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This amended and restated brochure provides information about the qualifications and business practices of ACON EQUITY 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](http://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 2022.

No material changes have been made to this Brochure since the last annual update. However, enhanced disclosure is provided, including with respect to (i) fees and expenses, (ii) risk factors and (iii) conflicts of interest. In addition, ACON routinely makes updates throughout this Brochure to clarify the description of its business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices. Finally, ACON notes the Adviser’s regulatory assets under management in Item 4 (*Advisory Business*), which figure differs from that provided in the prior Brochure.

You are encouraged to review this Brochure in its entirety.

### **Item 3 - Table of Contents**

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#### Item 4 - Advisory Business

ACON EQUITY MANAGEMENT, L.L.C. (“**ACON**,” or the “**Adviser**”) is a Washington, DC-based investment advisory firm affiliated with ACON Investments, L.L.C. (“**ACON Investments**” or the “**Firm**”). ACON Investments is an international private equity fund management company originally founded in 1996 by Bernard Aronson, Kenneth Brotman and Jonathan Ginns. The Adviser was formed in 2011. For purposes of this brochure, “we,” “us” and “our” refer to the Adviser and its investment advisory business.

We provide investment advisory services to a line of private equity funds (each, an “**ACON Fund**” or “**Fund**” and collectively, the “**ACON Funds**” or “**Funds**”) that target making investments in middle-market companies, principally in the United States, with the objective of achieving long-term appreciation for our investors. Our pooled investment vehicles (each, an “**ACON Investment Vehicle**” or an “**Investment Vehicle**”) seek to make investments in a range of industries, including without limitation, consumer retail, industrials and business services. Our investment strategy focuses on revenue growth and operational improvements as one of the primary tools to achieve value creation. Our investment mandate permits us to make equity and equity-linked debt investments and other opportunistic investments. We aim to invest primarily in companies in which we will have the right to control or exert significant influence over the portfolio company’s strategic planning, operations and development. Our advisory services include 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. We provide these services directly or through affiliated special purpose general partner or manager entities established to manage ACON Investment Vehicles (collectively, “**GPs/Managers**”). ACON’s advisory services are not tailored to individual investors in our Investment Vehicles, but are provided in accordance with the investment strategies of such vehicles. One or more of our representatives typically serves as a member of the board of directors of the portfolio companies our Investment Vehicles acquire.

In addition to the private equity fund platform we offer our investors, ACON and its affiliates (including other registered affiliated investment advisers of ACON) also offer investors in their Funds, prospective investors and third parties that are not Fund investors, opportunities to co-invest alongside the relevant Fund in ACON-identified investment opportunities, whether through an ACON-sponsored investment vehicle (a “**Co-Invest Vehicle**”) or directly into the underlying portfolio company. There is no guarantee that co-investment opportunities will always be available. These co-investments may be made on a discretionary basis, or on a non-discretionary basis subject to certain pre-defined parameters.

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 Andre Bhatia.<sup>1</sup> The Adviser is party to an arrangement with ACON Investments pursuant to which the Firm 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. Since the Firm’s inception, ACON Investments has managed, or has had under management, approximately \$7.0 billion in capital.<sup>2</sup> In addition to its U.S.-

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<sup>1</sup> 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.

<sup>2</sup> Represents cumulative capital commitments in the Firm’s private equity platforms since ACON Investments’ inception in 1996 through March 31, 2023 and capital raised in listed vehicles sponsored by ACON. Excludes co-

focused business, the Firm operates two other businesses, one that is focused on middle-market investing in Latin America and the other focused on middle-market investing in Southern Europe.<sup>3</sup>

In connection with the sponsorship and operation of the Funds (and under certain circumstances the Co-Invest Vehicles) and to the extent the circumstances require, the Adviser organizes various domestic and foreign feeder funds, parallel funds and alternative investment vehicles (and related blockers) (collectively, “**Feeders, Parallel Funds and AIVs**”). We organize these vehicles to accommodate particular tax, regulatory, or other needs as the circumstances may require. For avoidance of doubt, the term “**Investment Vehicles**” includes the ACON Funds, Co-Invest Vehicles and Feeders, Parallel Funds and AIVs for which the Adviser provides advisory services.

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 a 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**”). Various ACON personnel (including without limitation employees of ACON affiliates and the named “**Principals**” of each Fund (hereinafter referred to as “**Principals**”) 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 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 or carried interest that may be cross-collateralized across more than one ACON Investment Vehicle; economic or other incentives tied to the making of commitments to one or more other ACON Investment Vehicles, including future Funds; the provision of additional information, reports or access rights; 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 a particular ACON Fund’s advisory committee. The foregoing list is not exhaustive. In addition, certain side letters with investors contain

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investment capital invited by ACON Investments to invest alongside, but not managed by, affiliates of ACON Investments.

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

provisions that economically incentivize ACON to offer co-investment opportunities to such investors.<sup>4</sup> We expect to enter into side letters with investors in future Funds and other Investment Vehicles, the terms of which may be similar or different than those described above.

As of December 31, 2022, ACON had approximately \$5.0506 billion of client assets under management, all of which is managed on a discretionary basis.<sup>5</sup>

## Item 5 - Fees and Compensation

### Fees

The Funds pay ACON a management fee (the “**Fund Management Fees**”). The precise amount of, and the manner and calculation of, the Fund Management Fees for each Fund are established by ACON through negotiations with investors in the applicable Fund and are set forth in the Fund Agreement for each Fund (subject to individual modification via an investor’s side letter as described above). The amount of the Fund Management Fees is typically reduced following expiration of each Fund’s commitment period or upon the closing of a successor fund. Fund Management Fees are typically paid semi-annually or quarterly in advance and are subject to waiver and/or offsets as more fully described below. ACON or a GP/Manager thereof has in the past charged, and in the future may sometimes charge, the Co-Invest Vehicles a per annum management fee (a “**Co-Invest Vehicle Management Fee**” and together with the Fund Management Fee, the “**Management Fee**”). Co-Invest Vehicle Management Fees are not generally subject to fee offset provisions as is the case with Fund Management Fees. 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. The terms of the ACON Investment 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 each ACON Fund, the Fund Management Fees are due in advance only for the applicable *pro-rated* partial period.

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. Management Fees are generally subject to waiver or reduction by the Adviser in its sole discretion. 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

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<sup>4</sup> Side letters modify the terms of an Investment Agreement with respect to the investor that is the counterparty to the side letter. As such, when describing the terms set forth in an Investment Agreement, unless otherwise stated expressly to the contrary, it shall be deemed that side letter references are incorporated therein by reference as the context requires.

<sup>5</sup> 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 numerous Investment Vehicles, some of which aggregate ACON Investment Vehicle assets together to invest in portfolio companies. In reporting RAUM, ACON eliminates double counting of assets in such situations where one ACON Investment Vehicle invests in another ACON Investment Vehicle.

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).

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**"). In addition, certain of these Other Fees may be calculated on the basis of estimated financial results of a portfolio company over a particular time period, with no provisions requiring a true-up for actual financial results over such time period. Moreover, in many cases, Other Fees are based on enterprise value or other metrics relating to a portfolio company, the acquisition of or investment in such company, or the ongoing monitoring thereof, and there can be no assurance that the amount of Other Fees charged will be tied to or proportional to the amount of hours of work performed on behalf of the portfolio company. In connection with the provision of monitoring and other services to a portfolio company, we are also reimbursed for out-of-pocket expenses incurred by ACON and our personnel.

The amount of Management Fees payable may be offset by at least a portion of Other Fees received by ACON and its affiliates (net of unreimbursed expenses, regardless of whether such expenses were incurred in connection with the activity that generated the Other Fee) in connection with an investment made by a particular ACON Fund. Each Management Fee offset results in a reduction of the Management Fees payable by an investor in a Fund. The portion of Other Fees received by ACON that reduce Management Fees payable are disclosed in, and governed by, the Fund Agreements. Unless otherwise agreed with investors, Other Fees generally will be payable during term extensions, even if Management Fees are reduced or eliminated during the extended term, thus reducing the amount of Management Fees actually offset unless the Investment Agreements provide that excess offset amounts shall be returned to investors. If no subsequent installments of Management Fees are due, then excess offset amounts will be returned to investors upon liquidation of such Fund if required by the terms of the applicable Investment Agreement. Any balance not so shared is retained by ACON (or affiliates) as additional revenue. As set forth above, Co-Invest Vehicle Management Fees are not generally subject to fee offset provisions as is the case with Fund Management Fees, however this is not always the case. Reimbursements for expenses are not subject to Management Fee offsets.

ACON or its personnel also may receive directors' fees or other similar compensation. To the extent ACON personnel (including personnel of an ACON affiliate) receive directors' or other such 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 subject to allocation across the relevant ACON Investment Vehicles as described further herein. Any requisite offsets against a Fund Management Fee and/or Co-Invest Vehicle Management Fee (if any) are applied as described above. Non-ACON personnel, including without limitation advisers to ACON, 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. Board fees and other similar compensation received by ACON personnel in connection with outside board service (*i.e.*, companies that are not owned by investment vehicles managed by ACON or any of its affiliates and including board fees payable by special purpose acquisition companies that are sponsored by affiliates of

ACON but not owned by ACON Investment Vehicles) may be retained by such persons for themselves and, accordingly, there is no offset taken against Management Fees in connection therewith.

From time to time, ACON, the Investment Vehicles or portfolio companies engage and retain, typically on an independent contractor basis, various senior advisors, operating executives and other advisory, consulting and similar professionals to provide consulting services to our portfolio companies and Investment Vehicles on a range of operational and other issues. Often, these executives have meaningful professional relationships with ACON. In certain cases, these executives are former employees of ACON or certain portfolio companies. These executives provide a variety of services to ACON, the Investment Vehicles or our portfolio companies, including without limitation supplementary deal sourcing; company monitoring and both general and specific operating skills such as supply chain, information technology, branding and marketing, restructuring and other areas of expertise; senior executive experience; industry expertise; regional market expertise; and assistance with conducting due diligence of targeted investments. In certain cases, these executives have attributes of ACON personnel (for instance, they may have dedicated office space, receive administrative support services, participate in meetings or events for ACON personnel, work on ACON matters as their primary or sole business activity, have ACON e-mail address or business cards and participate in certain benefit arrangements typically reserved for ACON employees), even though they are not employees of ACON. The nature of the relationship with each such executive and the amount of time devoted or required to be devoted by them varies significantly. ACON refers to certain of these executives as its “**operating partners**” or “**operating professionals**”. ACON refers to those who do not form part of ACON’s operating professionals team with various designations, including executive consultant, advisor, executive advisor and senior advisor, among others (collectively, the “**executive advisors**”).<sup>6</sup> Often, ACON has engaged the executive advisors on behalf of its Funds and Co-Invest Vehicles to assist ACON in sourcing, analyzing and executing investments, often with the intention that such executives will assume board, executive or other management roles at the portfolio companies they identify.

Typically, ACON or an ACON Fund or other ACON Investment Vehicle, will compensate the operating partners and executive advisors in accordance with a compensation arrangement agreed among the parties. To the extent any such person’s time is allocated to a portfolio company or a target portfolio company with respect to the provision of the above-referenced operational services and/or due diligence, a portion of such person’s compensation will be allocated to and paid (or reimbursed, if applicable) by such portfolio company or 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 arrangement and in any case in its sole discretion. Operating partners and executive advisors also will be reimbursed for travel and other costs in connection with their services. In addition to compensation and expense reimbursement that these operating professionals and executive advisors receive from ACON or an ACON Fund or Co-Invest Vehicle, they also may receive payments from portfolio companies directly, such as cash; retainers; salary; bonuses (whether or not based on pre-determined milestones); fees; incentive equity, profits, participation or other equity interest or stock awards in the portfolio company, a holding company or ACON Investment Vehicle; guaranteed minimum payments; a share of proceeds upon sale of a portfolio company; or other compensation including pursuant to negotiated arrangements.

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<sup>6</sup> The term “personnel” and “ACON Personnel,” as used throughout this Brochure, will be deemed to include the ACON operating professionals unless otherwise expressly stated or the context otherwise requires.



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, an ACON Investment Vehicle and/or the relevant portfolio company is authorized to pay or reimburse ACON all or a portion of the personnel costs (including expenses) of the seconded employee. Due to the nature of these 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 allocates the compensation, expense reimbursement and/or other payments received by its operating professionals, executive advisors and or seconded employees to the applicable ACON Investment Vehicle(s) and/or applicable portfolio companies. As a result, such amounts will be treated as a Fund, other Investment Vehicle or portfolio company expense, and will not be deemed paid to or received by ACON and not subject to a Management Fee offset. Accordingly, such amounts are borne by the investors.<sup>7</sup> For a description of the various conflicts of interest raised by ACON's treatment of operating professionals, executive advisors and seconded employees, refer to Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks—Certain Conflicts of Interest—“Use of secondee/interim employee arrangements, operating professionals, executive advisors and other consultants”*).

In certain circumstances, such as those relating to short- or long-term portfolio company cash, liquidity or other needs or circumstances, and regardless of whether the portfolio company is undergoing financial stress, ACON reserves the right to accrue, defer or forego payments of Other Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the relevant Investment Agreements, investors will not have the right to receive the benefit of Management Fee offsets with respect to such amounts until they are actually received. In addition, in certain circumstances, ACON expects that co-investors, lenders, consultants or other parties from time to time will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset will be applied after excluding any amounts paid to such persons. For the avoidance of doubt, ACON will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer ACON Investment Vehicle portfolio companies.

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 Funds, Co-Invest and other Investment Vehicles as well as the treatment of fee offsets. In addition, inasmuch as the Management Fees and Other Fees payable or ultimately borne 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.

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<sup>7</sup> For time ACON operational professionals 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 arrangements 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 Management Fee.

