and involve a high degree of risk. Investments with ACON should be undertaken only by investors that have the financial sophistication and expertise to evaluate the merits and risks of an investment in such vehicle and for which the ACON Investment Vehicle does not represent a complete investment program. There can be no assurance that any ACON Investment Vehicle 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 Investment Vehicle. In addition, there can be no assurance that any ACON Investment Vehicle will be able to generate returns for investors or that returns will be commensurate with the risks of the Investment Vehicle's investments. Investment in any ACON Investment Vehicle should only be made by investors that can afford a loss of their entire investment. Prospective investors should consult their own legal, tax and/or financial advisors prior to investing in an ACON Investment Vehicle.

Issuer selection and issuer-specific risks. In implementing its investment strategy, the Adviser will focus on making investments in 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. There can be no assurance that ACON will correctly evaluate the nature and magnitude of the various factors that could affect the value of the investment or the potential return on investment. Valuations of private investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments and changes to the financial condition or outlook of these issuers, may significantly affect the results of ACON's investment activities and the value of the investments made by ACON Investment Vehicles.

Middle-market companies. The objective of the ACON Investment Vehicles is to invest in middle-market companies. ACON's focus on "middle-market companies" generally includes

companies with enterprise valuations in the range of \$100 million to \$500 million; however, in certain circumstances, ACON has targeted companies below and above this range. Although investments in middle-market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in larger companies. Medium-sized companies may have more limited product lines, market, and financial and other resources. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small- and medium-sized companies, could make it difficult for ACON Investment Vehicles to react quickly to negative economic or political developments.

Distressed investments. ACON Investment Vehicles have invested, and in the future may invest, in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that ACON will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that an underlying portfolio company of an ACON Investment Vehicle becomes involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, such Investment Vehicle may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Investment Vehicle invested.

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 ACON Investment Vehicles will never be fully invested if enough sufficiently attractive investments are not identified or consummated during the vehicle's commitment period. In addition, an ACON Investment Vehicle may participate in a limited number of investments and, as a consequence, the aggregate return of that Investment Vehicle may be substantially adversely affected by the unfavorable performance of even a single investment. There can be no assurance that ACON will be able to consummate and exit investments that satisfy its rate of return objectives. To the extent an Investment Vehicle has concentrated investments in a particular geographic region, security, investment sector or stage of investment, investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions or events applicable to such region, type of security, sector or stage of investment.

Restrictions on transfer; long-term and illiquid nature of interests and of underlying investments. Interests in the ACON Investment Vehicles are not registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any other jurisdiction, and therefore, cannot be resold or transferred unless registered under the Securities Act (and other applicable securities laws) or an exemption from registration is available. No public market exists for the interests and none is expected to develop. Further, approval by ACON or an affiliate of a transfer of an investor's interest in an Investment Vehicle is required before any transfer may occur, which ACON may withhold, typically in its sole discretion. Accordingly, interests in the Investment Vehicles constitute illiquid investments and only those investors that are able to bear the risk of their investment for an indefinite period should purchase interests in the Investment Vehicles.

While an ACON Investment Vehicle'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 Investment Vehicle will realize substantial capital gains during its early years. An Investment Vehicle may invest in investments that unexpectedly cannot be realized in an orderly fashion until after the date on which the ACON Investment Vehicle is scheduled to terminate. Although it is the Adviser's expectation that all investments will be disposed of prior to the end of an Investment Vehicle's term, the Investment Vehicle may have to sell or otherwise dispose of investments on disadvantageous terms as a result of the ACON Investment Vehicle's termination, or distribute such investments in kind. There can be no assurance that purchasers will be found for the investments made by ACON Investment Vehicles.

Certain investments may be distributed in kind to the investors in an Investment Vehicle and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to the investors, many of such investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the Investment Agreement, including the value used to determine the amount of Carried Interest available to ACON with respect to such investment.

Potential exclusion from participation, excuse or withdrawal. The participation in investments of any investor in any of the ACON Investment Vehicles may be limited by virtue of the GP/Manager's right to exclude an investor from participating in some of the Investment Vehicles' investments if the GP/Manager determines that such investor's participation might have certain materially adverse effects on a portfolio company, the Fund or any of their respective affiliates. In addition, an investor may be excused from making capital contributions to an Investment Vehicle, and in rare circumstances may be permitted to withdraw from an Investment Vehicle and receive a refund of its capital account, in the event that such investor's participation in such capital contribution or continuing participation in the Investment Vehicle may result in a violation of a law, an investment policy or other policy of the investor or for other reasons detailed in the Investment Vehicle's governing agreement or Side Letter to which the investor is a party. There is no assurance that such exclusion, excuse or withdrawal will not

adversely affect the Adviser, the Fund, any Investment Vehicle, any portfolio company or the other investors of any such ACON Investment Vehicle.

Consequences of default. In the event that any investor in an ACON Investment Vehicle fails to fund any of its capital commitment when required, such investor will typically be subject to adverse consequences that may include, but are not limited to, a reduction of such investor's percentage interest in such Investment Vehicle and its investments, forfeiture of a portion of its capital account, forfeiture of some or all future gains on investments made prior to its default, a forced sale of such investor's interest in the Investment Vehicle and/or such investor being precluded from further investment in the Investment Vehicle and from the exercise of its voting rights in such Investment Vehicle. Unless ACON elects to terminate a defaulting investor's unpaid commitment, the defaulting investor will remain obligated to make capital contributions as required by ACON up to the full amount of its unpaid commitment. If an investor has insufficient funds to meet its commitment obligations, it may, therefore, incur significant liabilities and losses. ACON may make up any shortfall in contributions resulting from such investor's default by, among other things, requiring the other investors to increase their contributions *pro rata*, subject to such other investors' total available commitments and any other limitations set forth in the Investment Agreement governing the particular Investment Vehicle.

If an investor fails to pay when due installments of its commitment to the Investment Vehicle, and the contributions made by non-defaulting investors and borrowings by the Investment Vehicle are inadequate to cover the defaulted capital contribution, such Investment Vehicle may be unable to pay its obligations when due. As a result, the Investment Vehicle may be subjected to significant penalties that could materially adversely affect the returns to all of the investors (including non-defaulting investors).

Indemnification obligations. In general, an Investment Vehicle will be required to indemnify ACON and its respective officers, directors and affiliates and certain other persons, including without limitation persons who serve on portfolio company boards on behalf of ACON and investor committee representatives, for liabilities incurred in connection with the affairs of such Investment Vehicle. The Investment Vehicle's indemnification obligations may be funded by capital calls from the investors, through the retention of distributable proceeds to investors or through the return of distributions previously made to the investors (subject in each case to any limitations thereon provided in the respective Investment Agreement). In addition, the Investment Vehicle's assets, including any investments held by such Investment Vehicle (including cash or cash equivalents), could be used to satisfy all liabilities and other obligations, including indemnification obligations. If the Investment Vehicle becomes subject to a liability, including an indemnification liability, parties seeking to have the liability satisfied may have recourse to such Investment Vehicle's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. The obligation to fund an indemnification claim will survive the dissolution of the Investment Vehicle.

