



AEA Investors LP
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AEA Investors SBF LP

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This brochure provides information about the qualifications and business practices of AEA Investors LP, AEA QP Advisers LLC, AEA Investors SBF LP and their affiliated advisers. If you have any questions about the contents of this brochure, please contact us at (212) 644-5900. Registration as an investment adviser does not imply any level of skill or training. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AEA Investors LP, AEA QP Advisers LLC, Investors SBF LP and their affiliated advisers is also available on the SEC's website at www.adviserinfo.sec.gov.

March 30, 2015

Item 2 - MATERIAL CHANGES

The material changes incorporated since our last posting of this document on March 31, 2014 on the public disclosure website of the United States Securities and Exchange Commission (the “SEC”) are as follows:

Reflects the merger of AEA Mezzanine Debt Management LP and AEA Middle Market Debt Management LP, with the surviving entity being named AEA Debt Management LP (effective January 1, 2015).

Updates disclosures to reflect SBF III (as defined herein), Fund VI (as defined herein) and the business practices of the Advisers (as defined herein).

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Item 4 - ADVISORY BUSINESS

Advisory Business and Principal Owners

AEA Investors LP, collectively with its affiliates and predecessor companies, has been sponsoring and managing private investment funds and providing investment advice since 1968. AEA Investors LP is a privately held limited partnership controlled by AEA Management LLC, a limited liability company, the managing member of which is John L. Garcia.

AEA Investors LP currently carries out its investment advisory business through the following subsidiaries and/or affiliates: AEA QP Advisers LLC, AEA Advisers LLC, AEA Investors SBF LP¹ and AEA Debt Management LP² (each an “Adviser” and collectively the “Advisers”). This brochure serves as the brochure for all of the Advisers. AEA Advisers LLC, AEA Investors LP and AEA Debt Management LP are all relying advisers with respect to AEA QP Advisers LLC.

Advisory Services

The Advisers sponsor and/or manage private investment programs and provide investment advisory services relating to the equity and debt investments made through these programs. The investments generally are not made in publicly traded securities and are commonly referred to as “private equity” or “private debt” investments. The Advisers’ private equity investments focus primarily, but not exclusively, on the following sectors: (1) value-added industrial products which include manufacturing, service and distribution; (2) specialty chemicals; (3) consumer products; and (4) services relating primarily to these and other business sectors. The Advisers’ private debt investments relate primarily, but not exclusively, to mezzanine debt investments and senior debt investments in non-public companies.

The Advisers currently sponsor or manage and provide investment advice for the following three categories of investment programs:

AEA Middle Market Private Equity Programs

1. The AEA 2003 Investment Program (the “2003 Program”) is a \$1.2 billion program comprising four limited partnerships (the “2003 Institutional Funds”) and two commitment-based investment programs (the “2003 Participant Programs”). The 2003 Institutional Funds and the 2003 Participant Programs invest generally on a side-by-side basis on the same economic terms pro rata with the respective commitments made to them by investors. The investment period for the 2003 Program has now ended (except for additional investments relating to existing portfolio investments, commonly called “add-on” investments).

¹ Effective January 1, 2014, AEA Investors SBF LLC converted into a limited partnership, AEA Investors SBF LP. Ownership and control remained unchanged.

² Effective January 1, 2015, AEA Mezzanine Management LP merged with and into AEA Middle Market Debt Management LP and the surviving partnership was renamed AEA Debt Management LP. Ownership and control of each of these entities remained unchanged.

2. The AEA 2006 Investment Program (the “2006 Program”) is a \$1.7 billion program (including the Europe Fund referred to below) composed of two limited partnerships (the “2006 Institutional Funds”) and two commitment-based investment programs (formed as limited partnerships) (the “2006 Participant Programs”). The 2006 Institutional Funds and the 2006 Participant Programs invest generally on a side-by-side basis on the same economic terms pro rata with their respective commitments. The investment period for the 2006 Program has now ended (except for add-on investments relating to the then existing portfolio investments).
3. AEA Europe Fund LP (the “Europe Fund”) is a €500 million joint venture limited partnership among the 2006 Program and several distinguished international family groups. It is controlled and managed by the general partner and Adviser of the 2006 Program. The 2006 Program has committed to invest approximately €200 million in the Europe Fund. The investment period for the Europe Fund has now ended (except for add-on investments relating to the then existing portfolio investments). Effective as of January 31, 2012, the remaining commitments to the Europe Fund were reduced to €50 million.
4. The AEA Fund V Investment Program (the “Fund V Program”) is a program (including certain regional sidecar investment funds for European and Asian investments) that is comprised of three limited partnerships that invest on a global basis and two limited partnerships that invest on a regional basis (collectively, the “Fund V Institutional Fund”) and two commitment-based investment programs that invest on a global basis (formed as limited partnerships) (collectively, the “Fund V Participant Programs”). The Fund V Institutional Fund and the Fund V Participant Programs are expected to invest generally on a side-by-side basis on the same economic terms pro rata with their respective commitments. The investment period for the Fund V Program began in December 2011 and is expected to end no later than December 2017 (except for in process investments and add-on investments relating to the then existing portfolio investments). The Asian regional sidecar investment fund terminated its investment period as of April 1, 2014. As of March 30, 2015, the Fund V Program (including the regional sidecar investment funds) had committed capital of approximately \$2.4 billion.
5. In 2015, the Advisers expect to make available AEA Fund VI Investment Program (the “Fund VI Program”) with its investment period beginning in either 2015 or 2016. The Advisers are targeting \$2.5 billion in investor commitments for the Fund VI Program.

