

## **Item 1 Cover Page**

### **Firm Brochure**

(Part 2A of Form ADV)

### **AQM Capital LLC**

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This brochure provides information about the qualifications and business practices of AQM Capital LLC (“AQM”). If you have any questions about the contents of this brochure, please contact us at 212-299-4620 or via email at [moser@aqmcapital.com](mailto:moser@aqmcapital.com) and/or [dahl@aqmcapital.com](mailto:dahl@aqmcapital.com). 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.

Additional information about AQM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.

### **Brochure Disclosure**

In no event should this brochure be considered to be an offer of interests in the private funds that AQM provides sub-advisory services to or relied on in determining whether to invest in such private funds. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of this brochure. Rather, this brochure is designed solely to provide information about AQM for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided to potential investors in the Offering Documents (as defined herein). To the extent that there is any conflict between any disclosure in this brochure and the Offering Documents provided to investors, the Offering Documents provided to such investors will govern. Defined terms not otherwise defined herein shall have the meanings set forth in the Offering Documents.

January 4, 2017

**Item 2            Material Changes**

There are no material changes from our previous Form ADV Part 2A submission dated March 30, 2016.

However, other non-material amendments may have been made to this brochure, which are not discussed in this summary, and consequently, we encourage our clients to read this brochure in its entirety.

### Item 3

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#### **Item 4            Advisory Business**

AQM is a Delaware limited liability company formed in May 2014. Joel H. Moser is the Managing Member of AQM. Joel M. Moser, members of his family and trusts for the benefit of his family owns all of the membership interests of AQM.

Pursuant to the terms of a Sub-Advisory Agreement, AQM provides non-discretionary, sub-advisory services to Aquamarine Capital Management Ltd., a Cayman Island exempted company with limited liability (“ACM” or the “Cayman Advisor”) that provides portfolio management and administrative services to one or more pooled investment vehicles (the “Sub-Advised Funds”). Under the terms of the Sub-Advisory Agreement, the Cayman Advisor has delegated to AQM all of the Cayman Advisor’s duties, obligations and services to the Sub-Advised Funds, as set forth under the terms of the Investment Management Agreement between the Cayman Advisor and the Sub-Advised Funds. However, the sub-advisory services provided by AQM are at all times, subject to supervision of the Cayman Advisor. AQM does not have the power to bind the Cayman Advisor or the Sub-Advised Fund, and all agreements relating to the Cayman Advisor and/or the Sub-Advised Fund must be approved by the Cayman Advisor.

AQM also provides advisory services to a pooled investment vehicle, formed on behalf of the Cayman Advisor as a parallel fund, which is a Delaware limited liability company (the “Delaware Fund” and together with the Sub-Advised Funds, the “Private Funds” or the “Funds”).

The Private Funds are managed in accordance with their respective Confidential Private Placement Memoranda and/or any supplement related thereto, its Amended and Restated Agreement of Limited Partnership, the Investment Management Agreement between the Cayman Funds and the Cayman Advisor, the Sub-Advisory Agreement between AQM and the Cayman Advisor and other governing documents, in each case as applicable to each such Private Fund (collectively, the “Offering Documents”).

Pursuant to the Sub-Advisory Agreement, AQM has delegated its duties with respect to the Sub-Advised Funds, to its wholly owned subsidiary AQM-SPF Management LLC, A New York limited liability company formed on March 17, 2004 (“AQM-SPF”).

AQM does not provide investment advice tailored to the particular needs of the investors of the Private Fund. As such, investors should consider whether the Fund’s investment strategy meets their investment objectives and risk tolerance prior to investing.

As of December 31, 2016, the Private Funds had assets of \$505,000,000, including \$500,000,000 of the Sub Advised Funds, which assets are being managed by AQM-SPF on behalf of ACM under the Sub-Advisory Agreement on a non-discretionary basis.

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

The fees, expenses and costs payable by the Funds are summarized below and are more fully described in the Funds’ Offering Documents.