Market, economic and legal/regulatory risks. The portfolio companies of the Investment Vehicles may be materially and adversely affected by market, economic, and political conditions locally or globally, including factors affecting tax rates and policy, interest rates, the availability

of credit, currency exchange rates and trade barriers. Consequently, portfolio companies may not achieve their expected operational objectives and might experience substantial fluctuations in their operating results. Realization events could be delayed as a result of general market, economic, and political conditions. In addition, following severe global market volatility and dislocations, financial institution failures and defaults and large financial frauds, U.S. and foreign governmental authorities, agencies and representatives have called for financial system and participant regulatory reform. The duration, severity and ultimate effect of recent market conditions and government actions cannot be predicted. Moreover, many of the industries in which ACON makes or targets investments, including without limitation, health care and health care services, consumer products, energy and energy services, hospitality and financial services, are heavily regulated at the U.S. state and federal level or, for international investments, heavily regulated by foreign regulatory authorities. These portfolio companies are subject to frequent changes in regulatory standards or conditions, novel interpretations by regulatory or judicial authorities and vague or ambiguous standards. Adverse regulatory changes or requirements, such as reimbursement programs, for example, could have a material adverse effect on the operations and/or financial performance of the companies owned or targeted by the Investment Vehicles. Governmental regulatory activity may also have a significant effect on interest rates and on the economy generally, which in turn may affect the performance of investments made by the Investment Vehicles. The adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, could have a material adverse effect on portfolio companies of the Investment Vehicles.

AIFMD and EU fundraising activities. The European Union’s Directive on Alternative Investment Fund Managers (2011/61/EU) (the “**AIFMD**”) came into effect in July 2013. The AIFMD introduced regulation regarding the activities of private fund managers who undertake fund management activities or who market Interests to investors within the European Economic Area (“**EEA**”). Pursuant to the AIFMD and its implementation across EEA jurisdictions, ACON expects to carry out registrations for marketing purposes with respect to future Investment Vehicles under article 42 of the AIFMD with regulators in more than one EEA jurisdiction. Accordingly, in those jurisdictions in which such registrations are made and interests in future Investment Vehicles are actively marketed to EEA-based investors, ACON will be subject to additional registration, reporting, disclosure and other regulatory obligations required by the AIFMD, which ACON expects will significantly increase expenses to be borne by investors. Some EEA jurisdictions, alternatively, may adopt regulations that prohibit the marketing of limited partner interests or substantially burden ACON’s ability to offer limited partner interests. To the extent that future Investment Vehicles invest in portfolio companies that are organized or headquartered or have substantial sales or operations in the EEA, other AIFMD-related regulations could restrict the investment activities of such Investment Vehicle, including without limitation restrictions on the remuneration of certain private equity personnel, restrictions on leverage and constraints on “asset stripping” and other early distributions.

Portfolio company leverage. ACON Investment Vehicles have made in the past, and in the future may make, investments in companies with leveraged capital structures. To the extent that an ACON Investment Vehicle 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 or fluctuations in commodities prices, including oil and gas. In the event that a company is unable to generate sufficient cash flow to meet obligations under its indebtedness, the value of the Investment Vehicle's investment could be significantly reduced or even eliminated. Additionally, underlying portfolio companies may be subject to restrictive financial and operating covenants as a result of their use of leverage. This 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 leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

ACON Investment Vehicle leverage. ACON Investment Vehicles may borrow money on their own behalf (*i.e.*, for expenses, including Management Fees, and for purposes of making a portfolio company investment) or guarantee indebtedness (such as the guarantee of an underlying portfolio company's debt). If an Investment Vehicle incurs indebtedness, it could result in interest expense and other costs that may not be covered by distributions made to the Investment Vehicle or appreciation of its investments. An ACON Investment Vehicle may incur leverage on a joint and several basis with one or more other Investment Vehicles and entities managed by the GPs/Managers or any of their respective affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent an ACON Investment Vehicle incurs indebtedness (or provides such guarantees), such amounts typically will be secured by capital commitments made by the Investment Vehicle's investors in accordance with the respective Investment Agreement and such investors' contributions could be required to be made directly to the lenders instead of such Investment Vehicle. In borrowing on behalf of an Investment Vehicle, the Adviser or its affiliates will be subject to conflicts of interest between repaying such obligations and retaining such borrowed amounts for the benefit of the Investment Vehicle.

Bridge financings and co-investor rebalancings. From time to time, ACON Investment Vehicles have lent, and may in the future lend, money to portfolio companies on a short-term basis in anticipation of a future issuance of equity or long-term debt securities or for other purposes. Such bridge loans typically will be convertible into a more permanent, long-term security; however, for reasons not always in the Investment Vehicle's control, such long-term securities may not be issued and such bridge loans may remain outstanding. Bridge loans may or may not be secured. In such event, the interest rate on such loans may not adequately reflect the risk associated with the position taken by the ACON Investment Vehicle.

In addition, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from an ACON Fund after such ACON Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Typically ACON attempts to structure these transactions by having the Fund provide bridge financing to the portfolio company that will subsequently be repaid using the proceeds of investments made by co-investors or the relevant co-invest vehicle. ACON endeavors to structure these transactions so that all or a portion of the ACON Fund's bridge financing is repaid in no more than three to six months or some similar period of time in an effort to avoid or minimize any changes in the valuation of the underlying investment or for other reasons. ACON provides no assurance that valuation changes will not occur and/or that a co-investor's purchase

will be adjusted to take a valuation change into account. Where appropriate, and in the Adviser's sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the Fund for related costs. There can be no assurance that co-investors will agree to pay such interest or that their co-investment commitments into the Co-Invest Vehicle will close in a timely manner or for the targeted amount sought to be rebalanced from co-investors. To the extent such amounts are not so charged or reimbursed, they generally will be borne by the Fund.

Controlling interests. Although it is the Adviser's intention to structure investments to avoid liability for any ACON Investment Vehicle, because of its equity ownership, representation on the board of directors and/or contractual rights, an ACON Investment Vehicle is often considered to control, participate in the management of or influence the conduct of portfolio companies. Although such positions in certain circumstances may be important to the Investment Vehicle's investment strategy and may enhance the GP/Manager's ability to manage such Investment Vehicle's investments, they may also have the effect of impairing ACON's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the GP/Manager and the Investment Vehicle to claims they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director or officer related claims. In general, an ACON Investment Vehicle will indemnify ACON and its affiliates and its representatives from such claims. In addition, such controlling interest by an Investment Vehicle in a portfolio company may expose the Investment Vehicle, and the assets thereof, to risk of liability for environmental damage, under-funded benefit plans, product defects, failure to supervise management, violation of governmental regulations, violations of fiduciary duties to minority owners and other types of liability, including without limitation, in the case of debt investments, lender liability. Such liabilities may exceed the value of the Investment Vehicle's investment in that portfolio company.

The ACON Investment Vehicles are also likely to be represented on the boards of directors of many of their portfolio companies or have their representatives serve as observers to such boards of directors. Under certain circumstances, ACON personnel also have served, and may in the future serve, as officers of portfolio companies. Although such positions in certain circumstances may be important to the Investment Vehicle's investment strategy and may enhance the Adviser's ability to manage the Investment Vehicle's investments, they may also have the effect of impairing the Adviser's ability to sell the related securities when, and upon the terms, it may otherwise desire. They may also subject the Adviser, its affiliates, the Adviser's personnel and the Investment Vehicle(s) to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director or officer related claims. In general, the Investment Vehicles indemnify the Adviser, its affiliates and the Adviser's personnel and other persons acting on the Adviser's behalf in connection with the investment from such claims.