The 2003, 2006 and Fund V Institutional Funds and the Fund VI Investment Program are collectively referred to in this brochure as the “Institutional Funds” and the 2003 Participant Programs, the 2006 Participant Programs and the Fund V Participant Programs are collectively referred to in this brochure as the “Participant Programs”. However, see Item 7 for the definition of “Clients”.

AEA Small Business Private Equity Programs

1. AEA Investors Small Business Fund LP (“SBF I”) is a \$286 million limited partnership registered as a Small Business Investment Company. SBF I’s limited partners include the U.S. Small Business Administration (“SBA”) as a preferred limited partner, the 2003 Program and other individual and entity investors. The investment period for SBF I has now ended (except for add-on investments relating to existing portfolio investments).
2. AEA Investors Small Business Fund II LP (“SBF II”) is a \$350 million limited partnership, the limited partners of which are the 2006 Program and other individual and entity investors. The investment period for SBF II is expected to end on May 23, 2015, unless further extended (except for add-on investments relating to the then existing portfolio investments).
3. In 2015, the Advisers expect to make available AEA Investors Small Business Fund III LP (“SBF III”) with its investment period beginning in either 2015 or 2016. The Advisers are targeting \$350 million in investor commitments for SBF III.

AEA Debt Programs

1. The AEA Mezzanine Fund I Program (“Mezz Fund I”) is a \$600 million program comprising a leveraged limited partnership and an unleveraged limited partnership. The investment period for Mezz Fund I has now ended (except for certain add-on investments).
2. The AEA Mezzanine Fund II Program (“Mezz Fund II”) is a \$420 million unleveraged program comprising a limited partnership and a limited liability company. The investment period for Mezz Fund II I has now ended (except for certain add-on investments).
3. The AEA Mezzanine Fund III Program (“Mezz Fund III”) is a \$575 million unleveraged program comprised of a limited partnership. The investment period for Mezz Fund III is expected to end on March 14, 2018.
4. The AEA Middle Market Senior Debt I Program (“Senior Debt Fund I”) is a \$305 million leveraged program comprising two limited partnerships and a limited liability company. The investment period for Senior Debt Fund I was extended during 2014 until December 31, 2016.
5. The AEA Middle Market Senior Debt II Program (“Senior Debt Fund II”) is a \$595 million leveraged program comprising two limited partnerships. The investment period for Senior Debt Fund II is expected to end on December 31, 2016.

See Item 7 for the definition of “Clients”.

Investment Restrictions

The Advisers do not tailor their advisory services to the individual needs of the investors in each Client. Each Client has specified investment objectives and restrictions, which are described in the offering materials and governing documents of that Client.

Wrap Fee Programs

Not Applicable.

Assets Under Management

As of December 31, 2014, the Advisers had total assets under management (including uncalled capital commitments) of approximately \$6.1 billion, all of which was managed on a discretionary basis.

Item 5 - FEES AND COMPENSATION

Fee Schedules

The Advisers' fees are not negotiable. Prospective investors are advised that there are differences between the fee structures for different products. Advisers are compensated for their advisory services as follows:

AEA Middle Market Private Equity Programs.

Participant Programs. The Participant Programs pay an annual management fee. During the commitment period, the management fee is 1.5% (in the case of the 2003 Program) or 1.75% (in the case of the 2006 Program and the Fund V Program) of each Participant's commitment. After the end of the commitment period, the management fee continues at the annual rate of 1.5% but is calculated based on funded capital, less capital returned to investors and as adjusted for any permanent write downs in the value of investments. In addition, the profits of the Participant Programs are allocated such that the general partner of the Participant Program is entitled, in addition to its investment interests, to a carried interest. The carried interest is approximately equal to 10% of distributions on each investment made under the Participant Program; however this allocation depends on the performance of each particular investment.

