

Item 1. COVER PAGE

PART 2A OF FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

FIRM BROCHURE FOR

ACORN GROWTH COMPANIES, LC

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DISCLAIMER:

This brochure (this "Brochure") provides information about the qualifications and business practices of Acorn Growth Companies, LC (the "Firm", "Acorn", "we", "us" and similar terms). If you have any questions about the contents of this brochure, please contact us at (405) 737-2676 or at www.acorngrowthcompanies.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 Acorn Growth Companies, LC is available on the SEC's website at www.adviserinfo.sec.gov (the CRD number for Acorn Growth Companies, LC is 164499).



Item 2. MATERIAL CHANGES

This Brochure, dated March 25, 2019, is an update to Form ADV Part 2A. Material changes to this brochure include amending the firm's Principal Business Address, adding the firm's secondary office location, an amendment to Item 4.E noting the Firm's Regulatory Assets Under Management ("RAUM") and an update to our investment risk disclosure.. The firm will update this Brochure, as needed, in accordance with changes to the Firm's policies and business practices.

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Item 4. ADVISORY BUSINESS**A. General Description of Advisory Firm.**

Acorn Growth Companies, LC, an Oklahoma limited liability company, is a privately-held investment adviser that was formed in 2000. Pursuant to an SEC No-Action Letter (American Bar Association, Business Law Section, publ. avail. Jan. 12, 2012), you are receiving this Brochure from Acorn Growth Companies, LC as a “filing adviser” and on behalf of Acorn Growth Companies, LLC, a Delaware limited liability company, as “relying adviser”. We have two offices, one located in Oklahoma City, Oklahoma and the other in Washington, D.C.

The Firm is controlled by its principal owners, Jeff Davis and Rick Nagel, who serve as the Firm’s Founding Partner and Managing Director, respectively.

B. Description of Advisory Services.

The Firm serves as an investment adviser to certain pooled investment vehicles (the “Direct LLCs”) and to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis, that would be investment companies as defined in Section 3 of the Investment Company Act of 1940, as amended, (the “Investment Company Act”) but for Section 3(c)(1) or 3(c)(7) of that Act (each such private pooled investment vehicle, a “Fund” and collectively, the “Funds”). As used herein, the term “Client” refers to each Direct LLC, Fund and/or any other client we advise.

The Firm provides discretionary investment advice to certain of its Funds and non-discretionary investment advice to certain of its other Funds and the Direct LLCs. As further described in Item 16, the investment discretion for the Direct LLCs generally rests with each Direct LLC’s members and the investment discretion for certain of the Funds rests with a five-person committee (each, a “Fund Investment Committee”), each of which is comprised of one or more of Acorn’s partners and several Fund investors.

As further described in Item 8, the Firm advises its Clients with respect to private equity investments, with a special focus on privately-held companies operating in the aerospace and defense industries (“Portfolio Companies”). In particular, Acorn focuses its advice on privately-offered securities of Portfolio Companies that, in our opinion, have not yet developed to their full potential.

C. Availability of Customized Services for Individual Clients.

Our investment decisions and advice with respect to each Client will be subject to each Client’s investment objectives and guidelines, as set forth in its respective governing documents and investment advisory agreements.

D. Wrap Fee Programs.

The Firm does not participate in any wrap fee programs.

E. Regulatory Assets Under Management.

The Firm manages assets that were valued at \$384,837,440 as of December 31, 2019 on a discretionary basis, and assets that were valued at \$130,973,642 as of December 31, 2019 on a non-discretionary basis.

Item 5. FEES AND COMPENSATION**A. Advisory Fees and Compensation.**

The fees and expenses applicable to each Client are set forth in detail in each Client's respective offering documents, governing documents or investment advisory agreement. Generally, we accept fixed annual management fees (the “Management Fee”) and/or performance-based fees from our Clients. Fees are non-negotiable but may be waived or reduced in our discretion.

As all of our Clients are “qualified purchasers”, as defined in Section 2(a)(51)(A) of the Investment Company Act, we are not required to provide a detailed fee schedule herein.