## Expenses

The ACON Investment Vehicles bear and are charged for the costs and expenses of their organization, activities, operations and meetings (to the extent not reimbursed by third parties and subject to the terms of an Investment Agreement), 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 third-party fund administrators, custodians, depositories, economists, consultants, outside counsel and accountants (including audit fees); (iii) costs, fees and expenses of holding or selling any investment by a Fund, including recordkeeping expenses, expenses associated with establishing and maintaining alternative investment vehicles and any intermediate entities; (iv) the costs of insurance, including premiums for directors’ and officers’ and liability insurance; (v) any taxes, fees or other governmental charges levied against the ACON Investment Vehicle; (vi) costs and expenses of annual and other investor meetings and meetings of any advisory committees (including the costs associated with attendance at such meetings by ACON personnel), and other advisory committee costs, including any firm retained by such committee to determine the fair market value of unrealized portfolio investments; (vii) interest on and fees and expenses arising out of all borrowings and guarantees made in connection with the Investment Vehicle’s activities and operations, including the arrangement thereof; (viii) 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; (ix) 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; (x) 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; (xi) taxes, fees or other governmental charges levied against a Funds or a Fund’s income or assets or in connection with a Fund’s business or operations; and (xii) costs associated with the winding-up and liquidation of a Fund.

For avoidance of doubt, and except to the extent set forth in an applicable Investment Agreement, “**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. Costs and expenses associated with completed investments by an ACON Investment Vehicle typically are reimbursed by the relevant portfolio company, capitalized as part of the acquisition price of the relevant transaction or reimbursed by an ACON Investment Vehicle to ACON.

ACON has engaged one or more fund administrators or similar service providers to perform certain functions in relation to a Fund or Investment Vehicle, which services may include tasks related to fund accounting and reporting, including assistance with preparation of the Investment Vehicles’ financial statements, coordination of such vehicles’ legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for the valuation process and investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting with which the Funds are required to comply. In certain instances, employees of such service providers dedicate substantially all of their time to the ACON Investment Vehicles and may even spend all or a significant majority of their business time at the ACON offices. These expenses related to such service provider employees are borne by the Funds and other ACON Investment Vehicles.

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.<sup>8</sup> In the case of the Funds, Organizational Costs are usually capped at a particular amount set forth in each Fund Agreement. Excess amounts incurred above such cap are borne by ACON. Except to the extent set forth in the relevant Investment Agreement, 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 travel and accommodations (including those incurred by ACON personnel), printing, and other similar costs, fees, and expenses (including meals and entertainment associated therewith) and may include expenses incurred by third-party placement agents or solicitors if permitted by the specific Fund Agreement as well as regulatory costs associated with the offering. With respect to organization of an ACON Investment Vehicle, fees (and typically expenses) of third-party placement agents or solicitors engaged by ACON or other affiliates thereof in connection therewith are usually borne by ACON (either directly or via offsets of the Management Fee), however this may not always be the case to the extent the Investment Agreement or other governing documents or disclosures to the investor allow otherwise.

To the extent required by the ACON Investment Vehicle organizational documents, 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 employees incurred in connection with any general or background investigation of industries suitable for investment.

The organizational documents of certain ACON Investment Vehicles, however, permit an allocable share of the compensation (including, without limitation, salary, other cash compensation, benefits and overhead expenses) of certain personnel and employees of ACON or other overhead expenses (including, without limitation, rent, property taxes and utilities allocable to workspaces) associated with the provision of services including legal, tax, technology, reporting, accounting, investor servicing, valuation, risk management, compliance (including compliance with ESG-related policies and reporting), administrative services, finance, oversight of fund leverage and credit facilities, capital markets execution and asset-level legal, technology, analytics, cybersecurity, accounting and tax matters, administrative and other related services to the Fund to be treated as an expense of the applicable ACON Investment Vehicle in light of services provided to or with respect to the Investment Vehicle and/or one or more underlying Portfolio Companies. These personnel are employees of ACON and provide, among others, including those specified in the foregoing sentence, accounting services (including preparation of financial statements and financial administration of the ACON Investment Vehicles and their investment holding vehicles, valuation of the assets of the various ACON Investment Vehicles in accordance with requirements set forth in the organizational documents of the various ACON Investment Vehicles, treasury and other cash management functions related to accounting of an ACON Investment Vehicle’s assets and related activities), tax services (including the preparation and review of tax returns and fulfillment of tax reporting obligations related to operation of the various ACON Investment Vehicles, the determination, payment and administration of any taxes levied against the ACON Investment Vehicles and their investment holding vehicles), legal services and activities undertaken in connection with the development, identification, evaluation, sourcing, bidding on, negotiation, structuring, obtaining regulatory approvals for, and pursuing the consummation of portfolio investments by the various ACON Investment Vehicles (regardless of whether such portfolio investments are subsequently consummated), the monitoring, holding or selling of portfolio investments of the ACON

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<sup>8</sup> 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.

Investment Vehicles, (including activities that are performed for or on behalf of portfolio investments of the ACON Investment Vehicles in the ordinary course of business of the portfolio investments), recruiting activities related to portfolio investments of the ACON Investment Vehicles, fulfillment of reporting obligations to limited partner investors in the ACON Investment Vehicles, including obligations originating from side letters, and related activities. Such personnel may provide these services in respect of multiple ACON Investment Vehicles, portfolio investments or matters, including in respect of matters related solely to ACON and in any such circumstance the benefits or costs of any such personnel and related overhead expenses will be allocated in ACON's sole discretion taking into consideration a variety of factors including the usage of such personnel, which may change over time. These allocation methodologies may include: requiring personnel to periodically estimate and allocate their time with respect to the ACON Investment Vehicles and/or the portfolio companies; ACON approximating the portion of time a person has spent with respect to a particular ACON Investment Vehicle and/or portfolio investment or other matter; the assessment of an overall dollar amount (for instance, based on a fixed fee) that ACON believes represents a fair recoupment of expenses and a market rate for such services, taking into consideration amounts paid to persons recruited into the relevant positions with ACON as indicative of market terms for personnel filling the responsibilities of such positions; a proportionate allocation based on a variety of factors determined in ACON's sole discretion, including the number of investors in an individual ACON Investment Vehicle, the number of portfolio investments held by an individual ACON Investment Vehicle, and the assets under management of an individual ACON Investment Vehicle, as compared to the aggregate number of investors, number of portfolio investments, and assets under management of all relevant ACON Investment Vehicles with respect to which a person has responsibilities; and any other methodology determined by ACON in its sole discretion to be appropriate under the circumstances. Any methodology chosen by ACON involves subjective determinations and inherent conflicts of interest and could result in a greater exposure to the ACON Investment Vehicles and portfolio companies than would be the case if such services were provided by third parties. In circumstances where ACON determines to seek "market" or "arms-length" rates or terms, ACON will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be generally reflective of the range of rates in the applicable or related markets. ACON is not required, and does not commit, to undertake any market survey or study or obtain any benchmarking data regarding the rates or other terms required, charged or quoted by third parties for similar services. In the event ACON determines in its sole discretion to seek benchmarking data or otherwise use benchmarking data available to it, ACON undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate or comparable or relate specifically to the assets or services to which such rates or terms relate. Relevant comparisons may not be available for a number of reasons, including, without limitation, as a result of a lack of a market of providers or users of such services or the confidential and/or bespoke nature of such services. Even where information is available to ACON in order to perform comparisons, such information does not take into account specific characteristics of individual portfolio investments held by the ACON Investment Vehicles, specific characteristics of the ACON Investment Vehicles and other factors specific to the services that are performed by persons employed by ACON. For these reasons, any such methodology (including the choice thereof) may result in an attribution and allocation of expenses that could be approached or concluded in a manner different than that selected and/or determined by ACON. Conflicts may arise in the allocation of personnel and their time among the ACON Investment Vehicles, particularly in connection with funds that may involve substantially more time and resources than other funds. Additionally, certain of these services may also be performed by third parties that provide the same or similar services, and the expenses associated with engaging such third parties may also qualify as fund expenses under the organizational documents of the ACON Investment Vehicles. There can be no assurances that any personnel or employees of ACON or their respective affiliates is more qualified to provide the applicable services or could provide such services at lesser cost than any third-party service provider.

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

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

The Adviser directly or through GPs/Managers or another affiliated vehicle charges each ACON Fund a “carried interest” or performance fee that represents a participation in the profits of each Fund. This “profits interest” is referred to as the “**Fund Carried Interest**.” The amount of the Fund Carried Interest is negotiated separately for each Fund, and is only payable after certain return thresholds are met, including typically a certain percentage preferred return hurdle. The Fund Carried Interest is payable out of cash otherwise distributable to investors. ACON or a GP/Manager thereof also has charged (and may in the future charge) the Co-Invest Vehicles 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**”). 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. 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. 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. 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.

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 or multi- or single-asset accounts over other accounts in the allocation of investment opportunities or create other conflicts of interest as between and among one or more ACON Fund(s) and/or Co-Invest Vehicle(s). Additional risks arise in connection with the formation of “continuation vehicles”, including without limitation as a result of their differing economic structure and timeline. For more relating to these conflicts, refer to the conflicts of interest described in Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks—Certain Conflicts of Interest—“Transactions between ACON Investment Vehicles” and “Continuation vehicles”*). ACON has implemented procedures designed to ensure that the ACON Funds are treated fairly in the allocation of investment opportunities among or between such Funds and that the ACON Funds are treated fairly relative to other ACON Investment Vehicles. For a description of ACON’s allocation policy, refer to the conflicts of interest described in Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss—Risks—Certain Conflicts of Interest*). Additionally, the governing restrictions of our Funds generally place restrictions on our ability to allocate investments to more than one U.S. Fund, Latin American Fund or European Fund at any particular point in time.

#### **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 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, foundations, insurance companies, other institutional investors and eligible high-net-worth individuals. ACON also offers 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, operating professionals and executive advisors as described above. Details concerning applicable investor suitability criteria are set forth in the respective offering 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 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.

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 boards, 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 allow its investment professionals and its portfolio company management teams to draw on a diverse set of strategic, financial and industry-specific resources.

ACON often 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 usually 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 in the past pursued and expects in the future to pursue 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.

***Long-term and illiquid investments; limited transferability of interests; market risks.*** An investment in an ACON Fund or Investment Vehicle requires a long-term commitment with no certainty of return. Interests in the ACON Investment Vehicles have not been registered under the Securities Act or any other applicable securities laws, and therefore are subject to restrictions on transfer. In addition, ACON Investment Vehicles are not obligated to redeem any investor's interest and the Investment Agreements of each Investment Vehicle contain significant restrictions on the ability of any investor to assign, sell, exchange or transfer any of their interests, rights or obligations with respect to their investments in an Investment Vehicle without the prior written consent of the GPs/Managers, which may give or withhold consent in their sole and absolute discretion. No market exists for the interests in the Investment Vehicles and none is expected to develop. Consequently, an investor should not expect to liquidate its investment in any Investment Vehicle readily and must be able to bear the economic risk of its investment in an Investment Vehicle for a substantial period of time. Many of each Investment Vehicles' investments will

be highly illiquid, and there can be no assurance that an Investment Vehicle will be able to realize on such investments in a timely manner. Distributions in kind of illiquid securities to investors may be made in certain circumstances. Although certain investments by the Investment Vehicles may generate current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, this will occur typically a number of years after the investment is made. In addition, in some cases, the dispositions of an ACON Investment Vehicle's investments may be subject to contractual, regulatory 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. Certain investments by the Investment Vehicles may be in securities that are or become publicly traded (but there can be no assurances that such securities will ever be listed on a securities exchange). Such investments may involve economic, political, interest rate and other risks, any of which could result in an adverse change in the market price and other adverse factors such as, for example, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, increased risk of regulatory action by the SEC, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including employees and representatives of ACON, and increased costs associated with each of the aforementioned risks. In addition, in some cases the Investment Vehicles may be prohibited by contract, legal or regulatory reasons or other limitations from selling such securities for a period of time so that the Investment Vehicles are unable to take advantage of favorable market prices. Investments in publicly-traded companies or assets held by the ACON Investment Vehicles also may be subject to legal, contractual, regulatory, practical, applicable company policy or other restrictions on resale, including the possibility that ACON or the investment vehicle will be in possession of material non-public information about a company as well as statutory volume limitations. In addition, the ability to exit an investment through the public markets (and the terms of such exit) will depend on market conditions, and particularly the market for public offerings.

***Changes in environment.*** Each of the ACON Investment Vehicles' investment programs are intended to extend over a period of years, during the business, economic, political, regulatory, consumer and technology environment within which the Investment Vehicles operate are expected to undergo substantial changes, none of which can be predicted with any certainty and many of which may be adverse to the Investment Vehicles.

***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. 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.

***Middle-market companies.*** The objective of the ACON Investment Vehicles is to invest in middle-market companies. 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.

***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.

***Investment in junior securities.*** The securities in which an ACON Investment Vehicle will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an Investment Vehicle's investment once made.

***Distressed investments; investments in restructurings.*** 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 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. 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. 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. If 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, may be required to accept illiquid securities with rights that are materially different than the original securities in which the Investment Vehicle invested, and/or may become subject to certain additional potential liabilities that may exceed the value of the Investment Vehicle's investment. In addition, under certain circumstances, payments to the Investment Vehicles and distributions by the Investment Vehicles to the investors in connection with such investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Furthermore, investments in restructurings may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or recharacterize investments made in the form of debt as equity contributions.