Institutional Funds. The Clients comprising the Institutional Funds pay an annual management fee. During the commitment period, the management fee ranges from 1% to 1.75% per annum of a Client's commitment, depending on the particular Fund and the class of interest held. After the end of the commitment period, the annual management fee ranges from 1% to 1.5% (depending on the particular Fund and the class of interest held) and is calculated based on funded capital, less capital returned to investors and as adjusted for any permanent write downs in the value of investments. In addition, the profits of the Clients are allocated such that the general partner of the Client is entitled, in addition to its investment interest, to a carried interest.

The carried interest ranges from 15% to 20% of the profits of the Fund, assuming that a specified return is achieved.

AEA Small Business Private Equity Programs.

The fees payable by Clients in the AEA Small Business Programs consist of an annual 2% management fee and a carried interest equal to 20% of the profits of the relevant fund as described below (assuming that a specified return is achieved).

SBF I. During the first five years, the 2% management fee is calculated based on aggregate commitments, including the SBA's preferred securities. After that time, the 2% management fee is calculated based on funded capital (including the SBA's preferred securities) less capital returned to investors or repaid to the SBA. The carried interest takes into account the SBA's priority.

SBF II and SBF III. During the commitment period, the 2% management fee is calculated based on aggregate commitments. After the end of the commitment period, the management fee is calculated based on funded capital, less capital returned to investors and as adjusted for permanent write downs in the value of investments.

AEA Debt Programs.

The fees payable by Clients in the AEA Debt Programs consist of an annual management fee. In addition, the general partner is entitled to a carried interest based on profits if a specified return is achieved. During the commitment period, the management fee is 1% or 1.5% of aggregate commitments (depending on the particular Fund) plus, generally, in the case of the leveraged Funds, the total amount of the debt facility of that Fund. In certain cases, the fee is reduced or waived. After the end of the commitment period, the management fee is 1% or 1.5% of funded capital depending on the Fund, including in the case of the leveraged Funds, 1% or 1.5% of the average outstanding principal amount of the borrowings of the Fund. In the case of Mezz Fund I, Mezz Fund II and Mezz Fund III, the carried interest is equal to 20% of the profits of the Fund. In the case of the Senior Debt Fund I and Senior Debt Fund II, the carried interest is up to 10% of the profits of the Fund, after a specified return is realized.

Affiliated Investors

In general, management fees and carried interest are not payable by Advisers' or their affiliates' employees who invest in, or alongside, the Advisers' investment programs (except in the case of the Participant Programs where, in some cases, employees do pay a carried interest on their invested capital). Such investments are generally (but not exclusively) made through the relevant general partner of the Fund. Employees who leave the Advisers or their affiliates generally continue to invest on a no fee, no carry basis after termination of their employment and certain persons who are not employed by the Advisers are invited to invest in the investment programs without paying fees or carried interest, including but not limited to, members of AEA's global and regional advisory boards.

Calculation & Deduction of Advisory Fees

Management fees are billed to Clients. In the case of the Private Equity Programs, management fees are generally billed quarterly in advance, except in the case of the 2003 Program, where fees are billed semi-annually in advance. In the case of the Debt Programs, management fees are billed semi-annually (or quarterly) in advance. In cases where a distribution is expected to be made concurrently with the payment of fees, such fees may be deducted from the funds expected to be distributed to the Client.

With the exception for the Participant Programs, SBF I and certain vehicles in Mezz Fund I and Senior Debt Fund II, the governing documents of the Funds generally permit the general partners of the Funds to waive or agree to reduce a portion of the management fees payable to the extent set forth in such governing documents. Any such waived or reduced portion of the management fee reduces the amount of capital the applicable general partner would otherwise be required to contribute to the relevant Fund. In such event, the non-general partner and non-AEA affiliated investors in the relevant Fund are required to make pro rata contributions according to their respective commitments in lieu of the relevant portion of management fee to fund any contribution that would otherwise be required of the relevant general partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced management fees are not subject to the management fee offsets described below.

Other Fees & Expenses

Each Client pays the organizational and startup expenses, including legal, travel, accounting, filing and other organizational expenses of the Fund up to an amount specified in the pertinent offering materials. The Adviser bears the cost (through an offset against its management fee or otherwise) of all organizational expenses in excess of the specified amount (with respect to a particular Client), if any, and of any placement fees payable to any placement agent in connection with the formation of the Fund.