B. Payment of Fees.

Certain of the fees paid to the Firm or its affiliates by its Clients are paid on a quarterly basis and some are paid upon the successful closing of transactions by such Clients. Certain other fees paid to the Firm or its affiliates, including transaction and advisory fees, are generally borne by Portfolio Companies and, thus, borne by our Clients who invest in such Portfolio Companies. Transaction and advisory fees received by the Firm or its affiliates in a given fiscal year in excess of a pre-set amount, as set forth in the relevant Client’s governing documents, are applied as a credit to reduce the Management Fee (if applicable) of the relevant Client.

The Firm may also be entitled to a performance fee based on realized gains from investments above a performance benchmark (“Carried Interest”). Carried Interest, if applicable, is deducted directly from Clients’ assets as investments realize gains and not on a pre-determined schedule.

C. Additional Fees and Expenses.

With respect to investments that we have advised our Clients to make in certain Portfolio Companies, we receive a fee for our management and consulting services to such Portfolio Companies. This fee is pre-determined by the relevant Client’s members or Fund Investment Committee, if applicable, at the time of the Client’s investment in each Portfolio Company and is capped per investment. This arrangement seeks to ensure that services provided by Acorn directly to Portfolio Companies are in line with the interests of the relevant Client.

Specifically, with respect to the Funds, each Fund generally bears its own organizational and offering expenses (collectively, “Organizational Expenses”) incurred in connection with the formation and offering of interests in the relevant Fund, including any placement agent fees. The Management Fee for the Funds, if applicable, will be reduced dollar-for-dollar by the amount of Organizational Expenses in excess of a pre-set amount, as set forth in the relevant Fund’s governing documents.

Additionally, each Fund generally bears all expenses relating to its activities (to the extent not reimbursed by a Portfolio Company), including, but not limited to: (i) all expenses incurred in connection with the evaluation, acquisition, holding, monitoring, refinancing, recapitalization, disposition or proposed disposition of any investments (including private placement fees, taxes, brokerage fees, sales commissions, underwriting commissions and discounts, appraisal fees, asset management fees and legal, accounting, administrator and consultant fees); (ii) costs and fees relating to the preparation of financial and tax reports, investor reports and communications,

portfolio valuations and tax returns of the Fund; (iii) the costs of prosecuting any legal action for or on behalf of (or defending any legal action against) the Fund or its subsidiaries; (iv) all costs related to the Fund's indemnification of, as applicable, its general partner, the Firm, each of their members, partners and affiliates and the members of the Fund's advisory committee; (v) interest on and fees and expenses arising out of all permitted borrowings made by the Fund; (vi) the costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Fund; (vii) all unreimbursed out-of-pocket costs relating to the investment transactions that are not consummated (including legal, accounting and consulting fees); (viii) research fees and expenses (including publications and quotation services); (ix) data feed expenses; (x) risk and office management software fees, Fund compliance expenses; (xi) regulatory filing expenses (*e.g.*, Form PF); (xii) all expenses of liquidating the Fund; and (xiii) any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund.

Funds may incur brokerage and other transaction costs to the extent a Fund may hold publicly-traded securities. See Item 12 for a detailed discussion of our brokerage practices.

D. Prepayment of Fees.

Management Fees are paid quarterly in advance. In the unlikely event that the Firm does not provide services for the full period, the Management Fee would be returned to investors in the applicable Client. In the event that the advisory contract is terminated before the end of the billing period, the Client may obtain a refund of a pre-paid fee. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

Performance-based fees are not paid in advance.

E. Additional Compensation and Conflicts of Interest.

Neither the Firm nor any of its supervised persons accept compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

Item 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Item 5, the Firm is entitled to receive Carried Interest from the Clients only after the initial investment plus a predetermined annual preferred return have been paid in full to the relevant Client's investors. All performance-based fees are structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance-based fee arrangements with "qualified clients". Accordingly, the Firm seeks to ensure that all investors satisfy the qualifications of Rule 205-3 and have been advised of the terms of such performance-based fees and the associated risks.