***Competition for investment opportunities.*** The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty and risk. The ACON Investment Vehicles will be competing for investments with other investment vehicles, as well as individuals and companies, publicly traded operating or investment companies, special purpose acquisition companies, financial institutions (such as mortgage banks and pension funds), hedge funds and investment funds affiliated with other financial sponsors or institutional investors, private equity and debt investors, and credit vehicles. Other funds may have investment objectives that overlap with the ACON Investment

Vehicles, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to the ACON Investment Vehicles, and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. There can be no assurance that ACON will be able to locate, complete and exit investments which satisfy an Investment Vehicle's investment objectives, or realize upon their values, or that ACON Investment Vehicles will be able to fully invest their committed capital. The competitive pressures could impair the ACON Investment Vehicles' business, financial condition and results of operations. As a result of this competition, ACON Investment Vehicles may not be able to take advantage of attractive investment opportunities.

***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 certain of the Investment Vehicles' investments and/or excuse an investor from making capital contributions to an Investment Vehicle with respect to certain of such vehicle's investments in certain circumstances set forth in the Investment Agreements or in a side letter or similar agreement with such investor. In addition, an investor may in rare circumstances may be permitted to withdraw from an Investment Vehicle and receive a refund of its capital account as set forth in the Investment Agreement or in a side letter or similar agreement with an investor. 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.

***Significant adverse consequences for default.*** The Investment Agreements provide for significant adverse consequences in the event an investor defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the Investment Vehicle, a defaulting investor may be forced to transfer its interest in the ACON Investment Vehicle for an amount that is less than the fair market value of such interest and that may be paid over a period of years, without interest, and forfeit some or all of its interest for no consideration. As an alternative, 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).

***Limitation of recourse and indemnification.*** The Investment Agreements for the ACON Investment Vehicles limit the circumstances under which ACON will be held liable to an Investment Vehicle. As a result, investors are expected to have a more restricted right of action in certain cases than they would in the absence of such limitation. In addition, the Investment Agreements provide that ACON Investment Vehicles will indemnify ACON and its owners, members, managers, shareholders, partners, directors, officers, employees, agents, consultants, advisors, assigns, representatives and certain other persons, including without limitation "limited partner committee or "advisory committee" members and the investors represented by such members and persons who serve on portfolio company boards on behalf of ACON, in each case for certain claims, losses, damages and expenses arising out of their activities on behalf of an ACON Investment Vehicle or portfolio company. 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. Such indemnification obligations could materially impact the returns to investors.

***Uninsured losses.*** The Funds and other ACON Investment Vehicles are expected to use insurance to cover certain risks where ACON determines that coverage is desirable, available and cost-effective. Such insurance would typically be an expense of the Fund or a portfolio company, although the benefits of such insurance may not accrue to the Fund. However, there can be no assurance that insurance coverage will be available, obtained or sufficient to cover such risks. Insurance against certain risks, such as war, kidnapping, nationalization of portfolio companies, certain industries, acts of terrorism, earthquakes, hurricanes or floods, may be unavailable, available in amounts that are less than the full market value or replacement cost of underlying assets, insufficient to cover the risk, and/or subject to a large deductible. The Fund may also invest in jurisdictions in which insurance is unavailable and/or impracticable. There can be no assurance that any particular risks that are currently insurable will continue to be insurable on an economically affordable basis or that any available insurance will be obtained.

***Market conditions.*** Capital markets around the world have experienced great volatility and financial turmoil and may experience such turmoil again in the near future. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Investment Vehicles and may affect their ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in an Investment Vehicle's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. Performance of an ACON Investment Vehicle can be affected by deterioration in the capital markets and by market events, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of an ACON Investment Vehicle to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of an Investment Vehicle to pay termination or other fees and expenses if such vehicle is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of such Investment Vehicle to dispose of investments at prices that ACON believes reflect the fair value of such investments. The impact of market and other economic events may also affect an ACON Investment Vehicle's ability to raise funding to support its investment objective and also the level of profitability (if any) achieved on realizations of investments.

***Impact of government regulation, reform.*** Certain industry segments in which ACON Investment Vehicles invest, including various segments of the consumer product, retail, tourism/travel, healthcare, education, housing, energy/services, environmental services, financial services, insurance, government contracts, manufacturing, telecommunications, media and infrastructure industries (the "**regulated industries**"), are (or may become) (i) highly regulated and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs.

The ACON Investment Vehicles may make investments in portfolio companies operating in industries that are subject to greater amounts of regulation than other industries generally. These more highly-regulated industries may include the following (although this list is not exhaustive): energy, communications, technology, health care, financial services (including banking and mortgage servicing), insurance, transportation (*e.g.*, aviation), shipping, wildlife, food services, and also businesses that serve customers that are governmental entities, including in the defense industry (collectively, the “**regulated industries**”). Investments in portfolio companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures and/or regulatory capital requirements in the case of banks or similarly regulated entities. A portfolio company also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations that could impact a portfolio company’s business and governments may be influenced by political considerations and may make decisions that adversely affect a portfolio company’s business. Additionally, certain portfolio companies may have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject any such portfolio company’s activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio company’s operations and profitability could suffer if it experiences labor relations problems.

While an ACON Investment Vehicle intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including, in particular, the regulated industries, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which an Investment Vehicle invests.

***Use of leverage at the portfolio company level.*** ACON Investment Vehicles will frequently make use of leverage by, for example, having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the ACON Investment Vehicle’s opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. In these circumstances, the ACON Investment Vehicle may be required to deploy additional commitments, to the extent available, which would further increase concentration. The use of leverage also typically imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the ACON Investment Vehicle’s investments to any deterioration in a portfolio company’s condition or industry sector, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the ACON Investment Vehicle’s investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flows to meet its debt service, the ACON Investment Vehicle may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such vehicle. Furthermore, should the credit markets be limited or costly at the time the ACON Investment Vehicle determines that it is desirable to sell all or a part of a portfolio company, the ACON Investment Vehicle may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the

companies in which the ACON Investment Vehicle will invest generally will not be rated by a credit rating agency.

Principal and interest payments on indebtedness (including loans having “balloon” payments) may be required regardless of the sufficiency of cash flow from the investments. Loans requiring “balloon” payments may involve greater risks than loans where the principal amount is fully or partially amortized over the term of the loan, since the ability to repay the outstanding principal amount of a “balloon” loan may be dependent upon the liquidity of the portfolio company or the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders’ policies at the time of refinancing, economic conditions in general and the value of the underlying investment. There is no assurance that replacement financing will be available to make “balloon” payments or that any replacement financing available will be on favorable terms. Lenders or other holders of senior positions to the ACON Investment Vehicle’s equity will be entitled to a preferred cash flow prior to the ACON Investment Vehicle receiving a return on leveraged portfolio companies, and in the event a portfolio company is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness or where there is a breach of a performance covenant, the value of the ACON Investment Vehicle’s equity investment in such portfolio company could be significantly reduced or even eliminated and distributions may be reduced or suspended to repay the borrowings.

***Use of leverage at the ACON Investment Vehicle level.*** ACON has, and expects in the future, that the ACON Investment Vehicles or subsidiaries thereof will obtain one or more revolving or other credit facilities, which may be secured by commitments as well as other assets of such vehicles, to borrow money and/or guarantee certain obligations. In the event of a failure to pay or other event of default under any such credit facility, the lenders could require investors to fund their entire remaining unpaid commitments, and, in the event of default, such investors’ contributions may be required to be made directly to the lenders instead of to the ACON Investment Vehicle. In addition, such borrowings have the potential to limit the investors’ ability to use their interests in the ACON Investment Vehicle as collateral for other indebtedness and/or to transfer their interests.

Although borrowing by an ACON Investment Vehicle may enhance overall returns, it may further diminish returns (or increase losses) to the extent returns during the borrowing are less than the ACON Investment Vehicle’s interest costs and expenses of such borrowing or in the event of default. Required repayments of debt and related interest can adversely affect an ACON Investment Vehicle’s operating performance. The use of leverage by an ACON Investment Vehicle will generally result in fees, interest expense and other costs to such vehicle that may not be covered by distributions made to such vehicle or appreciation of its investments. In the event that an ACON Investment Vehicle is unable to repay any credit facility borrowings from its cash flows, such vehicle may be required to dispose of investments to repay the lender(s). If the ACON Investment Vehicle is required to dispose of investments in order to repay lender(s) at an inopportune time or on an expedited basis, it may not realize as much value upon such disposition as it would receive in connection with an orderly disposition. To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions or a portfolio company borrows funds directly through a Fund facility, such Fund’s investors generally make correspondingly later capital contributions and the Fund bears the expense of interest on such borrowed funds. As a result, the use of borrowed funds at the Fund level can impact the calculation of returns and reduce the preferred return hurdle thereby accelerating the timing of the payment of carried interest.

Investment Vehicle-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a line of credit, an upfront fee for establishing a credit facility, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment,

structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the maintenance, renegotiating or terminating the facility. Because a line of credit's interest rate is based in part on the creditworthiness of the relevant Investment Vehicle's investors and the terms of the Investment Agreements, it may be higher than the interest rate an investor could obtain individually. To the extent a particular investor's cost of capital is lower than the Investment Vehicle's cost of borrowing, Investment Vehicle-level borrowing can negatively impact an investor's overall individual financial returns even if it increases the Investment Vehicle's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Investment Vehicle-level borrowing typically delays the need for investors to make contributions to an Investment Vehicle, which in certain circumstances enhances the relevant Investment Vehicle's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the GP/Manager and its affiliates. Conflicts of interest also have the potential to arise to the extent that a credit facility is used to make an investment that is later sold in part to co-investors (including one or more Co-Invest Vehicles), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the credit facility and neither the relevant Investment Vehicle nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

The ACON Investment Vehicles may have significant credit facilities as well as holding and operating company debt for which the ACON Investment Vehicle provides a guarantee or equity support agreement, each of which may be subject to these various risks. The ACON Investment Vehicle may also incur additional debt in connection with future acquisitions or investments by such vehicle or portfolio companies. The ACON Investment Vehicles, in some instances, are permitted to borrow under an existing credit facility or borrow new funds to acquire investments. In addition, the ACON Investment Vehicles are permitted to incur or increase leverage by obtaining loans secured by a portfolio of some or all of the portfolio investments acquired. The Funds also utilize various borrowing arrangements whereby a Fund will borrow to fund a co-investment party's *pro rata* share of an investment or expense related to an investment. In connection therewith, co-investment parties are generally not required to act as guarantors under the relevant credit facility or borrowing arrangement and will not bear any portion of the costs of establishing and maintaining the relevant Fund's credit facility or borrowing arrangement, which will be borne entirely by the relevant Fund. ACON reserves the right to allocate any interests and any other expenses, costs and/or liabilities associated with any such extension of credit among all parties in its sole discretion considering such factors it deems relevant, including allocating a non-*pro rata* share (including 100%) of such interests, expenses, costs and/or liabilities to the relevant Fund(s). Additionally, a Fund borrowing in this capacity will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

A Fund may engage in financings where several investments (including investments held through one or more asset-level entities) are cross-collateralized, thereby subjecting multiple investments to the risk of loss. As a result, such Fund could lose its interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments. Additionally, a Fund may use back leverage for certain portfolio investments including back leverage that is guaranteed by such Fund. The use of back leverage potentially enhances the return profile of investments, and accordingly, of such Fund overall, but also increases the risk profile of such investments.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of an Investment Vehicle and the investors therein or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant GP/Manager's ability to consent to the transfer of an investor's interest in the Investment Vehicle or impose concentration or other limits on the vehicle's investments and/or financial or other covenants that could affect the implementation of the

ACON Investment Vehicle's investment strategy. In addition, in order to secure a subscription line, the relevant GP/Manager may request certain financial information and other documentation from investors to share with lenders. The GP/Manager will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more investors. The ACON Investment Vehicles' credit facilities will likely contain restrictions, requirements and other limitations on such vehicles' ability to incur indebtedness, including financial covenants and asset-level covenants in the case of non-recourse financing and potentially other covenants. An ACON Investment Vehicle's ability to borrow under its credit facilities and, in certain cases, its ability to respond to changes in the performance of its investments are subject to these financial and other covenants. The ACON Investment Vehicle may also have to pay break funding costs if it satisfies a debt fully or partially within a certain period of incurring the debt. The ACON Investment Vehicle may be limited in its ability to respond to changing operational circumstances with respect to an investment in ways it would have done had it not been subject to asset-level covenants. The ACON Investment Vehicle is permitted to incur leverage on a joint and several basis with one or more other Funds and/or other entities managed by ACON and may have a right of contribution, subrogation or reimbursement from or against such entities.

Investment Vehicle-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the relevant GP/Manager to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for investors that would not arise had the relevant GP/Manager called smaller amounts of capital incrementally over time as needed by an Investment Vehicle. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the investor to meet the accumulated, larger capital calls at the same time. Generally, the GP/Manager is authorized to use Investment Vehicle-level borrowing to pay Management Fees and to reimburse ACON for expenses incurred on behalf of the Investment Vehicle. An Investment Vehicle is also permitted to utilize Investment Vehicle-level borrowing when the GP/Manager expects to repay the amount outstanding through means other than investor capital, including when using the proceeds of such borrowing to finance a bridge for equity or debt capital with respect to an investment with the expectation that such borrowing will be repaid using proceeds from the future realization of the bridge investment. If the Investment Vehicle ultimately is unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which could result in greater losses.

**Bridge financings.** From time to time, ACON Investment Vehicles have provided, and may in the future provide, interim financing to a portfolio company, including in anticipation of a future issuance of equity or long-term debt securities, in anticipation of another refinancing or sell-down of interests to co-investors or where such portfolio company has an identified short-term financing need, among other reasons. Such bridge financings may be convertible into a more permanent, long-term securities issuance or other refinancing or sell-down may not occur and such bridge investments and interim investments may remain outstanding and be treated as a permanent investment in such portfolio company. ACON will determine in its sole discretion the terms, including the interest rate (if any) or other price to be charged, applicable to the portfolio company co-investors or other parties acquiring or refinancing bridge financings from an ACON Investment Vehicle. Such interest rate, or price or other terms may not adequately reflect the ACON Investment Vehicles' cost of capital or the risk such investment would not be sold or refinanced. In such event, the interest rate or other terms of such investments may not adequately reflect the risk associated with the position taken by the ACON Investment Vehicle.