##### ***Sub-Advisory Fee***

For services rendered to the Sub-Advised Funds, AQM will receive an annual sub-advisory fee, payable in quarterly installments, in arrears. The annual sub-advisory fee is an aggregate amount to be agreed upon by the Cayman Advisor and AQM from time to time. It is anticipated that the sub-advisory fee will initially be \$1,200,000 per annum.

AQM may waive its receipt of sub-advisory fees, in its sole discretion.

For services rendered to the Delaware Fund, AQM receives a carried interest more fully described under Item 6 below.

In addition to the fees described above, the Funds also pay all other expenses including, without limitation: (i) organizational expenses; (ii) legal, accounting, audit, administrative, custodial, consulting and other professional fees; (iii) banking, brokerage, broken-deal, registration, qualification, finders, depositary and similar fees or commissions; (iv) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of its assets; (v) insurance premiums, indemnifications, costs of litigation and other extraordinary expenses; (vi) preparation and distribution costs for financial statements and other reports to the Funds' limited partners; (vii) travel costs and other out-of-pocket expenses related to investigating investment opportunities; (viii) all applicable U.S. federal, state and local taxes, penalties and interest imposed on the partnership or any intermediate holding company or other blocker vehicle used to directly or indirectly hold any particular portfolio investment; and (ix) initial and ongoing costs incurred by AQM in connection with its registration, and continued maintenance of its registration, as an investment adviser with the Securities and Exchange Commission.

#### ***Other Compensation***

As additional compensation, AQM may also receive up to ten percent (10%) membership interest in a to-be-formed limited liability company that will hold the underlying Private Fund's investment(s) or a management fee payable by the Private Fund of up to ten percent (10%) of any investment proceeds received by the Private Fund.

#### **Item 6            Performance-Based Fees**

The Funds' Offering Documents generally provide that, after contributed capital plus a preferred return is returned to the investors in the Funds, but subject to any percentage allocation of the investment to the Carried Interest Partner (defined below), the net profits realized by the Fund are shared between AQM and/or the Funds' General Partner (as defined in the Funds' Offering Documents) and the Funds' limited partners. AQM and/or the General Partner's portion of such net profits is referred to herein as the "Carried Interest," or a performance based fees. Such Carried Interest or performance based fees may be held or received, in whole or in part, by an affiliate of AQM and/or the General Partner, including an existing or to-be-formed entity owned by one or more members of the General Partner (the "Carried Interest Partner"), structured in the General Partner's sole discretion.

With respect to the Sub-Advised Funds, its General Partner and/or the Carried Interest Partner are affiliates of AQM, and our employees may be members or partners of the General Partner and/or Carried Interest Partner that may hold or receive these performance based fees from the Funds. Performance-based fee arrangements received by the General Partner and/or the Carried Interest Partner and, indirectly, AQM's related persons, may create an incentive for AQM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Investors in the Funds are provided with disclosures contained in the Funds' Offering Documents relating to the Carried Interest payable to the General Partner and the risks associated with their investment in the Funds.

## **Item 7           Types of Clients**

AQM provides sub-advisory services to the Cayman Advisor, as described above. Pursuant to the terms of the Sub-Advisory Agreement, AQM also provides, indirectly, advisory services to the Private Funds. AQM does not impose any minimum account requirements on the Cayman Advisor or the Private Funds. However, the Private Funds generally impose certain restrictions on investors, and require them to meet certain suitability requirements.

In addition, AQM provides investment advisory services to the Delaware Fund, as described under Item 4 above.

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

### ***Investment Strategy***

The investment objective of the Funds are to achieve capital appreciation and current income primarily from a diversified portfolio of equity interests in privately-held real assets of any type, primarily located in the United States. AQM expects that the Funds will invest, directly or indirectly, in portfolio companies and projects, under the applicable laws, including, but not limited to, the following:

- common stock/equity shares;
- preferred stock/preference shares;
- convertible preferred stock/convertible preference shares;
- membership interests, limited partnership interests and joint venture interests;
- warrants for equity conversion;
- convertible and non-convertible debt instruments; and
- any other instrument of a like nature.