Performance-based fees may create an incentive for the Firm to cause the Clients to make investments that may be riskier or more speculative than those that would be made under a different fee arrangement. However, the Firm is committed to fulfilling its fiduciary duty to the Clients to act at all times in the best interest of the Clients. To this end, the Firm has implemented internal controls to address the potential conflicts associated with performance-based fees.

Item 7. TYPES OF CLIENTS

As described in Item 4, the Firm provides discretionary advisory services certain of its Funds and non-discretionary advisory services to other of its Funds and the Direct LLCs. Investors in all such entities are limited to individuals and entities that meet certain criteria, including criteria of “accredited investors”, “qualified clients” and “qualified purchasers”. The Funds are marketed exclusively to institutional investors and high net worth individuals.

Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**A. Methods of Analysis and Investment Strategies**

As referenced in Item 4 above, we advise or cause Clients to invest in private equity investments, with a special focus on companies operating in the aerospace and defense sector that have not yet developed to their full potential. Clients invest in Portfolio Companies serving the global aerospace and defense industry, which covers a wide range of commercial, industrial and military applications and is comprised of the research, design, manufacturing, maintenance and operations of aircraft, spacecraft and military systems.

We proactively leverage a number of differentiated sources to generate deal flow relative to each Client's investment objectives, including our extensive network of relationships across the commercial aerospace, defense industry, and intelligence community developed by Acorn and its management team throughout their careers. Our investment process centers on a bottom-up, research-driven approach that involves primary research, accessing our industry network and ongoing surveillance to analyze the factors driving the aerospace and defense industry's operating environment. In our fundamental analysis, we seek to determine the value of the Portfolio Companies based on a thorough analysis of the fundamental business factors of the given securities at issue. This includes, among other things: analysis of financial statements, earnings, dividends, management structure, competitive advantages, product offerings, competitors and markets. In essence, this method of analysis evaluates the overall condition of the company to determine whether it is a sound investment. In addition, we focus on the potential investment's strategic fit within the relevant Client's overall portfolio and how it can benefit from shared services arrangements with Acorn's other Portfolio Companies.

Once an investment ultimately becomes a Portfolio Company, Acorn becomes an active partner with each Portfolio Company's management team in order to help them drive revenue growth through operational improvements to help mitigate the impact of market cycles, while positioning the Portfolio Company to liquidate opportunistically in favorable markets.

B. Material, Significant or Unusual Risks Relating to Investment Strategies

Investment in the Clients involves a significant degree of risk, relating both to the types of investments contemplated by the relevant Client as well as the Client's ability to achieve its investment objectives. Accordingly, there can be no assurance that the Clients will be able to implement their investment strategies or that the Clients will realize positive returns or that there will be any return of capital.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment with respect to which we advise or cause to be made. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

Investment Risks. All Client investments risk the loss of capital. We believe that our investment strategy and research techniques moderate this risk through a careful selection of securities, equity interests, debt and other financial instruments and assets. No guarantee or representation is made that investment strategies will be successful.

Aerospace and Defense Sector Risk. The Clients' assets will be concentrated in the aerospace and defense industry, a component of the industrial sector, which means that the Clients will be more

affected by the performance of the aerospace and defense industry versus investment funds that are more diversified. Aerospace and defense companies can be significantly affected by government aerospace and defense regulation and spending policies, as companies involved in this industry rely to a large extent on United States (and other) government demand for their products and services. Thus, the financial condition of, and investor interest in, aerospace and defense companies are heavily influenced by governmental defense spending policies which are typically under pressure from efforts to control the United States (and other) government budgets. As a result, companies involved in the aerospace and defense industry could be adversely impacted by future reductions or changes in government spending. Government spending in aerospace and defense generally is not correlated with any economic cycle, but rather is dependent to a large degree on the level of general political support for this type of expenditure. There is no assurance that future levels of aerospace and defense spending will increase, or that levels of spending in this area will not decrease in the future.