**Over-commitment.** It is anticipated that an ACON Fund will commit to make equity investments that exceed the amount of equity that the GP/Manager intends for the Fund to invest (which may be in excess

of the amount that the GP/Manager determines to be desirable for the Fund to invest and/or the Fund's ordinary course concentration limit), in order to facilitate transaction execution or with a view to making investment opportunities available to co-investors prior to or within a specified period of time after the closing of the investment, including via use of the Fund's ability to provide bridge financings. In such event, the Fund will bear the risk that any or all of the investment opportunity will not be taken up by co-investors, that co-investors will fail to fund after making a commitment, or that the excess portion of such investment will not be resold or refinanced on attractive terms or at all. As a consequence, the Fund may ultimately hold a larger than expected (or desired) investment in a portfolio company. These risks would be elevated in the event of an intervening adverse event involving ACON, a Fund, the investment opportunity, ACON professionals or the general or local economy. Additionally, the Fund may bear the entire portion of any fees, costs and expenses related to such investments including, without limitation, the cost of any borrowings made by the Fund with respect to the over-committed amount that it intends to subsequently sell down to a co-investor or other third party. Although ACON will endeavor to address such risks, ACON will not be deemed to have violated any duty or other obligation to the Fund or any of its investors by engaging in such investments and the related co-investment, sell-down or refinancing activities. In addition, ACON provides no assurance that valuation changes will not occur and/or that a co-investor's purchase price will be adjusted to take a valuation change into account. ACON also endeavors to charge co-investors interest that will be payable to the Fund. There can be no assurance that co-investors will agree to pay such interest or that their co-investment commitments will close in a timely manner or for the targeted amount sought from co-investors.

***Controlling person liability.*** Although it is ACON's intention to structure investments to avoid liability for the ACON Investment Vehicles, because of its equity ownership, representation on the board of directors and/or contractual rights, the 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 ACON Investment Vehicle's investment strategy and may enhance ACON's ability to manage such 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 ACON and the ACON 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, the ACON Investment Vehicle will indemnify ACON and its affiliates and its representatives from such claims.

In addition, the exercise of control over a company may cause a court to ignore the presumption of separateness with respect to the ACON Investment Vehicle and a portfolio company. Such a determination would impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws), violations of fiduciary duties to minority owners and other types of liability, including in the case of debt investments, lender liability. Such liabilities may exceed the value of the ACON Investment Vehicle's investment in that portfolio company. For example, if deemed to be a direct owner or operator of any of a portfolio company's facilities or operations under such laws, the ACON Investment Vehicle could face strict, joint and several liability under environmental laws for hazardous substance or contamination related liabilities. While ACON intends to manage the ACON Investment Vehicle in a manner that will minimize the exposure of these risks and successfully "piercing the corporate veil" is a rare and extraordinary legal remedy in most circumstances, the possibility of successful claims against the ACON Investment Vehicle and/or one or more of its affiliates or subsidiaries cannot be precluded.

Furthermore, the ACON Investment Vehicle is likely to be represented on the boards of directors (or similar governing bodies) of many of its portfolio companies or have its representatives serve as observers to such boards of directors and/or governing bodies. 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 ACON Investment Vehicle's investment strategy and may enhance ACON's ability to manage the ACON 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. In addition, such positions could increase the risk that courts or regulators will hold the ACON Investment Vehicle responsible for non-compliance issues at the portfolio company. Such positions may subject ACON, its personnel and the ACON Investment Vehicle 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. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In general, the ACON Investment Vehicle will indemnify ACON, its affiliates and ACON's personnel and other persons acting on ACON's behalf in connection with the investment from such claims. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the ACON Investment Vehicle's investment activities. Co-investors and/or co-investment vehicles may indirectly benefit from ACON's appointment of such directors. While it may be the case that ACON co-investors (including their respective co-investment vehicle, even if managed by ACON) will bear the cost of liability insurance related to such appointment to the extent additional liability insurance is purchased by the ACON Investment Vehicle, ACON does not guarantee that the Fund will not end up bearing this expense.

***Lack of unilateral control in 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 will not have unilateral control of such portfolio company. To the extent a Fund or an ACON Investment Vehicle invests alongside third parties, 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.

***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 independently reached on behalf of an ACON Investment Vehicle, 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.

**Minority investments.** An ACON Investment Vehicle may hold meaningful minority stakes in privately held companies and in some cases is expected to have limited minority protection rights. In addition, during the process of, or as a result of exiting investments, an ACON Investment Vehicle at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that an Investment Vehicle holds will have neither the control characteristics of majority stakes nor the valuation premiums typically accorded to majority or controlling stakes. Where an ACON Investment Vehicle holds a minority stake, it may be more difficult for such vehicle to liquidate its interests than it would be had such vehicle owned a controlling interest in such company. Even if an ACON Investment Vehicle has contractual rights to seek liquidity of its minority interests in such companies, it is expected to be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such vehicle, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

**Public company holdings.** Subject to the terms of the Investment Agreements, the ACON Investment Vehicles' investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject the Investment Vehicles to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the ACON Investment Vehicles to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the ACON Investment Vehicles, ACON, the Principals and ACON's other personnel, and increased costs associated with each of the aforementioned risks.

**Cyber and disaster recovery risks.** ACON Investment Vehicles and ACON 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, including personal identifying data and information 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, among others, 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. 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. Cyber-attacks may also take the form of socially-engineered frauds, such as "phishing." Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of ACON's systems to disclose sensitive information in order to gain access to ACON's data or that of the ACON

Investment Vehicles' investors or portfolio companies. Companies and service providers have also been subject to "ransomware" attacks.

To the extent that ACON, any ACON Investment Vehicle, a portfolio company or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their information technology systems, substantial losses may occur in the form of stolen, lost or corrupted (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; (v) cash; or (vi) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, the Investment Vehicles and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's, the Investment Vehicles', portfolio companies' and/or service providers' operations, including the ability to make distributions to investors, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors and the beneficial owners of investors. In certain events, ACON's, an ACON Investment Vehicle's and/or 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. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Such cybersecurity and disaster recovery incidents could also result in reputational harm to ACON, the ACON Investment Vehicles and/or any affected portfolio company. Any of such circumstances could subject ACON, the ACON Investment Vehicles or its portfolio companies to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at ACON or one of its service providers holding its financial or investor data, ACON, its affiliates or the Funds may also be at risk of loss.

***Environmental, social and governance ("ESG") matters.*** The Adviser maintains an ESG policy and seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that the Adviser will be able to successfully implement its ESG policy or make investments in companies that create a positive ESG impact while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser, or any judgment exercised by the Adviser, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what positive ESG characteristics mean by region, industry and topic. The Adviser's interpretations and decisions may differ from others' views and could also evolve over time. In addition, in evaluating an investment, the Adviser expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause the Adviser to incorrectly assess a company's ESG practices and/or related risks and opportunities. The Adviser does not intend independently to verify all ESG information reported by target investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on the Adviser's view of certain ESG-related and other factors and could cause the relevant Investment Vehicles not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG policies, which could negatively impact the Adviser's performance.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and ACON's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. The Adviser's ESG policies could become subject to additional regulation in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements.

***CFIUS and national security clearance considerations.*** Certain investments are expected to be subject to or require review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS"), such as where CFIUS-related laws, regulations or guidance deem non-U.S. persons or entities under their control (such as a Fund or Investment Vehicle, co-investors and/or rollover sellers) to be acquiring a U.S. business (including a business with assets, employees, facilities, and/or operations in the United States). CFIUS has the authority to review proposed or existing transactions or investments or to seek to impose limitations on or prohibit investments, and CFIUS filings and other considerations can materially impact transaction timing, feasibility, certainty and costs. In certain circumstances, CFIUS considerations have the potential to prevent an Investment Vehicle from maintaining or pursuing investments, or limit the universe of available buyers for an existing investment. Any of these factors have the potential to adversely affect an Investment Vehicle's performance, and the likelihood that CFIUS considerations will be implicated is expected to increase where non-U.S. investors comprise a substantial percentage of an ACON Investment Vehicle. Under the Investment Agreements, the relevant GP/Manager generally is authorized, although not required, to excuse or otherwise limit non-U.S. investors' ability to invest in U.S. businesses (or to exercise voting or advisory committee rights with respect thereto) in order to anticipate or comply with CFIUS considerations. However, there can be no assurance that invoking any such excuse provisions or other limitations will allow the Investment Vehicle to proceed with or maintain any investment, or to avoid losses relating thereto. Similar considerations are expected to apply with respect to reviews by non-U.S. national security or investment clearance regulators.

***United Kingdom ("UK") exit from the European Union (the "EU").*** On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU ("Brexit"). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 24, 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period. Although provisionally agreed, the terms of the UK's ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are intended to be ratified and implemented. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on an ACON Investment Vehicle or its investments, including the ability of an Investment Vehicle to achieve its investment objectives. The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses, including ACON and ACON Investment Vehicle investments, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU member states.

***Uncertain economic, social, and political environment.*** An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. A resulting negative impact on economic fundamentals and consumer confidence may decrease available funding and increase the risk of default of particular portfolio companies, negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of

which could have an adverse effect on ACON, Investment Vehicle returns, and ACON's ability to source, manage and divest investments. No assurance can be given as to the effect of these events on the value of the Investment Vehicles' investments.

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Further, the outcome of elections creates uncertainty with respect to legal, tax and regulatory regimes in which the Investment Vehicles, ACON and their affiliates, as well as the potential portfolio companies, may operate. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Any significant changes in, among other things, economic policy (including with respect to interest rates and foreign trade), the regulation of the asset management industry, tax law, immigration policy and/or government entitlement programs could have a material adverse impact on an Investment Vehicle and its investments. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of an Investment Vehicle and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Investment Vehicle and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon an ACON Investment Vehicle's portfolio companies.

***Russia-Ukraine conflict.*** There is currently an ongoing military conflict between Russia and the Ukraine which has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Investment Vehicles or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the Investment Vehicles. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of an Investment Vehicle to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Investment Vehicle intends to pursue, all of which could adversely affect an Investment Vehicle's ability to fulfill its investment objectives.

***Public health crises.*** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the continued coronavirus outbreak ("COVID-19"), have resulted and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the ACON Investment Vehicles. The ultimate impact of COVID-19 on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the ACON Investment Vehicles. The extent of the impact on the ACON Investment Vehicles and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the ACON Investment Vehicles to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy each ACON Investment Vehicle intends to pursue, all of which could adversely affect the ACON Investment Vehicles' ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the ACON Investment Vehicles, their portfolio companies, and ACON may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

***Climate change.*** Climate change and related regulation could result in significantly increased operating and capital costs and could reduce demand for the products and services of certain ACON Investment Vehicle portfolio companies. The ACON Investment Vehicles may acquire portfolio companies that are located, or have operations, in areas that are subject to climate change and, as such, there may be significant physical effects of climate change that have the potential to have a material effect on the ACON Investment Vehicles' business and operations. Physical impacts of climate change may include, without limitation: increased storm intensity and severity of weather (*e.g.*, floods or hurricanes); wildfires; sea level rise; and extreme temperatures. For example, many climate models indicate that global warming is likely to result in rising sea levels and increased frequency and severity of weather events, which may lead to higher insurance costs, or a decrease in available coverage, for portfolio companies in areas subject to severe weather. These climate-related changes could damage a portfolio company's physical infrastructure, especially operations located in low-lying areas near coasts and river banks, and facilities situated in hurricane-prone and rain-susceptible regions, among others.

As a result of these impacts from climate-related events, the Investment Vehicles may be vulnerable to the following: risks of property damage to the Investment Vehicles' investments; indirect financial and operational impacts from disruptions to the operations of the Investment Vehicles' portfolio companies due to severe weather or other unforeseen climate-related events; increased insurance premiums and deductibles or a decrease in the availability of coverage for portfolio companies in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Investment Vehicles' portfolio companies; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the portfolio companies' business depends; decreased consumer demand for portfolio company products or services resulting from physical changes associated with climate change; incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

***Inflation.*** Changing demand patterns from economic and political volatility and uncertainty, including as a result of the COVID-19 pandemic, a worsening of the ongoing labor shortage, and sustained higher prices across the board, changes in global trade policies, increasing geopolitical tensions and trends such as populism and economic nationalism continue to have a significant impact resulting in a rise in inflation. The uncertain nature, magnitude and duration of hostilities stemming from the Russia-Ukraine conflict, including the potential effects of sanctions and retaliatory cyber-attacks on the world economy and markets, have contributed to such rise in inflation.

If a portfolio company is unable to increase its revenue in such times of higher inflation, its profitability will be adversely affected. The ACON Investment Vehicle portfolio companies could in some cases have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangements. Typically, as inflation rises, a portfolio company will earn more revenue but also will incur higher expenses; as inflation declines, a portfolio company might be unable to reduce expenses in line with any resulting reduction in revenue. A rise in real interest rates would likely result in higher financing costs for portfolio companies and could therefore result in a reduction in the amount of cash available for distribution to investors. There can be no assurance that inflation will not continue to be a serious problem in the future and thereby negatively affect an ACON Investment Vehicle's investment returns.