To the maximum extent permitted by the governing documents applicable to such Client, each Client pays all fees, costs, expenses, liabilities and obligations relating to such Client's (and its portfolio companies or investments) activities, investments and business (to the extent not borne or reimbursed by a portfolio company or investment), including, but not limited to, (i) regulatory, legal, accounting, administration, custodian, depository, travel, auditing, consulting (including consultants with a standing and, in certain cases, exclusive relationship with AEA), financing, commitment, real estate title, appraisal, filing, printing, survey and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of Client's financial statements, tax returns, Schedule K-1s and any other investor or administrative, regulatory or other Client-related reporting or filing; (ii) insurance (including, but not limited to D&O and E&O and other insurance which may cover the Advisers and their affiliates); (iii) fees, costs and expenses associated with the diligencing, acquisition, structuring, managing, operating, valuing, holding, winding up, liquidating, dissolving and disposition of its investments, including indebtedness and guarantees of indebtedness made by the Client or its affiliates, extraordinary expenses (such as litigation, if any), and registration expenses and brokerage, finders', custodial and other fees; (iv) costs and expenses of any limited partner advisory board meetings and

proceedings; (v) (where applicable) out-of-pocket costs, fees and expenses incurred by the Clients and Advisers and their affiliates relating to possible investments and dispositions for the Clients not consummated; (vi) out-of-pocket costs, fees and expense in connection with meetings of limited partners of the Client; (vii) management fees; (viii) any taxes, fees, filing charges or other governmental charges levied against the Fund; and (ix) certain other fees and expenses defined in the relevant governing documents. In certain cases, if permissible under the relevant limited partnership agreement of the fund, operating partners and operating executives may receive compensation directly from (or AEA may be reimbursed by) portfolio companies of the Funds in addition to receiving compensation directly from the Advisers and such amounts will generally not be subject to the offsets to management fees described below.

Affiliates of the Adviser may receive break-up, transaction and monitoring fees from or with respect to portfolio companies owned by the Clients and, in the case of the AEA Debt Programs, affiliates of the Adviser may additionally receive commitment, waiver and consent fees associated with such Funds' investments. In the case of the 2003 Institutional Funds, the Participant Programs and SBF I, generally out of pocket expenses incurred in connection with transactions not consummated are borne by the Adviser (and such funds do not receive an offset against management fees for the transaction, monitoring and other fees described in the forgoing sentence). In the case of other Funds managed by the Advisers, these out of pocket expenses are generally borne by the Fund but an amount equal to a designated percentage (which percentage can vary significantly by Fund) of break-up, transaction, monitoring and certain other fees received by the Adviser or its affiliates are applied as an offset against management fees, in each case to the extent such fees are received in respect of the Funds' investment.

Prepaid Fees

Clients are required to pay management fees quarterly or semi annually in advance. Clients do not generally receive a refund of fees paid and are generally not permitted to terminate their commitments or withdraw from the Funds.

Compensation for the Sale of Securities

Not applicable.

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

As described in Item 5, the general partner (or its partners) receive a percentage of the profits from the Funds it controls (in some cases assuming that investors receive a specified preferred return).

Item 7 – TYPES OF CLIENTS

The Advisers' "Clients" are defined as (1) private investment funds (referred to in this brochure as "Funds") comprising the 2003 Institutional Funds, the 2006 Program, the Fund V Program, the Fund VI Program, SBF I, SBF II, SBF III, Mezz Fund I, Mezz Fund II, Mezz Fund III, Senior Debt Fund I and Senior Debt Fund II and (2) solely with respect to the 2003 Participant Program, the investors in the 2003 Participant Programs.

The investors in the Funds and the 2003 Participant Program include high net worth individuals and family groups, corporations, charitable organizations, trusts, partnerships, pension funds and limited liability companies. The Advisers refer to certain high net worth individual investors (regardless of the investment program in which they are invested) herein as Participants, but they are only Clients to the extent they are invested in the 2003 Participant Program.

The 2003 Program had a stated minimum commitment of \$10 million for investors in the Institutional Funds and \$5 million for Participants in the Participant Programs. The 2006 Program had a stated minimum commitment of \$10 million for investors in the Institutional Funds and \$2 million for Participants in the Participant Programs. The Fund V Program had a stated minimum commitment of \$5 million for investors in the Fund V Institutional Fund and no minimum for Participants in the Participant Programs. Each of the Funds within the AEA Small Business Programs and the AEA Debt Programs had minimum commitments of \$5 million. In each case, the Adviser was and is entitled to waive in its sole discretion the required minimum commitment amount and has done so in certain cases.

Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General Description

The Advisers generally invest pursuant to three categories of investment programs: (1) AEA Middle Market Private Equity Programs; (2) AEA Small Business Private Equity Programs; and (3) AEA Debt Programs. An investment in each of these investment programs involves substantial risks, including the possibility of partial or total loss of capital. Prospective investors should not make an investment unless they can readily bear the consequences of a complete loss of their investment (see Item 8). The following includes certain of the key investment strategies used by the Advisers in investing pursuant to these programs:

AEA Middle Market Private Equity Programs and AEA Small Business Private Equity Programs. In identifying and analyzing potential middle market and small business private equity investments, the Advisers perform a due diligence review of the business proposed to be acquired, including a study and analysis of the operations and management of the enterprise. Legal and accounting reviews are conducted with the assistance of outside lawyers and accountants, and research is done on the industry involved, including work performed by outside consulting firms. The sources of information vary depending upon the nature of the business and the amount of information publicly and privately available. The strategy is for the Advisers to monitor the acquired company and its operations, seek to provide the services of experienced business executives (who may be Participants or other investors and senior executive staff of Advisers or their affiliates) as members of the board of directors of the acquired company (either at the holding company or operating company level or both), in each case depending on the level of control of the operating company acquired in connection with the investment, and endeavor to cause the acquired company to grow through acquisitions or otherwise, enabling investors ultimately to realize a profit when the investment is harvested.

AEA Debt Programs. The AEA Debt Programs generally invest in mezzanine debt securities, senior debt securities and other debt/preferred securities and instruments including ancillary equity and equity related securities. Advisers identify potential investments through diversified deal sourcing channels, including targeted private equity relationships, the private equity activities of the other investment programs, selected public and private “unsponsored” companies, financial intermediaries and by partnering with other debt providers. The Advisers’ due diligence process leading up to making an investment is a staged approach, comprising financial, operational, strategic and legal analysis. After an investment has been made, the Adviser engages in ongoing monitoring by receiving and analyzing financial statements as often as monthly and, in certain circumstances, by participating on a company’s board of directors as either a director or an observer.

Material Risks for Significant Investment Strategies and Particular Types of Securities

The following includes a description of certain material risks for the three categories of investment programs that the Advisers currently sponsor or manage and for which they provide investment advice. This description is not a complete explanation of the risks associated with these investment strategies or the risks involved in investments made by the Advisers for Clients. **PRIOR TO MAKING A COMMITMENT TO INVEST IN AN INVESTMENT PROGRAM, PROSPECTIVE INVESTORS SHOULD CAREFULLY READ THE PRIVATE PLACEMENT MEMORANDUM AND THE GOVERNING DOCUMENTS FOR THE APPLICABLE INVESTMENT PROGRAM AND CONSULT WITH THEIR OWN FINANCIAL AND LEGAL ADVISORS.**

AEA Middle Market Private Equity Programs

Business Risks. The AEA Middle Market Private Equity Programs' investment portfolios will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Investments such as these involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performances of the Advisers' principals' (the "Principals") prior investments are not necessarily indicative of the AEA Middle Market Private Equity Programs' future results. While the Advisers intend for the AEA Middle Market Private Equity Programs to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The equity securities in which the AEA Middle Market Private Equity Programs 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 once made.

Concentration of Investments. The AEA Middle Market Private Equity Programs will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the AEA Middle Market Private Equity Programs' investment portfolios could become highly concentrated, and the performance of a few holdings may substantially affect their aggregate returns. Furthermore, to the extent that the capital raised is less than the targeted amount, the AEA Middle Market Private Equity Programs may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. It is possible that the AEA Middle Market Private Equity Programs will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, investors will be required to pay annual management fees during the applicable investment periods based on the entire amount of their capital commitments.

Illiquidity; Lack of Current Distributions. An investment in the AEA Middle Market Private Equity Programs should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, may occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before this time, there may be no current return on the investment. Furthermore, the expenses of operating the AEA Middle Market Private Equity Programs (including the annual management fee payable to the Advisers or their affiliates or Principals) may exceed their income, thereby requiring that the difference be paid from the AEA Middle Market Private Equity Programs' capital commitments.

Leveraged Investments. The AEA Middle Market Private Equity Programs may make use of leverage by having portfolio companies incur debt. Leverage generally magnifies both the AEA Middle Market Private Equity Programs' opportunities for gain and their 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. The use of leverage by a Fund will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the AEA Middle Market Private Equity Programs' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the AEA Middle Market Private Equity Programs' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Advisers or its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the Fund.

Bridge Financing. The AEA Middle Market Private Equity Programs may lend to portfolio

companies on a short-term, unsecured basis or may otherwise invest in a portfolio company on an interim basis with the expectation of a subsequent refinancing or syndication. For reasons not always in a Fund's control, any such refinancing or syndication may not occur, which would result in such bridge financing or interim investment remaining outstanding longer than anticipated. In such event, such Fund may have more risk associated with such investment, or a larger overall investment in such portfolio company than originally anticipated.