In determining investment appropriate for the Private Funds, AQM will generally consider a variety of factors such as, but not limited to: (i) identifying companies and projects with management teams that it believes has strong expertise; (ii) identifying real assets, projects and companies that appear to have the potential for above-average long-term performance based on projections of the current state of the relevant market; and (iii) identifying real assets, projects and companies that it expects to show above-average growth over the long term. AQM makes investment recommendations in accordance with the investment strategies described in the Funds' Offering Documents.

AQM will seek to achieve returns on the Funds' investments through several means, including net operating income, capital gains upon the sale of completed projects, and income and capital gains from developer stakes, which may include project-specific joint venture income.

### ***Risk of Loss***

Investing in securities involves risk of loss that Clients should be prepared to bear. AQM's investment

approach constantly keeps the risk of loss in mind.

The following summary is not meant to be a complete description of risks. The Funds' Offering Documents include additional disclosure regarding risks that should be considered by investors.

### ***General Risk***

The transactions of the Funds will generally engage involve significant risks. No assurance can be given that investors will realize a profit on their investment. Moreover, each investor may lose some or all of its investment. Because of the nature of the Funds' investment activities, the results of the Private Funds' operations may fluctuate from period to period. Accordingly, investors should understand that the results of a particular period would not necessarily be indicative of results in future periods.

### **Risks Relating to Real Estate Investments**

#### ***General Risks of Investing in Real Estate Assets***

AQM may recommend certain investments in real estate, and as such, the Funds will be subject to all the risks inherent in investing in real estate assets, and those risks may be increased if the investment is leveraged. These risks include, without limitation: general and local economic and social conditions; neighborhood values; the supply of and demand for, properties of the type in which the Funds invests; the financial resources of tenants; vandalism; vacancies; rent strikes; changes in tax, zoning, building, environmental and other applicable laws; national and local rent control laws in the jurisdictions in which the Funds invest; real property income and withholding tax rates; changes in interest rates; changes in the relative popularity of certain property types; uninsurable losses; governmental actions; and the availability of mortgage funds that may render the sale of properties difficult or unattractive. There can be no assurance of profitability for any real estate asset; accordingly, the Funds' investment objectives may not be realized.

#### ***Competition for Investments***

In making recommended investments, the Funds will compete for the acquisition of real estate assets with many other investors, some of which will have greater resources than the Funds. Over the past several years, an ever-increasing number of real estate funds have been formed and many existing funds have grown in size. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Intense competition for investments may result in less favorable investment terms than would otherwise be the case. In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. The real estate assets purchased by the Funds may not meet all the investment objectives of the Funds, and the Funds may not be able to invest all of its capital.

#### ***General Operational Risks***

The cost of operating a property, including providing for capital improvements, may exceed the property's rental income and operating resources, and the Funds may have to advance capital to protect an equity investment or may be required to dispose of investments on disadvantageous terms if necessary to raise needed capital. Certain expenditures associated with real estate investment, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and generally do not decrease as a result of events adversely affecting rental revenues. Moreover, while AQM and the General Partner generally intend for the Funds to purchase insurance to cover casualty losses and general liability, such insurance may not be available, may be available only at prohibitive costs or may be insufficient to cover losses from ongoing operations and other risks, such as earthquake, flood or environmental contamination.

### *Risks Relating to Distressed Real Estate Assets*

AQM may recommend the purchase non-performing and sub-performing real estate assets, as well as mortgage loans secured by such real estate assets. In addition to the risks described above under the caption “*General Risks of Investing in Real Estate Assets*”, these assets may have a greater than normal risk, as compared to higher quality real estate assets of comparable type and size. Investments in properties operating in workout modes or under administration or a similar regime under local bankruptcy or insolvency laws are, in certain circumstances, subject to additional potential liabilities which may exceed the value of the Funds’ original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of 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. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. By their nature, distressed real estate assets will involve a high degree of financial risk, and there can be no assurance that the Funds’ rate of return objectives will be realized or that there will be any return of capital.