Lack of unilateral control in "control" investments and/or minority investments. Even if a Fund or ACON Investment Vehicle is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of such portfolio company. To the extent a Fund or an ACON Investment Vehicle invests alongside

third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of such Fund or ACON Investment Vehicle or the investors therein. Such third parties may be in a position to take action contrary to such Fund or ACON Investment Vehicle's business, tax or other interests, and such Fund or ACON Investment Vehicle may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund or ACON Investment Vehicle generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that such Fund or vehicle will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

Risks associated with publicly traded investments. The ACON Investment Vehicles have in the past invested and, in the future may invest, a portion of their total commitments in publicly traded securities. Investments in securities of publicly traded companies may be sensitive to movements in the stock markets on which they are traded. Instability in the securities markets may also increase the risks inherent in such investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

Investments in restructurings. ACON Investment Vehicles have invested, and in the future may invest, in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the Investment Vehicles to certain additional potential liabilities that may exceed the value of the Investment Vehicles' investments therein. For example, under certain circumstances, lenders that have inappropriately exercised control over the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Furthermore, bankruptcy proceedings to which portfolio companies may become subject may subject the Investment Vehicles to certain additional potential liabilities that may exceed the value of the Investment Vehicles' investment. In addition, under certain circumstances, payments to the Investment Vehicles and distributions by the Investment Vehicles to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Cybersecurity and disaster recovery risks. ACON, like all investment advisers, must rely in part on digital and network technologies, including electronic mail (collectively, "**cyber networks**"), to maintain substantial computerized data and other information about ACON Investment Vehicles and the activities of such vehicles, including personal identifying data relating to investors as well as sensitive, confidential and/or proprietary data and information relating to prospective and existing portfolio companies of ACON Investment Vehicles (collectively, "**Sensitive Information**"). Such cyber networks, along with the cyber networks of prospective and existing portfolio companies or those of ACON's third-party service providers, might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of Sensitive Information to unintended

parties, or the intentional misappropriation or destruction of Sensitive Information by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to circumvent network security electronically or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. ACON's and its portfolio companies' cyber networks also may be vulnerable to damage or interruption from computer viruses, network, computer and telecommunication failures, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, earthquakes and other catastrophic events.

Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; (v) cash; or (vi) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant ACON Investment Vehicle, to substantial losses.

ACON maintains policies and procedures on information technology security. ACON has certain technical and physical safeguards intended to protect the confidentiality of its Sensitive Information. ACON also takes other reasonable precautions to limit the potential for cybersecurity and disaster recovery incidents to occur and to protect Sensitive Information from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity and disaster recovery incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to Sensitive Information and/or cause damage to the ACON Investment Vehicles or their investors or ACON's activities on behalf of its Investment Vehicles or their investors. Such cybersecurity and disaster recovery incidents could also result in reputational harm to ACON, its Investment Vehicles and/or any affected portfolio company, and subject any such entity and its affiliates to material legal and regulatory actions. Such failures could also materially and adversely affect the business, operations and financial performance of the affected entity, including ACON, its related Investment Vehicles and portfolio companies. In addition, a breach of ACON's cyber networks could result in the substantial loss of significant funds to its Investment Vehicles and their investors.

Certain Conflicts of Interest

ACON, its affiliates and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Investment Vehicles and providing transaction-related, investment advisory, legal, management and other services to Investment Vehicles and their respective portfolio companies. Accordingly, various potential and actual conflicts of interest will arise from time to time with respect to the overall investment activities of the GPs/Managers and their affiliates, including other ACON

Investment Vehicles and their respective portfolio companies. The following briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. Any references to ACON and its affiliates in this section will be deemed to include their respective affiliates, partners, members, shareholders, officers, directors, managers and employees.

Strategic investors; investments in joint ventures. Consistent with past practice, an ACON Investment Vehicle may jointly invest in transactions with one or more strategic investors or other co-parties (which may consist of third parties or investors), including through joint ventures or other entities. Such investments will involve risks not present in direct investments, including, for example, the outcomes of collaborative decision-making varying (adversely) from those which ACON would have reached itself, and the possibility that such co-party might become bankrupt, or might have interests, objectives, rights or remedies that are different from or may conflict with those of the ACON Investment Vehicles. Such investments may also involve risks not present in investments for which an Investment Vehicle invests alone or offers traditional co-investment opportunities that are managed by ACON or one of its affiliates. Furthermore, if any such co-party becomes bankrupt or defaults on its funding obligations, it may be difficult for the Investment Vehicle to make up the shortfall. The Investment Vehicle may be required to make additional contributions to replace such shortfall, reducing the diversification of such Investment Vehicle's investments. The ACON Investment Vehicle may also be liable for the conduct of its co-venture parties. In addition, in negotiating an investment through joint ventures or other similar arrangements, the ACON Investment Vehicle may have to agree to less favorable terms (*e.g.*, bearing a disproportionate share of expenses) than might be present in direct investments or traditional co-investment arrangements.

Co-investment generally. The Adviser, its GPs/Managers and affiliates thereof (including other registered affiliated investment advisers of ACON) are authorized to and expect to offer co-investment opportunities to co-investors. Co-investors may demand a significant level of control over the joint investment and will not have the same interests or objectives as the Fund that is co-investing alongside the co-investors. For example, co-investors may receive governance rights, veto and/or other control rights. ACON endeavors to limit these rights, however ACON can provide no assurance that it will be successful in adequately limiting these rights or that the existence of any such rights given will not affect the outcome of the particular investment.

Co-investment opportunity allocation issues. Offering co-investment opportunities to investors is a cornerstone of ACON's investment platform (although ACON does not make any guarantees to investors that co-investment opportunities will arise). The different performance fee arrangements that exist across ACON Investment Vehicles may cause conflicts of interest to arise relating to the allocation of investment opportunities to and among co-investors. In some cases, the amount of carried interest that the GP/Manager or its affiliates may receive with respect to an investor's commitment to a Fund will depend on the amount of co-investment opportunities that the GP/Manager offers to or closes with such investor. As a result, ACON may be incentivized to allocate investment opportunities away from the Fund and toward these investors specifically. Additionally, the fee income received by the Adviser and/or its affiliates with respect to co-investments will in many cases not be subject to the same fee offset provisions as set forth in the ACON Fund Agreement, such that the Adviser will retain as earned revenue any such fee income that is not required to be given back to the investors through a fee offset

provision. This revenue may be significant and could further incentivize ACON to allocate investment opportunities away from the Fund and to coinvestors generally or to a specific group of coinvestors. In addition, Co-Invest Vehicle Carried Interest typically is not subject to clawback or escrow provisions because these vehicles typically do not make more than one portfolio company investment. These economics may or may not be more favorable to ACON and its affiliates than those provided by the ACON Fund that is investing alongside such co-investors and, as a result, could create incentives that could affect how the Adviser allocates investment opportunities.

To address the potential conflicts raised by these types of allocation issues, ACON has established the Allocation Policy. In determining how to allocate investments across multiple eligible Investment Vehicles, ACON generally offers investment opportunities first to the ACON Fund up to an amount of the transaction deemed prudent by ACON, taking into account, for example:

- (i) investment and operating guidelines, restrictions and objectives;
- (ii) diversification objectives and limitations;
- (iii) tax and regulatory considerations;
- (iv) minimum or maximum dollar limits (including, where applicable, potential for follow-on investments associated with a particular investment and the minimum and maximum Fund allocation that is prudent for such follow-on investment);
- (v) sharing agreements set forth in the ACON Fund Agreement and conflicts provisions set forth therein;
- (vi) and other relevant factors, including strategy, risk profile, time horizon, asset composition, life cycle and structure, as well as external factors such as whether the co-investment opportunity may encourage reciprocal investment offers to the Fund or its affiliates and whether the co-investment offer will enhance the investment opportunity or the opportunities for the Firm (collectively, the “**Allocation Factors**”).