Limited Transferability of the AEA Middle Market Private Equity Programs Interests. There will be no public market for interests in Participant Program or Institutional Fund investments pursuant to the AEA Middle Market Private Equity Programs and none is expected to develop. There are substantial restrictions upon the transferability of interests in a Participant Program and Institutional Fund investments pursuant to the AEA Middle Market Private Equity Programs under the applicable operative agreements and applicable securities laws. In general, withdrawals of capital from the AEA Middle Market Private Equity Programs are not permitted and any related interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the AEA Middle Market Private Equity Programs' investments, and hence, most of the AEA Middle Market Private Equity Programs' investments will be difficult to value. Certain investments may be distributed in kind to the investors.

Reliance on the Advisers and Portfolio Company Management. Investment programs within the AEA Middle Market Private Equity Programs may have a limited operating history and will be entirely dependent on the Advisers and their Principals. Control over the operation of the AEA Middle Market Private Equity Programs will be vested entirely with the Advisers and their Principals, and the AEA Middle Market Private Equity Programs' future profitability will depend largely upon the business and investment acumen of the Principals. Neither the AEA Middle Market Private Equity Programs nor the Advisers have entered into any employment or non-compete agreements with its senior management. The loss of service of one or more of the Principals could have an adverse effect on the AEA Middle Market Private Equity Programs' ability to realize its investment objectives. Investors generally have no right or power to take part in the management of the AEA Middle Market Private Equity Programs, and as a result, the investment performance of the AEA Middle Market Private Equity Programs will depend entirely on the actions of the Advisers and their Principals. Although the Advisers will monitor the performance of each AEA Middle Market Private Equity Program investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the AEA Middle Market Private Equity Programs generally intend to invest in companies with, or with the ability to retain, strong management, there can be no assurance that the management of these companies will continue to operate a company successfully or remain with the company following the AEA Middle Market Private Equity Program's investment.

Projections. Projected operating results of a company in which the AEA Middle Market Private Equity Programs invest normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no

assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Need for Follow On Investments. Following its initial investment in a given portfolio company, the Adviser may decide, on behalf of the AEA Middle Market Private Equity Programs, to provide additional funds to these portfolio companies or may have the opportunity to increase the AEA Middle Market Private Equity Programs' investment in a successful portfolio company. There is no assurance that the AEA Middle Market Private Equity Programs will make follow-on investments or that they will have sufficient funds to make all or any of these investments. Any decision by the AEA Middle Market Private Equity Programs not to make follow-on investments or their inability to make these investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the AEA Middle Market Private Equity Programs to increase their participation in a successful operation.

Non-U.S. Investments. The AEA Middle Market Private Equity Programs may (directly or through the Europe Fund, in the case of the 2006 Program) invest a significant portion of the aggregate commitments in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Investments such as these may be subject to certain additional risk due to, among other things, unstable governments, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as these regulations may be given effect during the terms' of the AEA Middle Market Private Equity Programs), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the AEA Middle Market Private Equity Programs and/or the investors with respect to the AEA Middle Market Private Equity Programs' income, and possible foreign tax return filing requirements for the AEA Middle Market Private Equity Programs and/or the investors.

Significant Default Penalties. The operative documents provide for significant penalties and other adverse consequences in the event an investor defaults on its commitment or other payment obligations. In addition to losing its right to potential distributions from the AEA Middle Market Private Equity Programs, a defaulting investor may be forced to transfer its interest in the AEA Middle Market Private Equity Programs for an amount that is less than the fair market value of this interest and that may be paid over a period of up to ten years, without interest.

Dilution. Investors admitted to the AEA Middle Market Private Equity Programs at subsequent closings will participate in then-existing investments of the AEA Middle Market Private Equity Programs, thereby diluting the interest of existing investors in these investments. Although any such new investor will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the AEA Middle Market Private Equity Programs' existing investments at the time of these contributions.

Adviser's Carried Interest. The fact that the carried interest received by an Adviser's affiliate is based on a percentage of net profits may create an incentive for the Advisers to cause the AEA Middle Market Private Equity Programs to make riskier or more speculative investments than

would otherwise be the case.

Public Company Holdings. The AEA Middle Market Private Equity Programs' investment portfolios may contain securities issued by publicly held companies. These investments may subject the AEA Middle Market Private Equity Programs to risks that differ in type or degree from those involved with investments in privately held companies. These risks include, without limitation, greater volatility in the valuation of these companies, increased obligations to disclose information regarding these companies, limitations on the ability of the AEA Middle Market Private Equity Programs to dispose of these securities at certain times, increased likelihood of shareholder litigation against the companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Director Liability. The AEA Middle Market Private Equity Programs expect to acquire control of many of the companies in which they invest and generally obtain the right to appoint a representative to the board of directors of the companies in which they invest. Serving on the board of directors of a portfolio company or otherwise controlling it exposes the AEA Middle Market Private Equity Programs' representatives, and ultimately the AEA Middle Market Private Equity Programs, to potential liability. Not all portfolio companies may obtain insurance with respect to this liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from this liability.