***Financial Institution risk; Distress Events.*** An investment in an ACON Investment Vehicle is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a “**Financial Institution**”) of some or all of the ACON Investment Vehicle's (or any portfolio company's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a “**Distress Event**”). Distress Events can be caused by factors including, but not limited to, eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, the Adviser, the GP/Manager, an ACON Investment Vehicle or one or more of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an extended, potentially indeterminate, period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by government-sponsored organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the stated amounts are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose comparable risk of loss. While in recent years governmental intervention has resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that such intervention will occur in connection with any future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, delays or negative impacts on banking or brokerage conditions or markets.

Any Distress Event could have a potentially adverse effect on the ability of the GP/Manager to manage an ACON Investment Vehicle and its investments, and on the ability of the GP/Manager, an ACON Investment Vehicle and any portfolio company to maintain operations, which, in each case, could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event an ACON Investment Vehicle is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of an ACON Investment Vehicle to access capital contributions or otherwise); the inability of an ACON Investment Vehicle to acquire or dispose of investments, including at prices that the GP/Manager believes reflect the fair value of such investments; and the inability of the Adviser or the portfolio investments to make payroll, fulfill obligations or maintain

operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that an ACON Investment Vehicle or a portfolio investment will incur additional expenses or delays, or incur additional expenses, in putting in place alternative arrangements, or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, availability, access to capital or otherwise). To the extent the GP/Manager is able to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses, delays or other negative impacts. ACON Investment Vehicles and their portfolio companies are subject to similar risks if a Financial Institution utilized by investors in an ACON Investment Vehicle or by suppliers, vendors, contractors, service providers or other counterparties of an ACON Investment Vehicle or a portfolio company becomes subject to a Distress Event, which could have a material adverse effect on an ACON Investment Vehicle and/or one or more of its portfolio companies.

Many Financial Institutions require, as a condition to using certain of their services (often including lending services), that the GP/Manager and/or ACON Investment Vehicles maintain all or a set amount or percentage of their respective accounts or assets with that Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the GP/Manager seeks to do business with Financial Institutions that it believes are established, well-capitalized and capable of fulfilling their respective obligations to the ACON Investment Vehicle, the GP/Manager is under no obligation to use a minimum number of Financial Institutions with respect to an ACON Investment Vehicle or to maintain account balances at or below the relevant insured amounts, and the rapid collapse in the first quarter of 2023 of several seemingly well-capitalized and established institutions demonstrates that there are limits to the effectiveness of this approach in avoiding counterparty exposure. Under certain circumstances, such as receiving capital contributions pursuant to a capital call or proceeds from a disposition, an ACON Investment Vehicle will not be able to maintain account balances at or below any relevant insured amounts.

### **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, SPACs 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 paragraphs summarize some of these conflicts, but are not intended to be an exclusive list of all such conflicts. For purposes of this section, (i) “**ACON Personnel**” shall mean partners, members, shareholders, officers, directors, managers, employees and other personnel of ACON, and (ii) all references to ACON will be deemed to include ACON Personnel unless the context otherwise requires. ACON Personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Unless restricted by the Investment Agreements, ACON Personnel are permitted to serve on boards or act in other roles unaffiliated with ACON, any ACON Investment Vehicles or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

***Allocation of investment opportunities.*** From time to time, ACON will be presented with investment opportunities that would be suitable not only for an Investment Vehicle, but also for other Investment Vehicles and other investment vehicles operated by advisory affiliates of ACON or other ACON affiliates (including without limitation, SPACs, whether they are sponsored independent of an ACON Fund or as an



intermediate or holding entity below a Fund).<sup>9</sup> In determining which investment vehicles should participate in such investment opportunities, ACON and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. ACON has adopted a Fund Allocation and Co-Investment Policy (the “**Allocation Policy**”) to aid ACON in making allocation decisions. The Allocation Policy requires ACON to allocate investment opportunities in a fair and equitable manner consistent with its fiduciary obligations, the underlying documents for the relevant ACON Funds and, if applicable, for the relevant co-investor and the Allocation Policy. In making allocation determinations, ACON will follow the requirements set forth in the relevant underlying Investment Agreement, which may require seeking consent of one or more Fund’s advisory committee(s). In terms of general parameters followed by ACON, it is not often the case that an investment opportunity falls within the investment objective of multiple ACON Investments funds across geographies by virtue of the fact that the ACON Investments funds focus on portfolio companies headquartered in and/or with significant operations in the U.S., Latin America or Southern Europe. If an investment opportunity were to be suitable for more than one geographic-focused fund, then ACON will follow the policies and procedures set forth in the relevant underlying Investment Agreements and the Firm’s Allocation Policy. Set forth below are the factors the Adviser may consider in making an allocation determination across multiple funds (which list is not exhaustive): the location of the principal executive offices or a majority of the assets or facilities of a target portfolio company or the location in which the target portfolio company generates their revenue or profits from sales and the amount of equity capital necessary to complete the investment; portfolio construction considerations generally and the risk/return profiles of investments in a particular permitted fund; the relative amount of capital available for investment; composition of each permitted fund’s portfolio and each permitted fund’s investment concentration parameters; cash flow considerations; suitability for follow-on investments; diversification (including the actual, relative or potential exposure of a permitted fund to the type of investment opportunity in terms of its existing portfolio), industry and other allocation targets; the nature and extent of involvement in the transaction on the part of the respective teams of each permitted fund, including in due diligence efforts; centrality of an investment to a permitted fund’s investment strategy; stage of development of the potential investment; the availability of other suitable investments for each permitted fund; potential need and ability to meet needs for follow-on investments; the ability of the deal team of a particular permitted fund to complement or be helpful in efforts to consummate a transaction; the extent to which participation by a particular permitted fund or deal team of a particular permitted fund is seen as positive by the seller; the extent to which participation by a particular permitted fund may facilitate opportunities to expand the business of a portfolio company into new geographies generally within the primary investment mandate of a permitted fund; the extent to which participation by a particular permitted fund may make available particular geographic or other specialized expertise of professionals otherwise dedicated to a particular permitted fund, including those involved in either a deal team or operating capacity; the currency required or preferred by the issuer; the expected investment size taking into account potential follow-on capital; certainty or expediency of closing; risk considerations, tax implications, legal, contractual or regulatory constraints and any other relevant limitation imposed by or condition set forth in the organizational documents of a particular permitted fund; and other considerations deemed relevant by the Adviser, including the business strategy of the target company, its current and planned market opportunities, target consumers/customers, and primary counter-parties. The relevance of each factor will vary from investment opportunity to investment opportunity with no single criteria expected to consistently outweigh others.

The application of the factors set forth above will often result in allocations on a non-*pro rata* basis and there can be no assurance that a permitted fund will participate in all investment opportunities that fall within its investment objectives. In certain circumstances, ACON may allocate an investment opportunity

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<sup>9</sup> For purposes of this Brochure when discussing ACON’s Allocation Policy, references to “ACON Investment Vehicle” shall be deemed to include any SPAC sponsored by ACON or an affiliate thereof.

falling within the investment objectives of multiple permitted funds solely to a single permitted fund, such that other permitted funds will not be allocated any portion of such investment opportunity. Generally, this decision will be based on a consideration of the factors listed above. ACON makes allocation determinations based solely on ACON's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another fund in hindsight.

In the event that a permitted fund participates in the same portfolio investment as another permitted fund, such participation will be made on substantially the same terms and conditions, subject to applicable legal, tax, regulatory or other similar considerations. However, any one participating permitted fund may not be in a position to assume a *pro rata* share of subsequent investments in a portfolio company. Co-investments by multiple permitted funds will generally be sold or otherwise disposed of concurrently in like proportions by all participating permitted funds, and only on substantially the same terms and conditions, subject to applicable legal, tax, regulatory or other similar considerations. However, there can be no assurance that any particular permitted fund will dispose of an investment at the same time or on the same terms as the participating funds.

ACON may encounter situations in which it must determine how to allocate investment opportunities among its multiple investment vehicles focused on the same geographic region. Generally, new investment opportunities are allocated to a successor fund upon the acceptance of commitments into the successor fund. However, in certain circumstances, ACON may elect to allocate a new investment opportunity to an existing fund even after the acceptance of commitments into a successor fund. Where ACON makes this decision, it will do so in accordance with the Investment Agreements of the applicable funds and on a basis that ACON reasonably determines in good faith to be fair and reasonable, taking into account the factors previously identified, and in any case, in its sole discretion.

**Co-investment.** The Adviser, its GPs/Managers and affiliates thereof (including other registered affiliated investment advisers of ACON) in their sole discretion are authorized to and expect to offer co-investment opportunities to the extent that excess investment capacity remains following allocations to an ACON Fund and/or any other relevant ACON Fund(s). Co-investors may demand a significant level of control over the joint investment and will not in all cases have the same interests or objectives as the particular Fund that is co-investing alongside the co-investors. For example, co-investors may receive certain governance rights, veto decisions and/or other control rights over the joint investment. ACON is under no obligation to provide such rights and, in fact, 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.

Certain side letters or other agreements with investors may contain provisions that economically incentivize ACON to offer co-investment opportunities to such investor. For example, ACON sometimes receives economic consideration (including, without limitation, management fees, other fees and/or carried interest) with respect to co-investment opportunities. In some cases, the amount of carried interest that ACON may receive will depend on the amount of co-investment opportunities that ACON offers to or closes with certain investors, which may create a potential or actual conflict of interest between ACON and the other investors and/or an ACON Investment Vehicle. In addition, carried interest received from Co-Invest Vehicles typically is not subject to clawback or escrow provisions because these vehicles typically do not make more than one portfolio investment. These economics may or may not be more favorable to ACON than those provided by the particular 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 or ultimately makes decisions with respect to its management of a particular portfolio company investment. Because Other Fees received by ACON with respect to co-investors typically do not offset the Management Fee and ACON's

revenue from such fees could be significant, ACON could be further incentivized to allocate investment opportunities away from a Fund and to co-investors generally or to a special group of co-investors.

Co-investment opportunities may be offered to some, but not all, investors in ACON's discretion. An ACON Fund may co-invest with third parties through partnerships, joint venture or other entities or arrangements. 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 economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take action contrary to the investment objectives of such Fund. In addition, an ACON Fund may, in certain circumstances, be liable for actions of its third-party co-venturer or partner. There can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Investments by more than one client of ACON in a portfolio company also have the potential to raise the risk of using assets of a client of ACON to support positions taken by other clients of ACON. Conflicts of interest may arise in connection with the decision by ACON regarding the allocation of an opportunity (i) as between a Fund and co-investors and (ii) thereafter, once the co-investment amount has been defined, allocation of the opportunity between and among co-investors.

To address the potential conflicts raised by these types of allocation issues, ACON has established ACON's Fund Allocation and Co-Investment Policy (the "**Allocation Policy**"). In determining how to allocate investments between or among an ACON Fund and potential co-investors, ACON generally will offer an investment opportunity first to the ACON Fund(s) up to an amount of the investment opportunity deemed prudent by ACON consistent with its fiduciary obligations, taking into account factors including but not limited to:

- (i) investment and operating guidelines, restrictions and objectives;
- (ii) diversification objectives and limitations;
- (iii) tax and regulatory considerations;
- (iv) availability of capital, likelihood of raising sufficient capital for investment, remaining investment capacity and investment stage/maturity of the Fund(s);
- (v) 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);
- (vi) sharing agreements set forth in the ACON Fund Agreement and conflicts provisions set forth therein; and
- (vii) other relevant factors, including strategy, risk profile, time horizon, asset composition, life cycle and structure, among others (collectively, the "**Fund/Co-Invest Allocation Factors**").

To the extent that an investment opportunity is allocated across multiple eligible investment vehicles (including between one or more ACON Fund(s)), ACON generally will determine such allocations based on 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 that excess investment opportunity remains following allocations to the relevant ACON Fund or Funds, such remaining investment opportunity may be allocated to one or more potential eligible co-investors, following the procedures in the 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 the eligibility of prospective co-investors and the allocation of co-investment opportunities, ACON may take into account any one or more of the following co-investment allocation factors (which list is not exhaustive):

- (i) the size of the investment allocation available to ACON (and not being allocated to ACON Funds), and the practicality of splitting the allocation into smaller tranches (for this reason, the Adviser may determine in its sole discretion that it will not offer co-investment opportunities to prospective co-investors with smaller commitments, for example \$5 million or less, although this figure may vary from transaction to transaction based on the co-investment opportunity available);
- (ii) requirements of any third-party lenders as to the identity, number and creditworthiness of investors participating as co-investors, and as to other matters with respect to the investors in the transaction;
- (iii) the knowledge and sophistication, as determined by ACON in good faith, and in any case in its sole discretion, of the prospective co-investor with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant, as determined by ACON in good faith, and in any case in its sole discretion, to the investment;
- (iv) the prospective co-investor's ability to approve the investment pursuant to any applicable internal approval processes, and to otherwise execute the transaction, in a timely and efficient manner with respect to the timeframe in which ACON believes favorable transaction terms may be achieved, as determined by ACON in good faith, and in any case in its sole discretion;
- (v) the prospective co-investor's ability to provide certainty of funding;
- (vi) any tax, regulatory and/or securities law considerations (*e.g.*, qualified purchaser, qualified client or qualified institutional buyer status and/or the ability to pass any anti-money laundering screening);
- (vii) any confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity;
- (viii) whether ACON has agreed, pursuant to a side letter or similar agreement, to provide the prospective co-investor with access to co-investment opportunities;

- (ix) whether the prospective co-investor has expressed an interest in evaluating co-investment opportunities, including the perceived intensity of that interest and/or the investor's stated desires regarding the size and type of opportunities;
- (x) whether the prospective co-investor is considered "strategic" to the investment because it is able to offer the relevant ACON Fund or ACON certain benefits, including, but not limited to, the ability to help consummate the investment (including if applicable in a timely and efficient manner), the ability to aid in operating or monitoring the investment, any other ability to bring additional value to the transaction, an ACON Fund or ACON, whether operational, financial or otherwise, or whether ACON believes that allocating investment opportunities to the prospective co-investor will help establish, recognize, strengthen and/or cultivate strategic relationships that have the potential to provide near- or longer-term benefits to the relevant ACON Funds, future ACON Funds, or ACON (including whether the prospective co-investor has an appetite or willingness to invest in future ACON funds);
- (xi) ACON's past experiences and relationships with the potential co-investor, including an evaluation of whether the investment opportunity may subject the potential co-investment party or the transaction to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity offered or that the transaction would close on the contemplated schedule; and
- (xii) other factors that ACON considers important in connection with the specific transaction or investment, including, without limitation, expected investment holding period, services provided by the prospective co-investor to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment) and other factors (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 offers them co-investment opportunities.