There are significant inherent risks in contracting with the United States government that could have a material adverse effect on the business, financial condition and operational results of industry participants, including the following:

- Certain United States government contracts could be subject to modification or termination due to a lack of congressional funding or changes in such funding;
- Termination by the United States government of any contract due to a default by an industry participant could result in such participant being liable for the extra costs incurred by the United States government in procuring undelivered items from another source;
- Termination by the United States government of any contract for convenience would generally limit industry participants' recovery to costs already incurred or committed and limit their profit to work which was completed prior to termination;
- Failure to comply, even inadvertently, with the complex and extensive laws and regulations applicable to certain United States government contracts, and the laws governing the export of controlled products and commodities, could subject industry participants to contract termination, civil and criminal penalties and, under certain circumstances, suspension from future United States government contracts and the export of participants' products for a specific period of time; and
- Routine United States government audits and reviews could, in certain circumstances, lead to adjustments to industry contract prices, which could be significant.

Due to the competitive bidding atmosphere for United States government contracts, there can be no guarantee that such bids will be successful or regarding the profitability of such contracts, if awarded.

Further, the aerospace and defense industry can be impacted by competition within the industry, labor relations and the price of fuel. Airline deregulation has substantially diminished the United States government's role in the air transport industry while promoting an increased level of competition. However, various domestic and foreign governments' regulations and policies can still affect the profitability of individual carriers as well as that of the industry as a whole.

Transportation securities are cyclical and have occasional sharp price movements that may result from changes in the economy, fuel prices, labor agreements and insurance costs. The air transportation industry can be significantly affected by these factors as well as geopolitical developments affecting the demand for air travel.

Industrial Sector Risk. Industrial companies are affected by supply and demand both for their specific product or service and for industrial sector products in general. Government regulation, world events, exchange rates and economic conditions, technological developments and liabilities for environmental damage and general civil liabilities will likewise affect the performance of these companies.

Industry Concentration. Market conditions, interest rates and economic, regulatory or financial developments could significantly affect a single industry or group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. In addition, from time to time, a small number of companies may represent a large portion of a single industry or group of related industries as a whole, and these companies can be sensitive to adverse economic, regulatory or financial developments.

Uncertainty of Projections. The Portfolio Companies in which the Clients invest are likely to face intense competition, including competition from companies with greater financial resources, more extensive development, production, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the marketing efforts of any particular Portfolio Company will be successful or that its business will be profitable.

The Portfolio Companies may also be unprofitable or have no well-established operating histories or earnings and may lack technical, marketing, financial or other resources. These companies may be dependent upon the success of one product or service, a unique distribution channel or the effectiveness of its management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives with the management team, may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established companies might.

Early Stage Investments. Although some of the Clients' investments will be made in companies with existing operations, the Clients may also invest at earlier stages, including the start-up stage. Particularly in small businesses, a major risk exists that an existing product or service cannot be marketed successfully with the resources available to the Portfolio Company. There is no assurance that the marketing efforts of any Portfolio Company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to obsolescence. There is no assurance that any Portfolio Company will successfully develop future generations of its services or products. Additional funds may be necessary to undertake and complete such development, and there is no assurance that such funds will be available from any particular source.

Limited Number of Investments. Because the Clients' portfolios will be concentrated in the aerospace and defense industry and the portfolios may not be widely diversified among issuers, the investment portfolios of the Clients may be subject to more rapid change in value than would be the case if the Clients were required to maintain a wide diversification among companies or interest groups. The Clients generally make only a limited number of investments, and as a consequence, the aggregate return on the Clients' investments may be substantially adversely affected by the unfavorable performance of even a single Client investment. The value of an interest in the Clients may be more susceptible to any single economic, political or regulatory event than interests in a more diversified fund.

Third-Party Involvement. Subject to the relevant governing documents, the Clients may co-invest with third parties through partnerships, joint ventures or other entities. Such investments may involve

risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have financial difficulties resulting in a negative impact on such investment, economic or business interests or goals that are inconsistent with those of the Client, or may be in a position to take or block action contrary to the Client's investment objectives. In addition, the Client may in certain circumstances be liable for actions of its third-party co-venturer or partners. Furthermore, if a co-venturer defaults on its funding obligations, the Client may be required to make up the shortfall.