Minority Investments. Although the AEA Middle Market Private Equity Programs intend to invest primarily in entities that they control, they may invest in entities in which they are required to share control with others or in which they have only minority representation on the board of directors (or similar governing body) and/or limited rights to control the entity's business. The AEA Middle Market Private Equity Programs' investments in entities they do not control could materially affect their ability to influence the business and cause their exit from an investment.

Conflict of Interest. During the relevant investment periods, the Principals will pursue all appropriate investment opportunities they consider to be suitable for the Clients exclusively through the AEA Middle Market Private Equity Programs and other investment vehicles comprising, or associated with, the AEA Middle Market Private Equity Programs, subject to certain limited exceptions. However, the Principals currently manage several other investment funds and investments similar to those in which the AEA Middle Market Private Equity Programs will be investing, and may direct certain relevant investment opportunities to those investment funds and investments. The Principals and the investment staff of the Advisers or their affiliates will continue to manage and monitor these investment funds and investments. The significant investment of the Principals in the AEA Middle Market Private Equity Programs, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the investors, although the Principals have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that the Principals may control may compete with the AEA Middle Market Private Equity Programs or companies acquired by the AEA Middle Market Private Equity Programs. Following the investment period, the Principals may and likely will devote attention to opportunities and areas

unrelated to the AEA Middle Market Private Equity Programs' investments.

In addition, the Advisers manage the AEA Debt Programs, which focus on providing debt to a variety of borrowers, including businesses in which the AEA Middle Market Private Equity Programs may have invested or may seek to invest. In these cases, conflicts may arise between the interest of the AEA Middle Market Private Equity Programs (as primarily equity investors) and those of the AEA Debt Programs in question or any successor Adviser-managed fund (as primarily a creditor) in structuring, negotiating and pricing the investment. Since the AEA Middle Market Private Equity Programs and such an AEA Debt Program will have different positions in the portfolio company's capital structure, there can be conflicts, especially if the borrower suffers financial difficulties (including conflicts over proposed waivers and amendments to debt instruments, whether or not to seek to reorganize the capital of the borrower, and the nature of restrictions to be imposed on the borrower). There can also be conflicts as the AEA Middle Market Private Equity Programs may desire optimal flexibility to grow the portfolio company, while the private debt funds may want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions. The Advisers will resolve these and other conflicts in its good faith judgment as to the Fund's best interests.

The Advisers also manage the AEA Small Business Private Equity Programs and may in the future manage successor small business Funds. The general policy that the Advisers expect to follow with respect to the allocation of investment opportunities is that domestic transactions involving an equity investment to be made by affiliates of AEA Investors LP of less than \$50 million suitable for the AEA Small Business Private Equity Programs, and in which the AEA Small Business Private Equity Programs are able to invest, will be first presented to the AEA Small Business Private Equity Programs. The AEA Middle Market Private Equity Programs will not invest in these transactions except in special circumstances approved by an advisory board to be established by the applicable Adviser (the "Advisory Board") and, where required, under regulations applicable to the small business Funds. Transactions involving an equity investment to be made by affiliates of AEA Investors LP of \$50 million or more and non-North American investments generally first will be presented to the AEA Middle Market Private Equity Programs, or (to the extent permitted by the operative agreements) other Funds managed by the Advisers.

Several of the Adviser's Clients have Advisory Boards. These Boards, when formed, will be composed of investor representatives selected by the Adviser (all of whom will be unaffiliated with the Adviser) and will often include the largest investors in the relevant Client. The Advisory Board will provide advice and counsel as is requested by the Adviser in connection with AEA Middle Market Private Equity Programs' investments, potential conflicts of interest, and other of the AEA Middle Market Private Equity Programs' matters. The Adviser and its affiliates will retain ultimate responsibility for all decisions relating to the operation and management of the AEA Middle Market Private Equity Programs, including, but not limited to, investment decisions. Side-by-side investing such as this can give rise to conflicts of interest including allocations of investment interests, governance rights and the sharing of fees and expenses.

In the case of the 2003 Fund and the 2006 Fund, these funds made commitments to SBF I (in the case of the 2003 Fund) and SBF II and Europe Fund (in the case of the 2006 Fund) (such funds, the "Dropdown Funds") and became limited partners in such funds. Although the 2003 Fund

and the 2006 Fund do not pay any incremental management fees or carried interest as part of these investments, as a limited partner in another fund sponsored by the Advisers, there is the potential that there could arise certain conflicts of interest between the relevant AEA Middle Market Private Equity Fund and the Dropdown Fund, including, but not limited to, issues with respect to differing fund life and investment periods. AEA has not done any, and does not intend to make any, dropdown investments from Fund V or Fund VI.