ACON typically applies such Allocation Factors on a facts-and-circumstances basis because allocation decisions for each investment opportunity are fact-intensive exercises. While ACON bases its allocation decisions on the information available at the time the opportunity arises, such information may prove in hindsight to be either incomplete or flawed. In addition, the importance that ACON ascribes to any single Allocation Factor may fluctuate over time in response to many factors, including changes in market conditions and the spectrum of investment opportunities available to ACON.

To the extent there is excess investment opportunity beyond that which the Adviser or its GPs/Managers determines is appropriate or advisable to be offered to the ACON Fund, then the Adviser or its affiliates may offer the remaining co-investment opportunity to potential eligible co-investors, following the procedures in ACON’s Allocation Policy as described herein (which

includes consideration relating to the process by which ACON will select potential eligible co-investors) and consistent with the provisions in applicable Fund and Investment Agreements. ACON expects that co-investment opportunities will be offered to some, but not necessarily all, investors in ACON's discretion. In determining eligibility to be offered a co-investment opportunity, the GPs/Managers may take into account any one or more of the following co-investment allocation factors (which list is not exhaustive):

- (i) perceived ability to execute quickly and efficiently on transactions;
- (ii) perceived certainty of funding;
- (iii) the size of the co-investment allocation available and the practicality (or impracticality) of splitting the allocation into smaller tranches;
- (iv) lender requirements;
- (v) confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity;
- (vi) whether ACON believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate strategic relationships that have the potential to provide longer-term benefits to the Fund, ACON or its affiliates;
- (vii) expressed interest in co-investment opportunities;
- (viii) the perceived expertise, knowledge and sophistication of the prospective co-investor with respect to the issuer, segment, industry, geographic region or other characteristics that are believed to be relevant to the investment, the Fund, ACON or its affiliates;
- (ix) tax, regulatory and securities law considerations; and
- (x) other factors that ACON considers important (collectively, the **“Co-Investment Allocation Factors”**).

ACON expects that these factors will naturally lead it or its affiliates to favor some co-investors and potential co-investors over others with respect to the frequency with which ACON or its affiliates offer them co-investment opportunities.

ACON's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While ACON will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to investors under the circumstances over time and considering relevant factors, there can be no assurance that a Fund or Investment Vehicle's actual allocation of an

investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which ACON may be subject, discussed herein, did not exist.

Facilitation of secondary transfers of ACON Investment Vehicle interests. In certain cases, the Adviser will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Investment Agreement, no obligation) to identify one or more secondary transferees of interests in an ACON Investment Vehicle. In such cases, the Adviser will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Investment Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Investment Vehicle interests should be offered to one or more existing Fund or ACON Investment Vehicle investors.

Transactions with portfolio companies and conflicts of interest. As described in Item 5 (*Fees and Compensation*), ACON and its affiliates have received, and may in the future receive, from prospective portfolio companies, actual portfolio companies or their respective affiliates, monitoring fees, set-up fees, financial advisory fees, operational consulting and other fees, as well as break-up 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 investors will receive a benefit from such fees only to the extent set forth in the Investment Agreement governing their investment (whether in the Fund or Co-Invest Vehicle), such fees may create an incentive for the Adviser and its GPs/Managers to approve and cause such vehicle to make more speculative investments than it would otherwise make in the absence of such compensation. Other Fees negotiated for by ACON also include accelerated portfolio company monitoring fees in the event of a sale of a company prior to the expiration of the term of the applicable portfolio company monitoring fee or management services agreement. Such accelerated monitoring fees may be calculated based on expectations or estimates of future events and, accordingly, may be higher or lower than the actual cost and/or amount of services provided and may negatively impact investor returns.

Use of secondees/interim employee arrangements, operating professionals and consultants. In certain circumstances, current or former ACON personnel serve in interim or part-time roles at one or more portfolio companies, or provide services to portfolio companies as secondees or in similar capacities, while maintaining certain benefits, support services or indicia of employment at ACON. Under such arrangements, ACON and/or the relevant portfolio company may pay all or a portion of the personnel costs of the relevant employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondees relationships will not result in offsets to the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to ACON at the end of such secondee arrangements.

ACON has in the past caused, and expects in the future to cause one or more persons who are independent contractors of ACON or its affiliates to provide consulting services to portfolio companies on a range of operational issues. To the extent that any such person's time is allocated to a portfolio company with respect to the provision of operational services, the costs associated with such time shall be allocated to and paid (or reimbursed, if applicable) by such portfolio company or by the Investment Vehicle. Such allocations will be made by ACON in a manner that ACON believes to be fair, equitable and consistent with the terms of such portfolio company's management services agreement or other agreement with the Investment Vehicle and/or an ACON affiliate. The resulting payments received by ACON, its affiliates or the independent contractor providing the services will not result in an offset of any Management Fee.

In addition, the reasonable travel, lodging and meal costs incurred by such an independent contractor of ACON or its affiliates when providing services (operational or not) to a portfolio company will be billed to such portfolio company to the extent consistent with the specific portfolio company management services agreement or other agreement with the Investment Vehicle (or its affiliate) and reimbursed in accordance with ACON's regular expense billing and reimbursement practices. As with other ACON executives' out-of-pocket expenses, the payment of these amounts will not result in an offset of any Management Fee. The fees and expenses described above and the manner in which they are handled increase the overall cost of the Investment Vehicle's investment program from the perspective of an investor, and could negatively impact financial returns.

Operating professionals make use of ACON resources or otherwise are associated with ACON. ACON and/or its affiliates may (although they have not to date) agree to compensate certain operating personnel to the extent portfolio-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating personnel compensation may include cash fees, securities of a portfolio company and/or a share of proceeds upon sale of a portfolio company, although this has not occurred to date. Additionally, portfolio companies may provide opportunities for operating personnel to invest in such portfolio company and reimburse costs and expenses incurred by operating personnel (although this has not occurred to date). Operating personnel also have and may in the future have a limited partner interest in ACON's GPs/Managers and/or ACON Investment Vehicles (including the Fund), may receive remuneration from ACON and/or its Fund or affiliates and/or be entitled to other forms of compensation, including Carried Interest.

Such investment opportunities, reimbursements and other compensation paid to operating personnel will not offset the Management Fee of any Fund or Investment Vehicle. Although the use of operating personnel and the allocation of compensation paid to them by ACON, its affiliates and/or the portfolio companies subjects ACON and/or its affiliates to potential conflicts of interest, ACON believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Investment Vehicle(s)) that will result if the cost of the operating personnel is lower than market rates for the services provided and/or if the services of the operating personnel align with ACON's model for the portfolio company and improve portfolio company performance. Although ACON seeks to retain operating personnel with a view to reducing costs to portfolio

companies (and, ultimately, the Investment Vehicles) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. ACON also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that ACON believes will align such persons' interests with those of the Investment Vehicles' investors, and seeks to retain only operating personnel and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition to operating professionals, ACON also engages and compensates certain other consultants on behalf of its Fund and Co-Invest Vehicles to assist ACON in sourcing, analyzing and executing investments, often with the intention that such consultants will assume board, executive or other management roles at the portfolio companies they identify. Compensation, expenses, fees and other amounts received by the foregoing, including amounts received by such consultants from portfolio companies or any ACON Investment Vehicle, will not result in an offset of any Management Fee.