### *Use of Leverage*

Some or all of the Funds’ real estate assets may utilize a leveraged capital structure, in which case a third party would be entitled to cash flows generated by such real estate assets prior to the Funds receiving a return. While such leverage may increase returns or the capital available for investment by the Funds, it also will increase the risk of loss on a leveraged real estate asset. If interest rates or financial markets change, or there is an adverse development with respect to the real estate asset or a tenant thereof, the Funds may be unable to repay such loan, procure permanent financing for the real estate Asset or dispose of the real estate asset at a price sufficient to satisfy its indebtedness. If the Funds subject a real estate asset to multiple security interests, the risk of loss could be increased. If the Funds make an equity investment in a real estate asset with the intent of refinancing a portion of the investment, there is a risk that the Funds will be unable to successfully complete such a refinancing. This could lead to an unintended longer-term investment for the Funds and an increased risk of reduced portfolio diversification. In addition, the Funds may borrow under loans which do not require the complete amortization of principal over their term, or which are non-amortizing or have negative amortization through the accrual or deferral of interest. Such “balloon” loans involve greater risks than long-term, fully amortizing mortgage loans since the Funds’ ability to repay them or to obtain repayment may be dependent upon economic conditions in general and the value of underlying properties in particular. If the Funds default on secured indebtedness, the lender may foreclose and the Funds could lose the entire real estate asset that constitutes security for such loan.

### *Risks Relating to Tenants*

AQM may recommend that the Funds invest in properties in which tenant leases generate a significant portion of the Funds’ revenue. As a result, the Funds may be subject to the credit risk of the tenants of such properties. In particular, local economic conditions and factors affecting the industries in which tenants operate may affect a tenant’s ability to make lease payments. In the event that tenants default on their leases and fail to make rental payments when due, there could be a significant decrease in distributable cash flows to the Funds. In addition, the Funds may be unable to attract replacement tenants in a timely manner or on comparable or better terms if tenants default on their leases.

In addition, the Funds may not be able to attract credit-worthy tenants for its properties or replacement tenants at rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require the Funds to make capital improvements to properties, which would not have otherwise been



planned. Any unbudgeted capital improvements that the Funds undertake may divert cash from that which would otherwise be available for distribution to Limited Partners or may require the Funds to make unanticipated borrowings. Furthermore, at any time, a tenant may seek the protection of bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the distributable cash flows of the Funds.

#### *Environmental Risks*

Under various laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances and other environmental pollutants (including, without limitation, petroleum products, asbestos, and polychlorinated biphenyls) released on, about, under, or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances or other environmental pollutants. The presence of hazardous substances or other environmental pollutants, or the failure to remediate hazardous substances or other environmental pollutants properly, may adversely affect the owner's ability to sell or use real estate or to borrow outside funds using real estate as collateral. In addition, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to cleanup actions brought by governmental agencies and private parties, the presence of hazardous substances or other environmental pollutants on a property may lead to claims of personal injury, property damage, or other claims by private plaintiffs. Environmental liabilities with respect to a specific real estate asset may exceed the value of such asset, and under certain circumstances, subject the other assets of the Partnership to such liabilities.

#### *Impact of Market Conditions*

The Funds' returns may be influenced by the downturn in the U.S. and global economies and the related deterioration of the financial and real estate markets, which began in 2008. The ultimate effect of current market conditions cannot be forecast, nor is it known whether or the degree to which such conditions may improve or worsen. A sustained downturn, or further deterioration, in the U.S. or global economy (or any particular segment thereof) will have a pronounced impact on the Funds and could adversely affect the Funds' profitability, impede the ability of the Funds' investments to perform under or refinance existing obligations, and impair the Funds' ability to effectively deploy its capital or realize upon its investments on favorable terms. The Funds' strategy is based in part upon the premise that real estate assets will be available for purchase by the Funds at prices that AQM and the General Partner consider favorable. Further, the success of the Funds' investment program will depend, in part, on whether the real estate markets in which the Funds invests recover and the extent of such recovery. No assurance can be given that real estate assets can be acquired or disposed of at favorable prices or that the market for such assets will recover or continue to improve, as the case may be, since this will depend, in part, upon events and factors outside the control of AQM and/or the General Partner. In addition, there can be no assurance that current market conditions may not deteriorate further during the life of the Funds, which could have a materially adverse effect on the assets of the Funds. Actual or perceived trends in real estate markets do not guarantee, predict or forecast future events, which may differ significantly from those implied by such trends.