Force Majeure/Potential Public Health Crisis

Our investment advisory activities or portfolio company operations could be adversely affected by events outside of our control, such as natural disasters or health epidemics. Beginning in late 2019, the media has reported a public health epidemic originating in China, prompting broad, precautionary government-imposed closures of travel and business. It is unknown whether and how global supply chains may be affected if such an epidemic persists for an extended period of time. Acorn Growth Companies, LC or our portfolio companies may incur expenses, delays, or interruption of critical business functions relating to such events outside of our control, which could have a material adverse impact on our investment advisory business including, but not limited to, the financial conditions or prospects of our portfolio companies and the sourcing of new investment opportunities. Such material adverse impact could, in turn, adversely affect the performance of our investment fund(s).



Item 9. DISCIPLINARY INFORMATION

Since its inception, there have been no legal or disciplinary events involving Acorn or any of its management persons that would be material to an investor's evaluation of its advisory business or the integrity of its management.

Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**A. Broker-Dealer Registration Status**

Neither Acorn nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Neither Acorn nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants

Neither Acorn nor any of its management persons has any relationship or arrangement that is material to the Firm's advisory business or its Clients with the related persons described in the instructions to this Item.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Acorn does not recommend or select other investment advisers for its Clients.

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

A. Code of Ethics

Acorn has adopted a written code of ethics (the “Code”), which is designed to promote high ethical standards and reflect the Firm’s fiduciary duties and responsibilities to its Clients. The Code establishes the standard of business conduct that all employees must follow and is designed to prevent prohibited acts and mitigate potential conflicts of interest between the Firm, its employees and its Clients.

Under the Code, the Firm’s employees must act in the best interests of Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with Clients to the extent reasonably possible and identify and manage conflicts of interest to the extent that they arise. Acorn’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by Acorn or its employees.

In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading of Acorn’s employees. The Code generally prohibits purchasing securities in an initial public offering; requires pre-clearance before purchasing securities in a limited offering (*i.e.*, a private placement); requires employees to provide duplicate brokerage accounts statements and trade confirmations to the Firm or to report all securities transactions on at least a quarterly basis; and requires employees to provide a complete list of their holdings on at least an annual basis. The Code also includes policies and procedures to prevent the misuse and disclosure of material nonpublic information and policies and procedures designed to mitigate potential conflicts of interests including: outside activities of employees; gifts and business entertainment, including limitations and reporting requirements; and pre-clearance and reporting of political contributions. Clients or investors may request a copy of Acorn’s Code at the number provided on the cover page of this Brochure.

B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest

The Firm does not anticipate entering into principal transactions, where Acorn or any of its related persons purchase or sell any security for their own accounts from or to the account of any Client.

The Firm does not anticipate entering into cross transactions, where one Client purchases or sells any security for its own account from or to the account of another Client. The Firm is not affiliated with a registered broker-dealer and as such, cannot engage in agency cross transactions.

C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients

Neither the Firm nor any of its related persons invests in the same securities that are recommended to the Clients.

D. Conflicts of Interest Created by Contemporaneous Trading

In the unlikely event that the Firm or a related person recommends securities to a Client, or buys and sells securities on behalf of a Client, at or about the same time that the Firm or a related person buys or sells the same securities for its or their own account, the Firm’s Chief Compliance Officer will make a

determination on a case by case basis to remedy such a situation.

Other Potential Conflicts of Interest. Certain of the Firm's employees have made capital commitments and thus will have a direct financial interest in the transactions of the Clients. Investments by such related persons are intended to align the interests of the Firm and its related persons with those of the Clients; however, such investment may create conflicts of interest. To address such conflicts, the investment arrangements are described and agreed upon in each Client's governing documents.