Reimbursements from portfolio companies. A portfolio company typically will reimburse ACON (and/or its affiliates) or service providers retained at ACON's discretion for expenses (including without limitation travel expenses) incurred by ACON (and/or its affiliates) or such service providers in connection with its or their performance of services for such portfolio company, including for consultative operational services described above. In respect of controlled investments, ACON personnel often have the right to appoint portfolio company board members and may determine or influence decisions by the portfolio company with respect to expense reimbursements. This subjects ACON to conflicts of interest because the Investment Vehicle will generally not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. ACON determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Any fee paid or expense reimbursed to ACON (and/or its affiliates) or such service providers is generally subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Recommendations of service providers to portfolio companies. ACON generally exercises discretion in recommending to an Investment Vehicle or to a portfolio company thereof that it contract for services with (i) ACON, its affiliates or a related person of ACON (which may include a portfolio company of an Investment Vehicle or other funds that ACON advises), (ii) an entity with which ACON or its affiliates or current or former personnel has a relationship or from which ACON or its affiliates or their personnel otherwise derives financial or other benefit, including without limitation a group purchasing organization or (iii) certain limited partners or their affiliates. For example, ACON or its Investment Vehicles or portfolio companies may be presented with opportunities to receive financing and/or other services from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects ACON to conflicts of interest, because although ACON selects service providers that it believes

are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, the Investment Vehicle's returns, ACON could have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that ACON, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Investment Vehicle or to ACON), could favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not ACON has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

ACON may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by a Fund or other Investment Vehicles advised by ACON; conversely, current or former personnel or executives of ACON (and/or its affiliates) may serve in significant management roles at portfolio companies or service providers recommended by ACON. Similarly, ACON, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to the Fund, ACON and/or its affiliates or other Investment Vehicles ACON advises. ACON may have a conflict of interest with the Investment Vehicle in recommending the retention or continuation of a third-party service provider to such Investment Vehicle or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in the Investment Vehicle or any future investment vehicles advised by ACON, will provide ACON information about markets and industries in which ACON operates (or is contemplating operations) or will provide other services that are beneficial to ACON. ACON may have a conflict of interest in making such recommendations, in that ACON has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Investment Vehicle, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Investment Vehicle.

Affiliate investment activities. It is contemplated that ACON, its affiliates, the Fund Principals and partners, members, officers, and employees of ACON (and/or its affiliates) may buy or sell securities or other instruments that ACON has recommended to an Investment Vehicle. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by the Fund. Such transactions are subject to any applicable restrictions in the Investment Agreement governing the applicable Investment Vehicle and any applicable policies and procedures set forth in the Adviser's Code of Ethics. Typically, the GPs/Managers (and their respective affiliates) of an Investment Vehicle will not offer securities transactions opportunities to such Investment Vehicle if the investment opportunity (i) is required to be offered to a predecessor Investment Vehicle pursuant to the terms of such vehicle's governing documents,

(ii) involves an investment below a certain dollar threshold amount or (iii) is not permitted to be offered to the particular Investment Vehicle because of confidentiality, fiduciary or other obligations (for example, in connection with an ACON employee or representative's service on a company's board of directors). The investment policies, fee arrangements and other circumstances of these and other investments will vary across Investment Vehicles.

Cross-fund investments. One or more investment vehicles managed by ACON or its affiliates has made and may in the future make a "cross-fund investment." A cross-fund investment means an investment in a portfolio company in which another Investment Vehicle, or an investment vehicle sponsored by an ACON affiliate (including another ACON affiliated registered investment adviser), already has an investment or will be making an investment at the same time. Historically, cross-fund investing has occurred very rarely. Cross-fund investments may occur when the vehicle with the existing investment does not have sufficient capital to make a follow-on investment or is at or approaching the end of its commitment period or term, or where ACON is investing out of two Investment Vehicles at the same time (*i.e.*, a predecessor and successor Fund) and must allocate the investment opportunity across both vehicles.

Cross-fund investing raises conflicts of interest for a variety of reasons. Often, the security that will be purchased by the later-investing Investment Vehicle may have more attractive terms and conditions than the securities issued to the earlier Investment Vehicle and may be higher in the capital structure than those held by the earlier vehicle. For example, the earlier vehicle may hold equity securities of a company and the later vehicle may purchase convertible debt securities of such company. In such a situation, the interests of the two ACON Investment Vehicles may not always be aligned, which may give rise to actual or potential conflicts of interest or the appearance of such conflicts of interest. For example, questions may arise as to whether payment obligations and covenants at the portfolio company level should be enforced, modified or waived, or whether debt should be refinanced or restructured.

The fact that one Investment Vehicle's interests sit higher in a company's waterfall, or the stage of maturity of each Investment Vehicle (*i.e.*, how close to the end of the vehicle's life it may be) also could impact decision-making regarding potential sales processes, including what valuation to target and whether an exit should be pursued. Questions may arise about what action should be taken when a company is in financial distress, including whether to enforce claims and whether to initiate restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Investment Vehicles that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Investment Vehicles may or may not provide such additional capital and, if provided, each Investment Vehicle generally will supply such additional capital in such amounts, if any, as determined by ACON in its sole discretion.

Conflicts also may arise when an Investment Vehicle makes investments in conjunction with an investment being made by another Investment Vehicle, or if it were to invest in the securities of a company in which another Investment Vehicle has already made an investment. To the extent an Investment Vehicle has insufficient unfunded capital available to support its investment, then such Investment Vehicle may suffer dilution, while the other Investment Vehicle may continue

investing. An Investment Vehicle also may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Investment Vehicles. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Investment Vehicle and the other Investment Vehicle(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. ACON and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Investment Vehicle's investments will be the same as the returns obtained by other Investment Vehicles participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Investment Vehicles. In that regard, actions may be taken for one or more Investment Vehicles that adversely affect other Investment Vehicles.

Cross-fund investing also raises the risk of using the assets of one Investment Vehicle to support the portfolio of another vehicle, which action might be motivated by a desire by the Adviser to attempt to reduce the potential clawback liability of an ACON affiliate (and therefore the guarantor liability of the ensuing carry recipients). In determining whether to make a cross-fund investment and upon what terms, ACON will follow the procedures set forth in the Investment Agreement for each Investment Vehicle. These procedures typically require receipt of investor advisory consent from each affected vehicle to the conflicts of interest inherent in the transaction. In addition, ACON has an Allocation Policy that it will follow regarding allocation of investment opportunities.

Transactions between ACON Investment Vehicles. Although uncommon, from time to time the Adviser may cause an ACON Investment Vehicle to enter into a transaction whereby such Investment Vehicle purchases securities from, or sells securities to, other Investment Vehicles managed by the Adviser, or co-investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Investment Vehicle supports the value of portfolio companies owned by another Investment Vehicle. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represents what would ultimately be the underlying investment's fair value. To the extent required by the relevant Investment Vehicles' Investment Agreements or otherwise in the sole discretion of the Adviser, the Adviser may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Investment Vehicle(s) (including, where authorized, the consent of an Investment Vehicle's investor advisory board) to such transactions. In certain circumstances, the Adviser may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to an ACON Investment Vehicle under then-current market conditions. The Adviser intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each such vehicle under the circumstances, including a consideration of the potential present and future benefits with respect to each Investment Vehicle.

Cross-guarantees by ACON Investment Vehicles. Although the Adviser generally structures its Investment Vehicles to avoid cross-guarantees and other circumstances in which one Investment Vehicle bears liability for all or part of the obligations of another Investment Vehicle, in certain circumstances lenders and other market parties negotiate for the right to face only select Investment Vehicle entities, which may result in a single Investment Vehicle being solely liable for another Investment Vehicle's share of the relevant obligation and/or joint and several liability among Investment Vehicles. In each such case, the Adviser intends to cause the relevant other Investment Vehicles to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Investment Vehicle undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Below-the-Fund platforms. From time to time, an ACON Investment Vehicle may establish or invest in platform companies or similar platform investments that seek to acquire interests in other companies and/or assets. While the relevant Investment Vehicle would typically be involved in the strategy and oversight of any platform investment, a platform investment typically would retain its own management team to operate, administer and manage the platform on a daily basis. In such cases, the relevant Investment Vehicle generally will directly or indirectly bear the expenses related to developing and operating the platform investment, including overhead expenses (such as real estate, technology, salaries, bonuses and incentive-based compensation (e.g., equity, profits interests, options and warrants)), investment sourcing and diligence expenses, transaction fees and other related expenses. Such expenses generally will not offset any Management Fee paid by the ACON Investment Vehicle.