#### *Impact of Government Regulation*

The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation or changes in existing laws or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies.

Ownership and operation of investment properties is subject, both directly and indirectly, to federal, state and local regulation. It is possible that the enactment of new laws, rent regulations or changes in the interpretation or enforcement of applicable codes, rules and regulations may have a substantial adverse financial impact on the operations and management of the property. Further, no assurances can be made regarding the current or future availability or cost of city or county services, community facilities (*e.g.*, fire and police protection, waste disposal, *etc.*) or utility services (*e.g.*, water, sewer, storm drainage, telephone, electricity, gas, *etc.*). Interruption in, changes in or the discontinuance of such services or facilities could have a material adverse effect on the business of the Funds. No assurance can be given that existing or future federal, state and local statutes, rules and regulations may not significantly hinder the ultimate profitability of the business of the Funds.

#### *Significant Interest in Publicly Traded Real Estate Companies*

The Funds may receive securities issued by publicly traded real estate companies as consideration in connection with the disposition of real estate assets. If the Funds were to acquire a significant ownership interest in any publicly traded real estate company, the Funds' position could become illiquid due to the thinness of any secondary market for the security and/or the Funds' possession of inside information regarding the public company, which may result in restrictions on sales of the securities involved. In addition, maintaining a significant ownership interest could require the Funds to make various disclosure filings to the relevant regulatory authorities, which would result in increased costs for the Funds.

#### *Limited Number of Real Estate Assets; Possible Lack of Diversification*

Generally, no more than 20% of the Funds' aggregate capital commitments will be invested in any single real estate asset without majority consent. Notwithstanding this restriction, the Funds may invest in a limited number of real estate assets and, as a consequence, the aggregate return of the Funds may be adversely affected by the unfavorable performance of a single real estate asset. Although the Investment Team intends to employ a diversified investment strategy, the Funds' portfolio of real estate assets ultimately may not be diversified by property type, return characteristics, geography, local market drivers or otherwise. Any such lack of diversification could increase the risk associated with an investment in the Funds and could adversely affect the Funds' performance. Other than as set forth above, there are no mandatory restrictions regarding diversification of the Funds' real estate assets, either by geographic region or asset type.

#### *Lack of Liquidity of Investments*

The investments that AQM may recommend to the Funds are likely to be illiquid and, therefore, will tend to limit AQM and the General Partner's ability to vary the Funds' portfolio promptly in response to changes in economic or other conditions. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Furthermore, the types of investments made may require a substantial length of time to liquidate. As a result, there is a significant risk that the Funds may be unable to realize its investment objectives by sale or other disposition at attractive prices, or will otherwise be unable to complete any exit strategy for its investments.

#### *Risks Relating to Long-Term Investments*

A significant portion of the investment recommendations to be made by AQM to the Funds is likely to consist of investments that will not be liquidated for a number of years after the initial investment. Because such investments may occur over a substantial period of time, the Funds face the risks of changes in long-term

interest rates and adverse changes in the real estate markets. While the General Partner may intend to achieve the Funds' target returns within a specified timeframe, other factors (such as overall economic conditions, the competitive environment and the availability of potential acquirers) may shorten or lengthen the Funds' holding period for any particular investment. The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of a Funds' investment. Therefore, the investments of the Funds are unlikely to produce a realized return to the Limited Partners for a period of several years.

#### *Contingent Liabilities on Disposition of Real Estate Assets*

In connection with the disposition of a real estate asset, the Funds may be required to make representations about such real estate asset. The Funds also may be required to indemnify the purchasers of such real estate asset to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which AQM and/or the General Partner may establish reserves or escrow accounts, which, as a consequence, may reduce amounts distributable by the Funds to investors.

#### *Dependence on AQM.*

The operation of the Funds generally will be highly dependent upon the continuing services of AQM and its manager, Joel Moser. In addition, third party lenders and service providers may condition loans or other services, as applicable, on Joel Moser's continuing services to the Funds. Joel Moser's death or disability could result in the acceleration of loans and the compulsory sale of Funds' investments, and could materially adversely affect the Funds and its investments.