Valuation. The Firm is responsible for valuing the assets of its Clients and does so internally (*i.e.*, the Firm does not currently intend to utilize a third party for valuation purposes). Due to the nature of its investment strategy, many of the Client assets are priced in the absence of a readily available market and are priced on determinations of fair value, which may prove to be inaccurate. The valuation of Client investments in Portfolio Companies is determined internally by the Firm based on, to the extent possible, the most currently available data. On a regular, ongoing basis, the Firm obtains updates on each Portfolio Company's financial performance, as well as information on economic and industry trends and other operational issues. Conflicts of interest may arise with the presentation or reporting of valuations to investors or otherwise.

Time Management. Personnel of the Firm devote such time as, in their discretion, deemed necessary to carry out the operations of the Clients effectively. Certain personnel also work on other projects; conflicts of interest may arise in allocating management time, services or functions among responsibilities.

Portfolio Company Level Conflicts. Acorn's Portfolio Companies may engage from time to time in business with each other or with Acorn and its affiliates. Such business activity may include the provisions of certain services, sharing of certain expenses and cross-promotional activity that may result in fees and/or commission being paid among companies with the Acorn group. While the Firm intends that any such services be provided at competitive market rates and that such fees and commissions be fair and reasonable in light of all the circumstances, such compensation, fees and commissions may not be determined through arm's-length negotiation and Acorn will not guarantee performance by its affiliates of any services provided to its Portfolio Companies.

Conflicts of interest not described herein may also exist. The Firm can give no assurance that any conflicts of interest will be resolved in favor of a particular Client or investors in such Client.

Item 12. BROKERAGE PRACTICES**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

Due to the nature of the Firm's strategy, Acorn does not utilize broker-dealers for transactions because the securities it typically purchases or sells on behalf of the Clients are acquired and/or disposed of in privately-negotiated purchase and sale transactions.

As of the date of this filing, Acorn does not engage in soft dollar arrangements with broker-dealers, consider client referrals when selecting or recommending a broker-dealer or engage in directed brokerage. If, in the future, the Firm does utilize broker-dealers for transactions, this section will be updated accordingly.

B. Order Aggregation

Due to the nature of Acorn's strategy, there are no purchase or sale orders of securities that are aggregated for various Client accounts.

Item 13. REVIEW OF ACCOUNTS**A. Frequency and Nature of Review of Client Accounts or Financial Plans**

On an ongoing basis, Acorn performs various periodic reviews of each Client's portfolio. Such reviews are overseen by Acorn's senior management. Each Client's portfolio is reviewed in the context of each Client's stated investment objectives and guidelines. Each Client's Investment Committee, if applicable, is encouraged to meet with Acorn at least once per year to review its account as a whole, ensuring that the management thereof aligns with its current financial conditions, goals and objectives.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

A review of a Client's portfolio may be triggered by any unusual activity or special circumstances, including, without limitation, changes in the financial markets, activity and trends in the political or economic environment, as well as the specific circumstances affecting each Client.

C. Content and Frequency of Account Reports to Clients

As further described in Item 15, Acorn provides annual audited financial statements to the Clients within 120 days of the applicable Client's fiscal year end. Further, Acorn provides annual written reports regarding updates on the performance and status of each portfolio, which may not be distributed with the annual audited financial statements. Financial reports are provided to the Client's Investment Committee, if applicable, semi-annually.

Item 14. CLIENT REFERRALS AND OTHER COMPENSATION**A. Economic Benefits for Providing Services to Clients**

Other than the compensation described in Items 5 and 6 of this Brochure, no one other than Acorn's Clients provides an economic benefit to the Firm for providing investment advice or other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals

Neither Acorn nor any of its related persons directly or indirectly compensate any person who is not a supervised person for Client referrals. However, Acorn uses an unaffiliated third-party placement agent for referrals of Fund investors.

Item 15. CUSTODY

The Firm adheres to the applicable requirements of Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) with respect to each Client for which it or an affiliate serves as general partner or managing member. Accordingly, each Client’s assets are maintained by a qualified custodian; qualified custodians send us account statements related to our Clients on at least a quarterly basis.