Such platform investments create potential conflicts of interest. For example, management teams sometimes provide services that are similar to, and that may overlap with, services provided by the Adviser and its personnel to the Investment Vehicles, and certain Adviser professionals are expected to serve on the boards of, or otherwise provide services to, platform investments. Because the Adviser (and not the Investment Vehicle) otherwise generally pays the salaries of its employees, the Adviser has an incentive to cause a platform investment to retain its own management team instead of relying on the Adviser employees to provide managerial services, or to deploy existing Adviser employees as members of such platform investment's management team. In addition, the Adviser generally will have the ability to influence significantly the form and amount of compensation paid to such management teams. Members of platform investment management teams also may render services exclusively to the platform or provide the same or similar services to other Investment Vehicles and/or portfolio companies.

Allocation of expenses, including broken deal expenses. Cross-fund investing and co-investing can raise conflict issues relating to allocation of expenses across multiple vehicles. To the extent more than one ACON Investment Vehicle is invested in a portfolio company, ACON will allocate expenses across all such entities (or the investors therein) in the manner required by the Investment Agreement or, in the absence of such a requirement, in a manner ACON believes to be fair and reasonable using its best judgment, considering such factors as ACON deems relevant, in its sole discretion. In the case of expenses incurred in connection with proposed transactions to be completed by the Fund, but which transactions are not consummated ("**Broken Deal Expenses**"), allocation issues similarly can arise. If a transaction in which a co-investment

was planned (including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise have been beneficial, in the judgment of ACON or the relevant GP/Manager) ultimately is not consummated, ACON expects that in most or all cases, all Broken Deal Expenses relating to such proposed transaction, including without limitation “reverse break-up” or similar fees required by the target company, will be borne by the Fund, and not by any potential co-investors that were to participate in such transaction.

Allocation of break-up fees. Cross-fund investing and co-investing also can raise conflict issues relating to allocation of fee income across multiple vehicles. To the extent more than one ACON Investment Vehicle is invested in a portfolio company, ACON will allocate fees received across all such entities (or the investors therein) in the manner required by the Investment Agreement or, in the absence of such a requirement, in such other manner that ACON believes to be fair and reasonable using its best judgment, considering such factors as ACON deems relevant, in its sole discretion. In connection with proposed transactions contemplated by the Fund with prospective portfolio companies where the transaction is not consummated, certain of these prospective portfolio companies may pay “break-up fees” and other amounts in connection therewith. If a transaction in which a co-investment was planned (including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise have been beneficial, in the judgment of ACON or the relevant GP/Manager) ultimately is not consummated, ACON expects that any such break-up fees will be paid to the Fund (absent other circumstances), however the Adviser cannot guarantee this will always be the case and, in certain instances, break-up fees may be received by the Adviser and shared between the Fund and one or more co-investors, or otherwise received by the Fund but still shared between the Fund and one or more co-investors. Subject to the provisions of the relevant ACON Investment Agreements, break-up fee income is typically allowed to be used to offset unreimbursed expenses, and amounts in excess of such reimbursements that are allocable to the Fund typically are to be shared with investors in the Fund through a Fund Management Fee offset. Investors (or potential investors) in co-investment vehicles should know that reductions in Fund Management Fees may not benefit investors in other vehicles where Management Fees are not paid, and Fund investors should understand that not all of the break-up fees may be allocated to the Fund if a *pro rata* allocation of the fee is made across more than one ACON Investment Vehicle or to the co-investors therein. In the case of break-up fees received in connection with the investigation or evaluation of a prospective acquisition by an existing portfolio company, this issue may be mitigated as the existing portfolio company typically will receive the break-up fee directly, and therefore the owners of such portfolio company indirectly benefit from receipt of such fee *pro rata* to the extent of their ownership of the portfolio company.

Valuation of unrealized investments. Generally, the relevant ACON GP/Manager will determine the value of all of the related ACON Investment Vehicle’s investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of an ACON Fund or other Investment Vehicle’s investments because, among other things, the securities of portfolio companies held by such ACON Investment Vehicles generally will be illiquid and not quoted on any exchange. Reported unrealized values are determined based upon ACON’s then current valuation policy and are based upon a number of inputs and assumptions made at the time such unreported values are reported, the ultimate results of which may vary materially from such factors at the time of a

realization. While ACON determines the valuation of unrealized investments pursuant to its valuation policy, the valuation process includes a significant level of professional judgment on the part of ACON with respect to assumptions and inputs into each specific valuation, which judgment could lead to inherent conflicts and is subjective. Realized returns on such investments will depend on many factors, including many outside of ACON's control including future operating results of the portfolio company, market conditions at the time of disposition, credit pricing and availability, foreign exchange rates, the extent of sale transaction costs, general economic conditions, and the timing, manner and competitive dynamics of sale, among others. There can be no assurance that the relevant GP/Manager will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a GP/Manager with respect to an investment will represent the value realized by the relevant ACON Investment Vehicle on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such GP/Manager may cause it to ineffectively manage the relevant ACON Investment Vehicle's investment portfolios and risks, and may also affect the diversification and management of such ACON Investment Vehicle's portfolio of investments.

Conflicts with portfolio companies. ACON personnel 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 or capital raising, actions that may be in the best interest of that portfolio company may not be in the best interests of the ACON Investment Vehicle, and vice versa. Accordingly, in these situations, conflicts of interest may arise between such individual's duties as an officer or employee of ACON or its affiliates and such individual's duties as a director of a portfolio company. When such circumstances arise, it may be necessary that the ACON director resign or abstain from certain decision-making at the portfolio company board level, which may impact the rights of the ACON Investment Vehicle with respect to such company.

Constraints regarding use of certain confidential information. Fund personnel will work on other projects, including serving as members of the boards of directors of companies other than portfolio companies of the Investment Vehicles. By reason of their responsibilities in connection with their other activities (including serving on boards of directors of various companies), certain ACON representatives will acquire confidential or material non-public information or otherwise be restricted from initiating transactions in certain securities. ACON Investment Vehicles will not be free to act upon any such information. Due to these restrictions, ACON Investment Vehicles 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 ACON investment professionals and related conflicts. The success of each ACON Investment Vehicle may depend, in substantial part, upon the skill and expertise of the investment professionals of ACON and, in particular, on certain key executives named as principals in the Investment Agreements. ACON and its affiliates will devote as much of their time to the activities of the ACON Investment Vehicles as they deem necessary and appropriate

consistent with the requirements of the applicable Investment Agreement, although the Fund and its respective investments will place varying levels of demand on these over time. Fund personnel will work on other projects, including serving as members of the boards of directors of companies other than portfolio companies of the Investment Vehicles. These activities could be viewed as creating a conflict of interest in that the time and effort of ACON personnel will not be devoted exclusively to the business of the ACON Investment Vehicles. In addition, there can be no assurance that any or all of these investment professionals will continue to be associated with ACON throughout the life of any ACON Investment Vehicle. The loss of services of one or more such professionals could have a material adverse effect on the performance of one or more ACON Investment Vehicles and ACON generally.