### **Item 9                    Disciplinary Information**

Neither AQM nor any of its supervised persons have been the subject of any legal or disciplinary events that would be material to your evaluation of AQM or the integrity of AQM's management.

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

An affiliate of AQM serves as the general partner of the Sub-Advised Funds, while another affiliate, the Cayman Advisor, serves as investment manager the Sub-Advised Funds. Such affiliates may receive performance-based compensation for the services provided to our Clients. These affiliates are identified in Schedule D of Part 1 of AQM's Form ADV, available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request from us. We do not believe that our relationships with these entities cause a conflict of interest with Clients.

From time to time, advisory personnel of AQM may, for and on behalf of the Private Funds, serve on a portfolio company's board of directors or otherwise act to influence the management of portfolio companies. AQM does not believe that this arrangement creates any potential conflicts of interests because service on the board of directors by such advisory personnel is pursuant to the investment objectives and strategies of the Private Funds.

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

Pursuant to Rule 204A-1 promulgated under the Advisers Act, AQM has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct, and fiduciary duty to its clients.

The Code of Ethics includes provisions relating to the confidentiality of client and investor information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at AQM must acknowledge the terms of the Code of Ethics annually and whenever the Code of Ethics is amended. A copy of AQM's Code of Ethics is available for review by the Private Funds and prospective clients, upon request.

The Code of Ethics also requires all supervised persons to provide certain securities holdings reports and periodic transaction statements. In addition, the Code of Ethics requires pre-clearance of transactions in limited or private offerings, prohibits participation in initial public offerings, and prohibits the purchase or sale of a security that an employee knows or reasonably should know is being actively purchased or sold for any client account. All securities that are held by AQM's clients or are being actively considered for purchase by AQM's clients will be placed on a watch list that is distributed to all supervised persons. Supervised persons generally may not initiate a position in any security on the watch list and must obtain pre-clearance to close out of any such positions that they already hold.

#### **Item 12            Brokerage Practices**

The investments recommended by AQM to the Private Fund generally do not require the use of a broker-dealer. On certain occasions, however, an investment by a Fund or disposition of securities held by the Funds will require that either we, or the Funds' General Partner, select a broker-dealer to execute a transaction. In that case, we will use a broker-dealer whom we have determined will provide the best execution for the transaction. Generally speaking, AQM must execute securities transactions in such a manner that a client's total cost or proceeds in each transaction is the most favorable under the circumstances. AQM generally considers the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided, if any, as well as execution capability, commission rate, financial responsibility, and responsiveness. In determining best execution, it must be noted that the most important factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the managed account.

#### **Item 13            Review of Accounts**

##### **Periodic Reviews**

AQM reviews the Private Funds portfolio on a periodic basis to attempt to identify issues early on and to take action when necessary. Mr. Joel Moser conducts such review.

AQM generally does not provide formal written reports to the Funds unless specifically requested by the General Partner or the Investment Manager of the Funds, as applicable.

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

AQM does not receive any economic benefit from any person that is not a client for their provision of advisory and management services to the Private Funds.

#### **Item 15            Custody**

AQM may be deemed to have custody of the assets of the Funds as a result of its and the General Partner's authority over the Private Funds.

It is AQM's policy to cause the Funds with assets over which AQM is deemed to have "custody" to be audited annually by a PCAOB registered independent accounting firm in accordance with Rule 206(4)-2 under the Advisers Act, and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year.

Investors are urged to carefully review such audited financial statements and to compare them to any reports received by AQM.

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

AQM does not have discretionary authority to manage the assets of the Sub-Advised Funds, but provides the Sub-Advised Funds with continuous, regular but nonbinding investment recommendations pursuant to the terms of its Offering Documents. However, all decisions relating to the selection and disposition of the Funds' investments shall be made exclusively by the General Partner.

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

AQM does not have discretionary authority to vote securities of the Private Funds.

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

AQM does not require or solicit prepayment of advisory fees six months or more in advance. AQM does not have any financial commitments that might impair our current or future ability to meet our contractual commitments to clients and we have not been the subject of a bankruptcy petition at any time during the past ten years.