Additionally, in accordance with the Pooled Vehicle Annual Audit Exception under the Custody Rule, the Firm arranges for certain of its Clients (all of which are pooled investment vehicles) to be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Acorn distributes the Clients’ audited financial statements to those specific Client investors within 120 days of the end of the relevant Client’s fiscal year.

Item 16. INVESTMENT DISCRETION

With regard to certain of the Funds and the Direct LLCs, the Firm does not have discretionary investment authority. For these Clients, Acorn may not unilaterally make investment decisions, as all investment discretion is generally vested in the relevant Fund Investment Committee, in the case of certain of the Funds, or the Client's members, in the case of the Direct LLCs. With regard to the non-discretionary Funds, each Fund Investment Committee is comprised of five individuals, the majority of which are investors in the relevant Fund, who are either appointed by the Firm or elected by the Fund's investors; at least two individuals on each Fund Investment Committee are elected by the Fund's investors. One or more of Acorn's partners sits in his individual capacity on each Fund Investment Committee at any given time but cannot unilaterally direct an investment without the consent of the other Fund Investment Committee members. No governance decision of the Fund Investment Committee is effective until approved by the Fund Investment Committee in accordance with the provisions of the relevant Fund's governing documents. Acorn, in its capacity as the investment manager to each Fund, makes recommendations to each Fund Investment Committee with respect to initial and ongoing portfolio investments. If Acorn's investment recommendations are accepted by a Fund Investment Committee, the Fund Investment Committee then directs Acorn to carry out the Investment Committee's determination by either making or not making an investment, as the case may be. With regard to the Direct LLCs, investment decisions (*e.g.*, dispositions of assets) generally must be decided by a vote of such Direct LLC's members. Each decision generally must be approved by Acorn, in its capacity as each Direct LLC's designated investment manager.

With regard to the Funds over which the Firm has discretionary investment authority, Acorn or one of our affiliates has full discretionary authority to manage the assets of such Funds. Acorn's investment decisions and advice with respect to these Funds are subject to such Funds' investment objectives and guidelines, as set forth in each Fund's governing documents or investment management agreement.

Item 17. VOTING CLIENT SECURITIES**A. Policies and Procedures Relating to Voting Client Securities**

The Firm's investment strategy does not generally involve the acquisition of publicly-traded securities and as such, it is unlikely that any Clients will be placed in a position of proxy voting authority. If any Clients do come into possession of securities with proxy voting rights ("Proxies"), the Firm will have the authority to vote Proxies only for those Clients over which the Firm has discretion.

With respect to those Funds over which Acorn maintains a discretionary investment advisory relationship, in compliance with Advisers Act Rule 206(4)-6, Acorn has adopted proxy voting policies and procedures. The general policy is to vote Proxies in a prudent and diligent manner that will serve the applicable Fund's best interests and is in line with each Fund's stated investment objectives and guidelines. To do so, Acorn will take into account all relevant factors, as determined by the Firm in its discretion.

In limited circumstances, the Firm may refrain from voting Proxies where it believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to the relevant Client.

Occasions may arise in which the Firm is required to vote a Proxy while having a conflict of interest with a Client. If Acorn determines that it may have, or can be perceived to have, a conflict of interest when voting Proxies, the Firm will consult on the matter and conduct a conflict analysis accordingly. The Funds and their investors may obtain a copy of Acorn's Proxy voting policies and the Firm's Proxy voting record upon request.

B. Lack of Authority to Vote Client Securities

With respect to those Clients over which Acorn does not have discretionary authority, Acorn does not have and will not accept authority to vote any Proxies received by such Clients. All such Proxies will be provided to the relevant Fund Investment Committees by Acorn. In its capacity as the investment manager, however, Acorn will provide advice regarding a given voting issue.



Item 18. FINANCIAL INFORMATION

Acorn and its management persons have no material financial conditions that are reasonably likely to impair their ability to meet contractual commitments to the Clients (*e.g.*, bankruptcies, liens, judgments). As such, we are not required to include a balance sheet hereto.