Investment professionals responsible for managing a particular ACON Investment Vehicle will have responsibilities with respect to other Investment Vehicles, including other private equity funds and co-investment vehicles sponsored by affiliates of ACON, including the other registered investment advisers. Conflicts of interest may arise in allocating the time and services of these investment professionals between such investment vehicles.

One of the Principals of the Fund is no longer affiliated with ACON although he remains an owner of the Adviser and an equity participant in and investment committee member of the Fund. ACON and its affiliates have implemented policies and procedures to address potential conflicts of interest that may arise as a result of this Principal's employment or other affiliation with another financial services firm or other business. Given that the Fund is outside its commitment period and is no longer making new investments or follow-ons, the Adviser believes any such conflicts of interest that may arise are manageable.

Lack of management rights. Investors generally will have no opportunity to control the day-to-day operation, including, but not limited to, investment and disposition decisions, of the Investment Vehicles, and will be permitted to vote only in the limited circumstances set forth in the Investment Agreements. The Investment Agreements typically limit the circumstances under which the Adviser, its affiliates and personnel of the Adviser can be held liable to the Investment Vehicle. Investors may, as a result of such provisions, have a more limited right of action in certain cases than they would in the absence of such provisions. Investors will not make decisions with respect to the selection, management, disposition or other realization of any investment, or any other decisions regarding the Investment Vehicles' business and affairs. In order to safeguard their limited liability for the liabilities and obligations of the Investment Vehicles, investors must rely entirely on ACON and its GPs/Managers to conduct and manage the affairs of the Investment Vehicles.

Side letters and opt-out rights. As described above, the Investment Vehicles, ACON and its GPs/Managers routinely enter into written agreements, or Side Letters, with certain investors, including personnel of the Firm. These Side Letters provide investors with customized terms, which results in preferential treatment with respect to, among others: (i) the fee structure, including reduced Management Fees, greater fee offsets and/or reduced Carried Interest; (ii) the ability to opt-out of certain types of investments; (iii) the reporting obligations of the particular Investment Vehicle; (iv) the right to transfer interests in the applicable Investment Vehicle; (v) the offering of co-investment opportunities; (vi) the right to withdraw from the applicable

Investment Vehicle in the event of adverse tax or regulatory events or violations of law; (vii) additional confidentiality protections; (viii) the right to disclose certain information to underlying investors or to the public; (ix) structuring rights with respect to certain types of investments; or (x) any other terms, whether economic, procedural or otherwise. Furthermore, the Adviser or its affiliates have permitted, and may in the future permit, certain business associates and “friends and family” of ACON to invest directly or indirectly in Investment Vehicles on terms that are more favorable than those offered to other investors, including with respect to the non-payment or reduction in payment of Management Fees and Carried Interest or different treatment with respect to fee offsets. If the Adviser or an affiliate thereof enters into a Side Letter entitling an investor to opt out of a particular investment or withdraw from the Investment Vehicle or allowing such investor to be excused from particular investments, any election to opt out or withdraw by such investor may increase the interest that other investors will have in that particular investment (in the case of an opt-out) or all future investments (in the case of a withdrawal). In addition, in the case of an opt-out election, depending upon the specific terms of the Investment Agreement (which may call for future capital contributions to be based on unfunded commitments rather than capital commitments), the election may decrease the interest that other investors will have in subsequent investments. Conversely, in the case of an opt-out election where the specific terms of the Investment Agreement call for future capital contributions to continue to be based on capital commitments, the election of one or more investors to opt-out of a particular transaction or transactions will result in reducing the overall size of the Investment Vehicle, which may have a material adverse effect on the vehicle and its investment prospects.

Conflicts over timing. ACON’s Carried Interest is based on a percentage of net realized profits, and that may create conflicting incentives over the timing of disposition of a particular portfolio company, including an incentive for ACON to cause an Investment Vehicle to make riskier or more speculative investments than would otherwise be the case. As there is typically a fixed period after which capital from investors in an Investment Vehicle may only be drawn in only limited circumstances or for limited conditions, and because Management Fees are, at certain times in the life of an Investment Vehicle, based upon capital invested by such Investment Vehicle, ACON’s compensation (or other factors) may create either an incentive to deploy capital when ACON may not otherwise have done or an incentive to make a disposition of a portfolio company earlier or later than ACON may otherwise have done.

Conflicts among investors. Prospective investors also should be aware that ACON and its GPs/Managers may encounter potential conflicts of interest in connection with the Investment Vehicles’ activities. For example, investors are expected to include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. As a result, the investors may have conflicting investment, tax and other interests with respect to their investments in the Investment Vehicle. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Investment Vehicle, the structuring or acquisition of investments, the timing of disposition of investments or any other decisions made by ACON and/or its GPs/Managers that may be more beneficial for one type of investor than for another, including investors affiliated with the Adviser. In selecting investments appropriate for the Investment Vehicles, the Adviser and its GPs/Managers will

consider the investment objectives of the Investment Vehicles as a whole, not the investment objectives of any investor individually.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that are material to a client's or prospective client's evaluation of the adviser's business or the integrity of its management. ACON does not have any legal or disciplinary events to report.

Item 10 - Other Financial Industry Activities and Affiliations

Broker-Dealers

Neither ACON 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.

Futures and Commodity Trading

Neither ACON 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.

Material Relationships

Some of the key management executives and investment professionals of ACON, as well as the Chief Financial Officer, Chief Compliance Officer, Chief Legal Officer and other employees and/or consultants of ACON and its affiliates serve in similar capacities for the following affiliates of ACON that are also registered investment advisers:

- ACON EQUITY MANAGEMENT, L.L.C. (SEC File No. 801-74406);
- ACON Investments Management, LLC (SEC File No. 801-74421); and
- ACON LatAm Management, L.L.C. (SEC File No. 801-74408).

The Adviser is party to an arrangement with ACON Investments, a service affiliate, pursuant to which ACON Investments and/or its affiliates provide the services of various private equity fund investment, finance, accounting, tax, investor relations, legal, compliance and support professionals to the Adviser. In addition, through this arrangement, certain administrative services including the payment of payroll, benefits and overhead costs are provided to shared employees and facilities.

Other Investment Advisers

ACON does not recommend or select other investment advisers for the ACON Investment Vehicles. However, it may, as described above, sub-contract certain services to its affiliates.

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

Code of Ethics

ACON and its affiliates have adopted a Code of Ethics (the “**Code**”) to ensure that ACON fulfills its fiduciary requirements to the ACON Investment Vehicles and to identify, address and avoid potential conflicts of interest which exist when providing advisory services to these vehicles. The Code requires that personnel of ACON 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 (with appropriate exceptions for whistleblowing) and insider trading and expressly prohibits personnel from disseminating material non-public 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.

ACON will provide a copy of its Code of Ethics to any client or prospective client upon request. Please contact Teresa Y. Bernstein, Chief Compliance Officer, at 202-454-1100 x771 or tbernstein@aconinvestments.com.

Participation or Interest in Client Transactions

From time to time, consistent with each ACON Investment Vehicle’s investment objectives and subject to satisfaction of the policies and procedures set forth in the Code, the Investment Vehicle’s Investment Agreements and applicable law, ACON or its GPs/Managers may recommend that an ACON Investment Vehicle acquire or sell securities in which an ACON related or affiliated person has a pre-existing direct or indirect interest, and the Adviser or its GP/Manager may cause the Investment Vehicle to effect the recommended transaction. A potential conflict of interest could arise in that the interested ACON related person could benefit from such a purchase or sale of the applicable security by the Investment Vehicle. The Code, however, is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that ACON fulfills its role as a fiduciary to the Investment Vehicles. In particular, the Code requires that ACON act in the best interests of the ACON Investment Vehicles, in good faith and in an ethical manner. Certain terms of each Investment Vehicle’s Investment Agreements (including for example the possible need for investor advisory committee approval) and the equity participation of ACON investment professionals in the ACON Investment Vehicle further mitigate such conflicts.