The foregoing factors are not listed in order of importance or priority and ACON is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. The GPs/Managers reserve the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities. Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation. ACON expects that factors considered for allocating co-investment opportunities 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 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. In certain cases, ACON may agree or commit to provide a portion of one or more investment opportunities to one or more clients and other parties with a relationship with ACON, including as an example, single investor vehicles. In such cases, ACON may agree or commit to provide a portion of such investment opportunities alongside an ACON Fund on terms to be determined by ACON in its sole discretion. In exercising its discretion to allocate investment opportunities with respect to a particular

investment to and among various parties and the terms thereof, ACON may consider some or all of the Co-Investment Allocation Factors above.

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. In any case, all such determinations will be made by ACON in its sole discretion. Furthermore, ACON or its related persons from time to time expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth in the Allocation Policy likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. While ACON strives to offer co-investment widely amongst its investors, there are circumstances where limited co-investment opportunity is available or where after taking into consideration the factors described in the Allocation Policy, limited investors will in fact be offered co-investment. There can be no assurance that an 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 potential conflicts of interest to which ACON expects to be subject, discussed herein, did not exist.

When and to the extent that employees and related persons of ACON and its affiliates make capital investments in or alongside certain Funds, ACON and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

ACON may, but will not be obligated to, endeavor to cause co-investors that committed to participate in a particular unconsummated co-investment to bear their proportionate share of any fees, costs or expenses related to such unconsummated co-investment, such as reverse break-up fees or broken deal expenses; provided, however, that any fees, costs or expenses related to co-investments (irrespective of whether such co-investments are ultimately consummated), such as reverse break-up fees and broken deal expenses, that are not borne by co-investors but that constitute "Partnership Expenses" under a Fund's organizational documents, will be borne by the Fund as further described below.

***Secondary transfers.*** Where the Adviser or its affiliates have discretion over a secondary transfer of interests in an ACON Fund or Investment Vehicle pursuant to such vehicle's Investment Agreement, or is asked to identify potential purchasers in a secondary transfer, ACON will do so in its sole discretion and in accordance with any requirements set forth in the Investment Agreements for the applicable Investment Vehicle. Factors considered in performing these activities include, but are not limited to, one or more of the following: ACON's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; ACON's past experiences and relationships with the potential purchaser, including a consideration of whether the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future ACON Investment Vehicles or ACON; the existence of investments by the prospective purchaser in other ACON Investment Vehicles or the likelihood that the prospective purchaser may commit to a future ACON Investment Vehicle, the expected amount of negotiations required in connection a potential purchaser's

investment; whether the potential purchaser would subject ACON, the applicable Investment Vehicle or its or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; and such other facts and considerations as ACON deems appropriate under the circumstances in exercising such discretion. The relevance of each factor will vary in each circumstance, with no single criteria expected to consistently outweigh others.

***Break-up fees, transaction fees and other fees.*** ACON and its affiliates have received, and in the future expect to receive, from prospective portfolio companies, actual portfolio companies or their respective affiliates or third parties, acquisition and disposition, directors', financial consulting, advisory, M&A advisory, commitment, monitoring, set-up, financial advisory, operational consulting, origination and other fees, as well as break-up fees. There is no guarantee these fees will be negotiated on an arm's-length basis, particularly where ACON controls the portfolio company and the payment of such fees could negatively impact the performance of the relevant portfolio company. In addition, certain of these fees may be calculated on the basis of estimated financial results of a portfolio company over a particular time period, with no provisions requiring a true-up for actual financial results over such time period. Moreover, in many cases, fees charged or received by ACON or its affiliates are based on enterprise value or other metrics relating to a portfolio company, the acquisition of or investment in such company, or the ongoing monitoring thereof, and there can be no assurance that the amount of fees charged will be tied to or proportional to the amount of hours of work performed on behalf of the portfolio company.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, ACON reserves the right to accrue, defer or forego payments of various fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the relevant Investment Agreements, investors will not have the right to receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

The terms of the Investment Agreements governing the Co-Invest Vehicles typically do not provide for the payment of Management Fees or fee offsets. In addition, certain investors in a Fund do not pay Management Fees and therefore no fee offsets are applied. Generally, the portion of a Management Fee offset allocable to capital invested by a Fund, Co-Invest Vehicle, other Investment Vehicle or third-party investor that does not pay management fees will be retained by ACON and will not be required to be given back to investors through any offset of Management Fees. These amounts may be significant and the potential to receive such fee income constitutes an actual or potential conflict of interest between ACON and an ACON Fund, and could incentivize ACON to allocate investment opportunities away from a Fund and to co-investors generally or to a specific group of co-investors, to approve and cause a Fund to make more speculative investments than it would otherwise make in the absence of such compensation, or impact the size of the fee in question.

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 and the equity commitments made by owners of the Adviser and other ACON personnel in the ACON Funds 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.

**Allocation of fees and expenses.** The Investment Agreements provide that an ACON Investment Vehicle will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of ACON. To the extent possible, third-party expenses incurred in connection with consummated transactions will be borne by the respective portfolio companies. A potential conflict of interest exists in ACON's determination whether certain costs or expenses incurred in connection with the organization and/or ongoing operation of an ACON Investment Vehicle are to be borne by ACON, a Fund or Investment Vehicle, multiple Funds or Investment Vehicles, one or more investors therein, a portfolio company, a third party or some combination thereof (each an "**Allocable Party**"), and if so, how such fees, costs and expenses should be allocated among the relevant Allocable Parties. ACON allocates fees, costs and expenses in accordance with the Investment Agreements of the particular Investment Vehicles. To the extent not addressed in the Investment Agreements, ACON will make allocation determinations among Allocable Parties in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation (which such methodologies may include *pro rata* allocation based on the respective capital commitments of a vehicle, the respective investment (or anticipated investment) of an Allocable Party, relative benefit received by an Allocable Party, or such other equitable method as determined by ACON in its sole discretion). In certain instances, a Fund bears and may in the future bear expenses in respect of an existing or prospective portfolio company that was not or will not be borne by other owners or investors in such portfolio company (including co-investment parties), where ACON has determined such arrangement to be in the best interest of such Fund (e.g., such Fund engages or pays for a consultant for services in respect of a portfolio company without reimbursement by the portfolio company or other owners of the portfolio company). ACON will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to an Investment Vehicle (including a Fund) for a particular service may not reflect the relative benefit derived by such Investment Vehicle or Fund from that service. An ACON Investment Vehicle will be reliant on the determinations of ACON in this regard. Determinations made by ACON in this regard could later be determined by ACON after a subsequent review of allocations to be inaccurate, in which case ACON will undertake measures to correct such circumstance. Such allocation decisions are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

Allocation issues can arise in the case of expenses incurred in connection with proposed transactions to be completed by a Fund, but which transactions are not consummated ("**Broken Deal Expenses**"). If a transaction in which a co-investment was planned or contemplated (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(s), and not by any potential co-investors that were to participate in such transaction. Broken deal expenses not paid by the Fund(s) or reimbursed to ACON may reduce the amount of Fund Management Fee offsets described above. To the extent a Fund makes use of a credit facility in connection with the making of an investment or to pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility although ACON will endeavor to seek interest from the co-investors where the Fund has bridged capital to the co-investors in connection with completion of an investment. As a general matter, Broken Deal Expenses that are borne by an ACON Investment Vehicle will be borne indirectly by ACON Investment Vehicle investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment, although this is not always the case.

In connection with proposed transactions contemplated by a 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 relevant 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 a Fund and one or more co-investors, or otherwise received by a Fund but still shared between such Fund and one or more co-investors, even if such co-investors would not have borne Broken Deal Expenses. 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 a Fund typically are to be shared with investors in such 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 a 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.

To the extent that holding or intermediate entities of an ACON Fund include one or more special purpose acquisition companies (“SPACs”), the relevant Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders’ equity or similar interests issued thereby that are not held directly or indirectly by the Fund, and except where prohibited by the relevant Investment Agreements, such interests are permitted to be issued to ACON and its personnel.

ACON has in the past and may, from time to time in the future, cause one or more ACON Investment Vehicles to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Investment Vehicles, GPs/Managers, ACON and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Investment Vehicle. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by ACON that cover one or more Funds and/or ACON (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). ACON will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or ACON in a fair and reasonable manner using its good faith judgment as described above, but in any case in its sole discretion, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

ACON has instituted a program under which portfolio companies owned by the Investment Vehicles are given the option to participate in purchasing, vendor or similar arrangements with ACON, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a groupwide basis. To the extent there are fees or expenses associated with such programs, ACON allocates such fees and/or third-party administration costs for the program among the relevant Investment Vehicles or portfolio companies as appropriate taking into account a variety of factors. In certain cases, such arrangements will involve the sharing of risk, such as under group insurance arrangements where deductibles are shared or calculated with regard to the group rather than individual insured parties. ACON and its affiliates also participate in the program in exchange for an allocable portion

of such fees and costs, and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will offset or reduce the Management Fee. ACON believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Investment Vehicles(s)) that will result if the rates for goods and services are discounted due to scale or relative to those widely available in the market.

***Use of secondees/interim employee arrangements, operating professionals, executive advisors and other consultants.*** From time to time, ACON, the Investment Vehicles or portfolio companies engage and retain, typically on an independent contractor basis, various senior advisors, operating executives and other advisory, consulting and similar professionals to provide consulting services to our portfolio companies and Investment Vehicles on a range of operational and other issues. Often, these executives have meaningful professional relationships with ACON. In certain cases, these executives are former employees of ACON or certain portfolio companies. These executives provide a variety of services to ACON, the Investment Vehicles or our portfolio companies, including without limitation supplementary deal sourcing; company monitoring and both general and specific operating skills such as supply chain, information technology, branding and marketing, restructuring and other areas of expertise; senior executive experience; industry expertise; regional market expertise; and assistance with conducting due diligence of targeted investments. In certain cases, these executives have attributes of ACON personnel (for instance, they may have dedicated office space, receive administrative support services, participate in meetings or events for ACON personnel, work on ACON matters as their primary or sole business activity, have ACON e-mail address or business cards and participate in certain benefit arrangements typically reserved for ACON employees), even though they are not employees of ACON. The nature of the relationship with each such executive and the amount of time devoted or required to be devoted by them varies significantly. ACON refers to certain of these executives as its “**operating partners**” or “**operating professionals**”. ACON refers to those who do not form part of ACON’s operating professionals team with various designations, including executive consultant, advisor, executive advisor and senior advisor, among others (collectively, the “**executive advisors**”). Often, ACON has engaged the executive advisors on behalf of its Funds and Co-Invest Vehicles to assist ACON in sourcing, analyzing and executing investments, often with the intention that such executives will assume board, executive or other management roles at the portfolio companies they identify.

Typically, ACON or an ACON Fund or other ACON Investment Vehicle, will compensate the operating partners and executive advisors in accordance with a compensation arrangement agreed among the parties. To the extent any such person’s time is allocated to a portfolio company or a target portfolio company with respect to the provision of the above-referenced operational services and/or due diligence, a portion of such person’s compensation will be allocated to and paid (or reimbursed, if applicable) by such portfolio company or 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 arrangement and in any case in its sole discretion. Operating partners and executive advisors also will be reimbursed for travel and other costs in connection with their services. In addition to compensation and expense reimbursement that these operating professionals and executive advisors receive from ACON or an ACON Fund or Co-Invest Vehicle, they also may receive payments from portfolio companies directly, such as cash; retainers; salary; bonuses (whether or not based on pre-determined milestones); fees; incentive equity, profits, participation or other equity interest or stock awards in the portfolio company, a holding company or ACON Investment Vehicle; guaranteed minimum payments; a share of proceeds upon sale of a portfolio company; or other compensation including pursuant to negotiated arrangements.

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, an ACON Investment Vehicle and/or the relevant portfolio company is authorized to pay or reimburse ACON all or a portion of the personnel costs (including expenses) of the seconded employee. Due to the nature of these 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 allocates the compensation, expense reimbursement and/or other payments received by its operating professionals, executive advisors and or seconded employees to the applicable ACON Investment Vehicle(s) and/or applicable portfolio companies. As a result, such amounts will be treated as a Fund, other Investment Vehicle or portfolio company expense, and will not be deemed paid to or received by ACON and not subject to a Management Fee offset. Accordingly, such amounts are borne by the investors.<sup>10</sup>

These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with these types of relationships will not result in offsets to the Management Fee such that it is the ACON investors, rather than the Adviser or its affiliates, who bear the cost of such professionals, executives and employees. 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. In addition, these payments (other than equity incentives and expense reimbursement) will generally reduce retainer or other amounts otherwise payable to such persons by ACON. As such, this can create an incentive for ACON to set higher compensation rates to be paid by a portfolio company so as to reduce the amounts that would otherwise be payable by ACON. Moreover, ACON may be incentivized to allocate the time of such persons to portfolio companies and/or an ACON Fund rather than to the Adviser. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on an ACON Investment Vehicle's investment, and the relevant Investment Vehicle typically will bear the costs of all such compensation as well as fees, costs and expenses of structuring such arrangements. To the extent such professionals, executives and employees are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or ACON Investment Vehicles will bear a greater share of such compensation due to the utilization of these individuals' services at a time when fewer portfolio companies or ACON Investment Vehicles make use of such persons. Additionally, portfolio companies may provide opportunities for such persons to invest in such portfolio company and reimburse costs and expenses incurred by such persons (although this has not occurred to date). These professionals, executives and employees also have and may in the future have an equity interest in ACON's GPs/Managers and/or ACON Investment Vehicles (including the Funds), may receive remuneration from ACON and/or its Funds or affiliates and/or be entitled to other forms of compensation, including a portion of the Carried Interest. ACON expects from time to time that its operating professionals and/or executive advisors will include former employees of ACON or certain portfolio companies, and in some circumstances such persons are expected to become ACON employees or employees of portfolio companies. Consequently, the determination of whether individuals are operating professionals or executive advisors is expected to vary

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<sup>10</sup> For time ACON operational professionals 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 arrangements 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 Management Fee.

and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that ACON otherwise would be required to bear.