Personal Trading

From time to time, subject to satisfaction of the policies and procedures set forth in the Code, the ACON Investment Vehicles’ Investment Agreements and applicable laws, an ACON related person may acquire or sell securities that are recommended to an Investment Vehicle or in which the ACON Investment Vehicle has a pre-existing direct or indirect interest. A potential conflict of interest could arise in that the interested ACON related person or affiliate could benefit from the Investment Vehicle’s ownership, 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 ACON related persons, and to ensure that ACON fulfills its role as a fiduciary to each ACON Investment Vehicle. In particular, the Code requires that ACON related persons abide by policies and 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.

Personal Trading Contemporaneous with Client Transactions

From time to time, in appropriate circumstances and subject to satisfaction of the policies and procedures set forth in the Code and each Investment Vehicle's governing documents, ACON personnel and other related persons or affiliates will co-invest in the investments made by ACON Investment Vehicles generally at the same time as and on a side-by-side basis with ACON Investment Vehicles (including their investors). ACON does not believe that this common industry practice gives rise to material conflicts of interest, and that certain potential conflicts of interest are addressed by the Code and the ACON Investment Vehicle's Investment Agreements. However, because ACON personnel may have the opportunity to select the particular investments in which they may choose to participate (and the amount of their participation), the ACON investment professionals will sometimes have personal and financial motivations with respect to a particular transaction that are not necessarily aligned with investors in the ACON Investment Vehicles.

Item 12 - Brokerage Practices

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

ACON may distribute securities to investors in an Investment Vehicle or sell such securities, including through using a broker-dealer if a public trading market exists. ACON may also sell securities in an Investment Vehicle through privately negotiated transactions with or without the use of brokers or dealers. If ACON or one of its affiliates sells publicly traded securities for the Investment Vehicle, they are responsible for directing orders to broker-dealers to effect securities transactions for managed accounts. ACON will select brokers on the basis of best price and execution capability. ACON 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 ACON generally seeks competitive commission rates, ACON 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.

ACON does not have any soft dollar arrangements.

ACON engages third-party solicitors from time to time. However, such third-party solicitors are not used as broker-dealers to effect transactions in publicly traded securities on behalf of any ACON Investment Vehicle.

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

Periodic Review of Client Accounts

The investments made by the Investment Vehicles 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, ACON's personnel monitor and review companies in which an ACON Investment Vehicle 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 ACON Investment Vehicle's financial statements are maintained and monitored by the finance staff of an affiliate of ACON under the supervision of the Chief Financial Officer. In addition, financial statements for certain Investment Vehicles, including the ACON Fund, are audited on an annual basis by an independent third-party accounting firm.

Factors that Trigger a Review of Client Accounts

ACON's investment committee regularly supervises and monitors the investment activities of the ACON Investment Vehicles.

Reports to Clients

Audited financial statements are provided to investors in certain ACON Investment Vehicles, including the ACON Fund, generally within 120 days of the end of the vehicles' fiscal year. Unaudited financial statements and investor-specific account statements are generally provided within 45-60 days of the end of the vehicles' fiscal quarter, along with information about the financial performance of the companies in which the ACON Investment Vehicle has invested.

Certain investors in an ACON Investment Vehicle may request information relating to the ACON Investment Vehicle and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, ACON 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 ACON Investment Vehicle 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 may not take.

Item 14 - Client Referrals and Other Compensation

As described in Item 5 (*Fees and Compensation*), in addition to Management Fees and Carried Interest, in connection with the affairs of the ACON Investment Vehicles, ACON (or its

GPs/Managers) and affiliates thereof receive fee income paid by portfolio companies or other third parties, including, for example, the following Other Fees: (i) monitoring fees, set-up fees, operational consulting fees or other fees; (ii) cash and non-cash directors' fees; and (iii) termination, break-up or other similar fees, payments or compensation, in each case received in connection with investments or proposed investments of the ACON Fund and/or co-investors and Co-Invest Vehicles, or services provided in connection therewith. Other Fees negotiated for by ACON also include accelerated portfolio company monitoring fees or "success fees" in the event of a sale of a company prior to the expiration of the term of the applicable portfolio company monitoring fee or management services agreement. Such accelerated monitoring fees may be calculated based on expectations or estimates of future events and, accordingly, may be higher or lower than the actual cost and/or amount of services provided.

ACON does not currently engage any placement agents in respect of the Investment Vehicles. From time to time, the Adviser may have entered into solicitation arrangements pursuant to which it compensated third parties for referrals that resulted in a potential investor becoming a limited partner in the Fund or other ACON Investment Vehicle. Any fees payable to third-party solicitors will be borne by the Adviser as described in Item 5 (*Fees and Compensation*).

Item 15 - Custody

In connection with the management of investments for certain investors, ACON may have, or may be deemed to have, custody of certain funds or securities of the ACON Investment Vehicles. 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, the assets of certain ACON Investment Vehicles, including the Fund, are held in custody by unaffiliated broker/dealers or banks acting in the capacity as "qualified custodians."

In accordance with the Custody Rule, ACON's Chief Compliance Officer is responsible for ensuring that the ACON Investment Vehicles' securities, other than "privately offered securities," are held only with unaffiliated broker-dealers or banks acting as qualified custodians. ACON's Chief Compliance Officer is also responsible for arranging for annual independent audits of the ACON Investment Vehicles by a major accounting firm within 120 days of each vehicle's fiscal year end and for obtaining audited financial statements prepared in accordance with generally accepted accounting principles in the United States. ACON generally arranges for the delivery of such audited financial statements to investors within 120 days of each vehicle's fiscal year end.

Item 16 - Investment Discretion

Typically, ACON and/or its GPs/Managers provides investment advice to the ACON Investment Vehicles on a discretionary basis and ACON or a GP/Manager accepts discretionary investment authority for the ACON Investment Vehicles pursuant to each Investment Vehicle's Investment Agreement and subject to the investment guidelines set forth therein.

Item 17 - Voting Client Securities

ACON accepts authority to vote the securities held by the ACON Investment Vehicles. In accordance with SEC rules, ACON and its affiliates have adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they votes proxies for the ACON Investment Vehicles’ portfolio investments. The Proxy Policy seeks to ensure that ACON votes proxies (or similar instruments) in the best interest of the Investment Vehicle, including when there may be material conflicts of interest in voting proxies. The Adviser and its GPs/Managers generally believe their interests are aligned with the Investment Vehicles through their ownership interest in the Investment Vehicles. In the event, however, there is or may be a conflict of interest between the Adviser and an ACON Investment Vehicle in voting proxies, the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Investment Vehicle’s investor advisory committee on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines ACON and its affiliates follow when voting proxies on behalf of the ACON Investment Vehicles. Upon request, an investor may obtain a copy of ACON’s Proxy Voting Policy as well as information about how ACON voted any proxies on the ACON Investment Vehicles’ behalves by contacting the Chief Compliance Officer, Teresa Y. Bernstein, at 202-454-1100 x771 or tbernstein@aconinvestments.com.

Item 18 - Financial Information

Fees are not collected six months or more in advance. Accordingly, ACON has no disclosures related to this item.

ACON is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the ACON Investment Vehicles.

ACON has never been the subject of a bankruptcy petition.