While the foregoing practices have the potential to raise conflicts of interest, ACON believes that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (for the ultimate benefit of the investors). Cost savings may be achieved, for example, if the market rates for such professionals and executives is lower than market rates for the services provided and/or if the services of such persons align with ACON's model for the portfolio company and improve portfolio company performance. Although ACON seeks to retain operating professionals and executive advisors 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 or improved performance 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. Additionally, ACON strives to retain operating professionals and executive advisors whom we believe provide a level of service at a value generally consistent or better than 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.

Operating professionals and executive advisors may not work exclusively with ACON and may perform services for other ACON affiliates or third parties outside of ACON, which may give rise to conflicts of interest. Such persons may also be appointed to the board of directors of companies and have other business interests which give rise to conflicts of interest with the interests of such Fund or a portfolio entity of such Fund. For example, certain operating professionals and executive advisors from time to time serve on boards of companies unaffiliated with ACON that have the potential to compete with a Fund in acquiring certain investment opportunities and/or acquire companies that compete with the Funds' portfolio companies.

***Payments to service providers.*** A portfolio company typically will reimburse ACON or service providers retained at ACON's discretion for expenses (including travel, lodging, meal and entertainment expenses) incurred by ACON or such service providers in connection with the performance of services for such portfolio company, including for consultative operational services. 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 an ACON Investment Vehicle generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Investment Agreements and ACON's internal reimbursement policies and practices, ACON determines the amount of these reimbursements for such services in its own discretion, subject to internal reimbursement policies and practices. Any fee paid or expense reimbursed to ACON 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.

ACON reserves the right to agree with operating personnel, service providers, portfolio company management or other parties that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more portfolio companies will be paid in the form of a profits interest granted in the relevant portfolio companies or related intermediate entities. While such an arrangement could be more favorable to the relevant Investment Vehicle if the investment does not increase in value, in the event of appreciation in the relevant portfolio company, any such profits interest generally

would have a dilutive impact on the Investment Vehicle's investment, as well as the potential to result in economic gains greater than the original amount of compensation.

***Shared interest in professionals and employees.*** ACON may, from time to time, employ personnel with pre-existing ownership interests in or who were employed by portfolio companies owned by a particular Fund or other Investment Vehicles advised by ACON; conversely, current or former personnel or executives of ACON (and/or its affiliates) are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by ACON. Similarly, ACON, its affiliates and/or ACON 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 particular Fund, ACON and/or its affiliates or other Investment Vehicles ACON advises. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through ACON entities) to ACON Personnel and their estate planning vehicles. ACON expects to be subject to 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. In certain circumstances where ACON commits or has committed to seek "market" or "arms-length" rates or terms, ACON will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. ACON reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is "arms-length." Consequently, ACON undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relates specifically to the assets, services or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, ACON reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. 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.

***Potential conflicts relating to activities and investments of ACON Personnel.*** During the investment period of a Fund, all appropriate investment opportunities will be pursued by ACON principals through such Fund, subject to certain limited exceptions set forth in the Investment Agreements and ACON's Allocation Policy. Without limitation, ACON principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. ACON Personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar

arrangements, and to pay or receive compensation relating to the foregoing. ACON's principals and ACON's investment staff will continue to manage and monitor such investments until their realization. Such other investments that ACON principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund and/or other ACON Investment Vehicles. Following the investment period of a Fund, ACON principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. To the extent an advisory opportunity is received that is unsuitable for a Fund, in ACON's sole discretion, ACON and ACON Personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the Investment Agreements, ACON Personnel are permitted to serve on boards or act in other roles unaffiliated with ACON, any ACON Investment Vehicle or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

Personal investment by ACON Personnel can present potential conflicts of interest for ACON. ACON Personnel may buy and sell securities or other investments for their own accounts (including through investment funds managed by ACON or its affiliates). As a result of differing investment strategies or constraints, or for other reasons, positions may be taken by ACON Personnel that are the same as, different from or made at different times than positions taken for an ACON Investment Vehicle. ACON has established policies and procedures requiring certain approvals for investments in private companies and private funds by ACON Personnel and most personal securities transactions by ACON Personnel. However, the potential exists for personal securities transactions by ACON Personnel, including those which have been pre-cleared or approved in advance, to generate significantly higher investment returns to such personnel than any of the ACON Investment Vehicle's investment transactions generate for its investors. Moreover, the applicable investment committee may determine, in certain circumstances, that a company identified as a potential investment opportunity for an ACON Investment Vehicle is not suitable or appropriate for such vehicle. The potential exists for ACON Personnel, other co-investors or competitors of ACON to invest in such company and realize significantly higher returns than any of the ACON Fund or Investment Vehicle transactions generate for their investors. In such case, ACON Personnel and others will not in such circumstances be required to share in or reimburse the relevant Fund and/or Investment Vehicle for due diligence or other expenses (including broken deal expenses) incurred by them in connection with their consideration of the relevant investment opportunity. ACON Personnel have, and are expected to continue to have, capital investments in or alongside certain Funds and Investment Vehicles, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore ACON expects to have additional potential conflicting interests in connection with these investments.

Except to the extent prohibited by the relevant Investment Agreements, ACON and ACON Personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs with one or more Investment Vehicle and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the relevant Investment Agreements and anti-"assignment" provisions of the Advisers Act, ACON and ACON personnel are also permitted to offer, restructure and monetize interests in ACON.

***Devotion of time.*** ACON Personnel will devote such time as may be reasonably necessary to conduct the business affairs of any particular ACON Fund in an appropriate manner. However, such personnel will work on other projects, including the operations of ACON and its affiliated advisers and other affiliates, the other funds sponsored by ACON or affiliates of ACON, as well as other affiliated or unaffiliated advisory clients and SPACs or on other, unrelated matters, and conflicts may arise in the allocation of

ACON's resources. In addition, ACON may in the future organize, sponsor, manage and operate additional investment funds, including funds with investment objectives that may overlap to some extent with those of the ACON Funds and ACON Personnel will work on those additional funds. Finally, ACON Personnel have in the past and may in the future leave the employment of ACON to become an officer or employee of a portfolio company, a third-party with which ACON, an ACON Fund or another portfolio company maintains a business relationship. While the devotion of time of certain ACON Personnel is governed by the Investment Agreements of the ACON Funds, there can be no assurance that ACON Personnel will remain employed by ACON and that such personnel will, after departure, not be compensated directly or indirectly by a portfolio company or an ACON Fund for services similar to those previously provided by the person while employed by ACON. In certain circumstances, ACON Personnel that have been compensated directly or indirectly by a portfolio company or an ACON Fund may join or return to ACON as an employee.

***Outsourcing arrangements.*** Services required by an ACON Investment Vehicle (including some services historically provided by ACON or its affiliates to the Investment Vehicles) may, for reasons including efficiency and economic considerations, be outsourced as a whole or in part to third parties in the discretion of ACON. In such case, the cost and expenses of these outsourcing arrangements typically will be paid for by an Investment Vehicle or portfolio company such that investors ultimately bear such costs. ACON has an incentive to outsource such activities at the expense of the Investment Vehicles. The performance of a service for an ACON Investment Vehicle in-house by ACON Personnel does not and will not preclude a later decision to outsource such services (or any additional services) as a whole or in part to a third-party service provider in the future. The costs and expenses of any such third-party service providers will, where otherwise permissible under the Investment Agreements for the Investment Vehicles, be borne by the 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 likely will result in differences in price, terms, leverage and associated costs. Where multiple Investment Vehicles invest in the same company at different times, the first Investment Vehicle to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Investment Vehicles; similarly, to the extent a transaction does not proceed, the first Investment Vehicle to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Investment Vehicles could or would have invested in the company in potential future transactions. 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 reserve the right to 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 and will act in accordance with the Allocation Policy and procedures.

***Transactions between ACON Investment Vehicles.*** 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 (including a newly formed continuation vehicle) 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 or where, in the case of a continuation vehicle, ACON determines to pursue such transaction as opposed to other liquidity alternatives and in determining the terms and participants in connection with such transaction. In addition, conflicts can arise given that the GP/Manager of the selling or transferring Investment Vehicle likely has, or its affiliates have, an economic or other interest in the purchasing 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 advisory committee) 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, but in any case in its sole discretion.

***Continuation vehicles.*** In certain cases, ACON has, and is permitted in the future, to establish one or more funds, vehicles, accounts or other arrangements for purposes of acting as a continuation vehicle with respect to an ACON Fund and holding investments for longer than the then-current term of such Fund, among other purposes. In such situations, ACON typically expects to seek to raise capital from third parties as well as a Fund's limited partners who directly or indirectly acquire interests in one or more portfolio companies from such Fund, including through the creation of a new investment fund or similar continuation vehicle which would be advised by ACON, in which ACON invests, and from which ACON would receive fees and/or carried interest. ACON is permitted, but will not be obligated, to offer Fund limited partners an opportunity to invest in the relevant continuation vehicle by "rolling" their interest in the Fund and/or the underlying portfolio companies. ACON reserves the right to seek to require the new investors (including existing Fund limited partners) to make commitments to the continuation vehicle or a successor Fund advised by ACON, which generally reduces the purchase price new investors are willing to pay for the Fund's assets. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund assets being sold.

Certain risks that are generally associated with an investment in a private equity fund may be heightened and magnified. For instance, portfolio investments that are held for a longer period of time may be more likely to experience employee and/or management turnover during the holding period with respect thereto as compared to many other private equity funds. ACON may be more incentivized to make portfolio investments with the view of holding such investment for a longer period of time and accordingly, may make investments that it believes may not meet the target returns of the Fund if it did not have the flexibility to hold such portfolio investments for a longer period of time. While investors will likely have the option to elect to have their interests in such investments disposed of by ACON, the value of such investments at the time of disposition may be materially less than if ACON had not made and/or held such investment with the view of such investment having a longer holding period. Additionally, investors that elect to continue to hold a direct or indirect interest in such portfolio investments will have their interest attributable thereto adjusted as if distributed (*i.e.*, a portion of such interest will be allocated to the relevant ACON GP/Manager to the extent of its right to receive carried interest, if any), thereby diluting their interests in such portfolio investments. Such investors that elect to continue to hold an interest in such investments may also be subject to management fees and carried interest for a longer period and/or in a greater aggregate amount than if such investments were not held for such longer period of time.

In addition, although the valuation of any such investment may be based on a third-party valuation, valuations are inherently subjective in certain respects and rely on a variety of assumptions. Furthermore, valuations are based in large part on information as of the applicable period, and market conditions may change materially after that date. Accurate valuations are more difficult to obtain in times of low transaction volume because there are fewer market transactions that can be considered in the context of the appraisal. In addition, the process of valuing portfolio investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such portfolio investments and may differ from the prices at which such portfolio investments ultimately may be sold. As such, the carrying value of an investment

may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Accordingly, such values may not accurately reflect the actual market values of the investment, and, thus, investors may make decisions as to whether to continue to hold an interest in an investment without complete and accurate valuation information. As a result, the valuation of such an investment and the distributions to each of a particular Fund's investors, including the ACON GP/Manager, may not accurately reflect the fair value of the interests.

ACON or its affiliates also have the ability to invest in any such continuation vehicle, including, but not limited to, through a rollover of its existing ownership interest and/or carried interest entitlement, including on a tax-free basis. ACON is expected to face conflicts of interest in such transactions including because ACON and/or its affiliates will have the opportunity to earn additional management fees and/or receive additional carried interest (in addition to any carried interest earned as a result of the sale of one or more portfolio companies by the original Fund to such new continuation vehicle) and other economic benefits in respect of such transactions, and because new investors potentially will make investments in other ACON vehicles. In addition, the terms of any continuation vehicle typically vary from those of an existing Fund, and any limited partners that "roll" their existing Fund interests will generally be subject to such new terms, which potentially will be less favorable. ACON is also expected to face potential conflicts in determining to pursue such transaction as opposed to other liquidity alternatives, and in determining the terms and eligible participants in connection with such transaction. Such transactions will likely present other additional inherent conflicts of interest.

***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 nor is there any guarantee that such other Investment Vehicles will satisfy their contractual obligations.

***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 ACON Personnel 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 ACON Personnel to

provide managerial services, or to deploy existing ACON Personnel 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.

***Valuation of assets.*** There is no actively traded market for most of the securities owned by the ACON Investment Vehicles. When estimating fair value, ACON will apply a valuation methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of the investments, consistent with the requirements of ACON's valuation policy. These valuation methodologies may evolve over time depending on the nature, facts and circumstances of the investment and ACON's view of the market, which valuation methodology changes may impact the overall valuation of an asset. While valuations are subject to extensive review, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such. There can be no assurance that ACON will have all the information necessary to make valuation decisions, that third-party pricing information will be available, 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 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. The valuation process includes a significant level of professional judgment on the part of ACON with respect to assumptions, estimates and inputs into each specific valuation, which judgment could lead to inherent conflicts, including that valuations impact ACON's track record. The valuation decisions made by ACON may cause it to ineffectively manage the relevant ACON Investment Vehicle's investment portfolios and risks, and may affect the diversification and management of such ACON Investment Vehicle's portfolio of investments.

Generally, ACON will determine the value of all of its Investment Vehicle portfolio companies for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of such vehicles portfolio company investments because, among other things, the securities of portfolio companies held by an ACON Investment Vehicle 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 and cash flows of the portfolio company, legal and contractual restrictions on transfer that may limit liquidity, transaction costs, economic, operational, political, legal, tax and other circumstances, monetary and fiscal policies, interest rates, foreign exchange rates, inflation, the level and volatility of trading markets, the availability and cost of short-term or long-term funding and capital, the market conditions at the time of disposition, the manner of disposition and other potential risks and uncertainties. There can be no assurance that ACON 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 ACON with respect to an investment will represent the value realized by the 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 ACON may cause it to ineffectively manage the Investment Vehicles'

investment portfolios and risks, and may also affect the diversification and management of the Investment Vehicles' 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, 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.

In certain cases, one Investment Vehicle's portfolio company may compete with another Investment Vehicle's portfolio company. A conflict of interest may arise in these instances because advice and recommendations provided by ACON to a portfolio company may have adverse consequences to a competitor portfolio company owned by another Investment Vehicle or an investment vehicle sponsored by an ACON affiliate. When providing advice to any such portfolio company that is a competitor of another Investment Vehicle's portfolio company, ACON may consider the interests of one portfolio company and is not obligated to, and need not, consider the interests of, or potential consequences to, such competitor portfolio company.

In connection with its services to the Funds and their investments, ACON, its affiliates and ACON Personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of ACON's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, ACON and ACON Personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Investment Vehicle or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**ACON Information**"). In many cases, ACON Information will include tools, procedures and resources developed by ACON to organize or systematize ACON Information for ongoing or future use. Although ACON expects its Investment Vehicles and their portfolio companies generally to benefit from ACON's possession of ACON Information, it is possible that any benefits will be experienced solely by other or future Investment Vehicles or portfolio companies or by the Adviser and its personnel and not by the Investment Vehicle or portfolio company from which ACON Information was originally received. ACON Information will be the sole intellectual property of ACON and solely for the use of ACON. ACON reserves the right to use, share, license, sell or monetize ACON Information, without offset to Management Fees, and the relevant Investment Vehicle or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Investment Vehicles or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Investment Vehicles or their respective investors; no such rewards will offset Management Fees.

ACON has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as ACON has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Investment Vehicles(s) will not consent, participate in the negotiations or be directly involved in such arrangements.

From time to time, ACON, its affiliates and ACON Personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Investment Vehicles under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than ACON and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, ACON believes that the potential for conflicts of interest relating to such discounts is mitigated. Discounted prices or better terms offered by a portfolio company to ACON, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

***Confidential information.*** As a result of the operations of ACON (including serving on boards of directors of various companies), ACON frequently comes into possession of confidential or material, non-public information. Therefore, ACON may have access to material, non-public information that may be relevant to an investment decision to be made by an ACON Investment Vehicle. Such vehicle will not be free to act upon any such information. Due to these restrictions, such vehicle 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. Notwithstanding the foregoing, ACON may determine, in its sole discretion at any time, that such information could impair its ability to effect certain transactions on behalf of an ACON Investment Vehicle, whether for legal, contractual, or other reasons. Accordingly, ACON may elect not to receive such information. Lack of access to any such information may adversely affect such vehicle’s investments that in some cases may have been avoided had the Investment Vehicle or ACON had such information.

***Reliance on ACON and portfolio company management.*** Control over the operation of each ACON Investment Vehicle will be vested with ACON, and such vehicle’s future profitability will depend largely upon the business and investment acumen of ACON and the ACON Principals. The loss or reduction of service of one or more of the ACON Principals could have an adverse effect on an ACON Investment Vehicle’s ability to realize its investment objectives. In addition, ACON currently, and will in the future, manage other investment funds and vehicles besides the ACON Investment Vehicles and the ACON Principals will need to devote substantial amounts of their time to the investment activities of such other funds and vehicles, which is expected to pose conflicts of interest in the allocation of the time of such investment professionals. The other funds may include predecessor funds, successor funds and funds focused on other geographies or on other asset classes within the geographic regions in which ACON invests. Investors generally have no right or power to take part in the management of an ACON Investment Vehicle, and as a result, the investment performance of an ACON Investment Vehicle will depend on the actions of ACON. In addition, certain changes in ACON or circumstances relating to ACON may have an adverse effect on an Investment Vehicle or one or more of its portfolio companies including potential acceleration of debt facilities.

Although ACON will monitor the performance of each ACON Investment Vehicle investment, it will primarily be the responsibility of each portfolio company’s management team to operate such portfolio company on a day-to-day basis. Although an ACON Investment Vehicle generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with an Investment Vehicle’s objectives. Additionally, portfolio companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry and/or geography, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate or retain suitable members of their management teams and, as a result, an ACON Investment Vehicle and its investments may be adversely affected.

***Side letters and opt-out rights.*** The Investment Vehicles, ACON and its GPs/Managers routinely enter into written agreements, or side letters, with certain investors, including ACON Personnel. These side letters provide investors with customized terms, which results in preferential treatment or could economically incentivize ACON to provide preferential treatment, with respect to, among others: (i) the fee structure, including reduced Management Fees, modified waterfall mechanics, cross-collateralized Carried Interest structures across multiple Investment Vehicles and/or reduced Carried Interest and/or economic or other incentives tied to the making of commitments to one or more other ACON Investment Vehicles, including future Funds; (ii) the ability to opt-out of certain types of investments (including with respect to investments in certain geographies and/or industries); (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, secondary and future Fund opportunities; (vi) the right to withdraw from the applicable Investment Vehicle in the event of adverse tax or regulatory events or violations of law or policies; (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; (x) modification of default remedies; (xi) prior review of an ACON Investment Vehicle's investment opportunities; (xii) investment pacing restrictions; (xiii) rights to serve on an ACON Fund's advisory committee; or (xiv) certain other terms whether economic, procedural or otherwise.

ACON is likely to have its own economic and/or other business incentives to provide certain terms to certain investors (*e.g.*, based on commitment amount to an ACON Investment Vehicle or the timing thereof, the ability of an investor to provide sourcing or other services to the Adviser, its affiliates and personnel or the Investment Vehicles, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Adviser, its affiliates and personnel, or the Investment Vehicles). Further, side letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Investment Vehicles. Except where required by the applicable Investment Agreements, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against an Investment Vehicle, ACON or any of its affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject ACON to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. As a consequence of one or more investors being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments, the aggregate returns realized by participating or non-participating investors could be adversely affected in a material manner by the unfavorable performance of particular investments.

Although the Adviser believes it to be unlikely, opt-out rights requested or received by one or more investors (or such regulatory, tax or other factors applicable to such investors) representing a substantial percentage of an Investment Vehicle have the potential to create significant variations in investor investment returns, or to influence or affect the investment strategy and pursuit of investment opportunities by the Adviser on behalf of the relevant Investment Vehicle as a whole. An investor's voting rights for regulatory or other reasons can be limited in circumstances specified in the Investment Agreements; conversely, a limitation on one or more investors' voting rights generally will increase the voting rights percentage of other investors in the relevant Investment Vehicle. Further, investors with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below an Investment Vehicle.

Furthermore, the Adviser or its affiliates have permitted, and may in the future permit, certain ACON Personnel, 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 (including one or more significant investors with geographic-specific opt-outs) or withdraw from the Investment Vehicle or allowing such investor to be excused from particular investments, any election to opt out (including by one or more significant investors with geographic- or industry-specific opt-outs) or withdraw by such investor would correspondingly increase the interest that other investors will have in that particular geography, industry or 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 aggregate 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.

***ACON’s Carried Interest and Management Fees.*** The fact that ACON’s Carried Interest is based on a percentage of net profits may create an incentive for ACON to cause an Investment Vehicle to make riskier or more speculative investments or to hold an investment longer than otherwise would 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. ACON is incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing Management Fees in the interim and, potentially, a more likely or larger carried interest distribution if such asset’s value appreciates in the future.

In addition, certain 2017 U.S. tax legislation treats certain allocations of capital gains to U.S. service providers by partnerships such as the ACON Fund(s) and other ACON Investment Vehicles as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of U.S. individuals associated with an ACON Investment Vehicle and the relevant ACON GP/Manager who were or may in the future be granted direct or indirect interests in such GP/Manager, which could make it more difficult for ACON to incentivize, attract and retain individuals to perform services for an ACON Investment Vehicle. This is also expected to create an incentive for ACON to cause an ACON Investment Vehicle to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

***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 value of any such distributions will be accounted for purposes of the Investment Vehicle’s distribution waterfall in accordance with the terms set forth in the relevant Investment Agreement, which often provides that it must be 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) typically receives Carried Interest distributions based upon the fair value of assets at the time of distribution, 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 multi-day or multi-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.

***Diverse investor group may have conflicting interests.*** Prospective investors also should be aware that conflicting investment, tax and other interests and circumstances may exist among the investors in connection with an ACON Investment Vehicle's activities. For example, the investors are expected to include taxable and tax-exempt entities and persons and may include persons or entities organized in various jurisdictions. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by an ACON Investment Vehicle, the structuring or the acquisition of investments and the timing of disposition of investments, investments by such investors in other ACON Investment Vehicles and the ability and desire to consummate co-investment opportunities. As a consequence, conflicts of interest may arise in connection with decisions made by ACON regarding an investment (including with respect to the nature or structuring of investments of an ACON Investment Vehicle) that may be more beneficial for one type of investor than for another, including investors affiliated with ACON, and especially with respect to tax matters, and which create conflicts of interests. In selecting and structuring investments appropriate for an ACON Investment Vehicle, ACON will consider the investment and tax objectives of such vehicle, the GP/Manager and the investors as a whole, not the investment, tax or other objectives of any investor individually.

## **Item 9 - Disciplinary Information**

There are no legal or disciplinary matters that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

Some of the key management executives and investment professionals of ACON, as well as the Chief Financial Officer, Chief Operating Officer, General Counsel, Chief Compliance 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 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.



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.

Neither ACON nor any of its affiliates or management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing.

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

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](mailto:tbernstein@aconinvestments.com).

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 advisory committee approval) and the equity participation of ACON investment professionals in the ACON Investment Vehicle further mitigate such conflicts.

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.

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, including pre-planned transactions pursuant to a Rule 10b5-1 plan under the Securities Exchange Act of 1934, it is responsible for directing orders to broker-dealers to effect such 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.

If ACON sells a publicly traded security for multiple Investment Vehicles, trades with a particular broker on the same day will generally be averaged across client accounts if determined by ACON to be fair and reasonable under the circumstances.

### **Item 13 - Review of 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, determining fair valuations quarterly, and making on-site visits to such companies, as needed. Each ACON Investment Vehicle's financial statements are maintained and monitored by the ACON Investments finance staff or under the supervision of ACON's Chief Financial Officer. In addition, financial statements for certain Investment Vehicles, including the ACON Funds, are audited on an annual basis by an independent third-party accounting firm. ACON's investment committee regularly supervises and monitors the investment activities of the ACON Investment Vehicles.

Audited financial statements are provided to investors in certain ACON Investment Vehicles, including the ACON Funds, 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**

For details regarding economic benefits provided to ACON, please refer to Item 5 (*Fees and Compensation*) and 6 (*Performance-Based Fees and Side-By-Side Management*) above.

From time to time, ACON and its personnel receive discounts or complementary access to products, services and events provided by portfolio companies of the ACON Investment Vehicles or from third parties with whom ACON or the Investment Vehicles otherwise maintain a business relationship. In certain circumstances, these discounts or complementary access may also be shared by ACON with third parties. Additionally, ACON and its personnel may receive "miles," "points," or credit in loyalty/status programs usually associated with airline travel, hotel stays or car rentals, and such benefits and/or amounts will, whether or not *de minimis* or difficult to value, inure exclusively to ACON and/or its employees even though the cost of the underlying service will be borne by an ACON Fund or portfolio company. The value of these discounts, complementary access to products, services and events or other intangible benefits are not subject to the Management Fee offset.

From time to time, the Adviser may enter into solicitation arrangements pursuant to which a third-party is compensated for referrals that result in a potential investor becoming an investor in a Fund or other ACON Investment Vehicle. Placement fees payable to such persons typically are in the form of a cash fee calculated as a percentage of funds raised by the placement agent. Placement agents may also be compensated through the GP/Manager's sharing of a percentage of the carried interest payments earned with respect to the referred investor. Any fees payable to third-party solicitors will be borne by the Adviser as described herein, unless otherwise set forth in the Investment Agreements. The Adviser will not engage another person to

solicit clients on our behalf if that person has been subject to securities regulatory or criminal action within the preceding 10 years or otherwise subject to a disqualifying event, as defined in the Securities Act. If a prospective client is introduced to a Fund or other ACON Investment Vehicle through a third-party, appropriate disclosure will be made to such prospective client regarding the arrangement, if any, with such third-party.

#### **Item 15 - Custody**

In connection with managing investments, ACON and/or its GPs/Managers 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 Funds, are held in custody by unaffiliated broker/dealers or banks acting in the capacity as “qualified custodians” under the Custody Rule.

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 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](mailto: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.