The AEA Middle Market Private Equity Programs and/or their portfolio companies may reimburse AEA for the costs of secondment or similar arrangements where employees and consultants, including operating partners and operating executives, of the Advisers or their affiliates who are lent to work or provide services on an interim basis to a portfolio company. The reimbursement amount is determined by the applicable general partner and may vary by service, by portfolio company and/or by person, provided that in all instances the amount shall be reasonable in relation to the services provided.

The AEA Middle Market Private Equity Programs may use common counsel with respect to investments in entities in which they acquire an interest, if the Advisers believe that the time, cost and other savings and efficiencies outweigh any potential conflicts of interest.

Certain Consultants. The Advisers or their affiliates, a Fund and the portfolio companies may from time to time retain other companies and individuals (“Special Consultants”). The Special Consultants may be engaged to provide services to, or in connection with, a Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, recapitalization, restructuring, refinancing or improvement and disposition of such portfolio companies, including operational aspects of such companies (“Services”).

Pursuant to the relevant governing documents, fees and expenses associated with the Services (collectively “Consulting Fees and Expenses”), may be paid and/or reimbursed by applicable portfolio companies and/or the Fund. Consulting Fees and Expenses may, at the discretion of the applicable general partner taking into account the particular Services, include a profits or equity interest in a portfolio company (the terms of which may be different than the profits or equity interest owned by the Fund) or other incentive-based compensation to the Special Consultant. The amount of such Consulting Fees and Expenses may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) spent by the Special Consultant, a percentage of the value of such portfolio company, a percentage of the amount of Fund capital invested in and/or committed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company.

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. The United States, pursuant to the “Foreign Account Tax Compliance Act” or “FATCA” has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has proposed a worldwide tax information exchange standard that is likely to be adopted by many countries for years after 2015. One or more of these information

exchange regimes are likely to apply to a Fund and/or alternative investment vehicles, and may require the Advisers to collect and share with applicable taxing authorities information concerning investors in the Fund (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2017, gross proceeds of a disposition of stock, unless an exception applies.

Co-Investments. The Advisers and their affiliates may, in their sole discretion, provide or commit to provide co-investment opportunities to one or more investors and/or other persons, in each case on terms to be determined by the applicable general partner in its sole discretion. Conflicts of interest may arise in the allocation such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the applicable general partner in its sole discretion, may be for a variety of reasons and not solely with respect to the interests of the applicable Fund or any individual investor. In exercising its sole discretion in connection with such co-investment opportunities, the applicable general partner may consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future fund sponsored by the Advisers or its affiliates. A Fund may co-invest with third parties through partnerships, joint ventures 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 such Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the AEA Middle Market Private Equity Programs' activities, including the ability of any particular Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the AEA Middle Market Private Equity Programs (including any carried interest) as ordinary income for U.S. federal income tax

purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of the Principals, employees or other individuals associated with a Fund, the Advisers or their affiliates who were or may in the future be granted direct or indirect interests in the relevant general partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from a Fund and its general partner, which could make it more difficult for the Advisers and their affiliates to incentivize, attract and retain individuals to perform services for a Fund. These same issues may also apply to officers, directors and employees of a Fund's portfolio companies if such persons receive a profits interest in such companies.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) the Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses and the general partner and the Advisers spending more time on such matters and less time to focus on the Fund's transactions; (ii) the Fund and/or its general partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (iii) the general partner may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of Commitments.

Need for Follow On Investments. Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that such Fund will make follow on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for such Fund to increase its participation in a successful portfolio company or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company.

AEA Small Business Private Equity Programs

The risk factors listed above applicable to the AEA Middle Market Private Equity Programs also apply to the Adviser's investments in small businesses through the AEA Small Business Private Equity Programs. In addition, the AEA Small Business Private Equity Programs are subject to certain additional risks, including the following:

Reliance on the Adviser and Portfolio Company Management. Control over the operation of the AEA Small Business Private Equity Programs will be vested entirely with the Advisers and their Principals, and the AEA Small Business Private Equity Programs' future profitability will depend largely upon the business and investment acumen of the Principals. While the AEA Small Business Private Equity Programs will have access to the full resources, staff and expertise of Advisers, it is expected at this time to operate under the active supervision of Messrs. John F. Cozzi, Alan W. Wilkinson and Baron Carlson. Messrs. Cozzi and Carlson primarily are engaged in the business of the AEA Small Business Private Equity Programs, but they also may spend a portion of their time assisting the Advisers in connection with transactions unrelated to the AEA Small Business Private Equity Programs. Mr. Wilkinson spends a majority of his time on the AEA Small Business Private Equity Programs. He also is actively involved in leading investments in the AEA Middle Market Private Equity Programs and acts as an important additional conduit of resources and information flow between the AEA Small Business Private Equity Programs and the AEA Middle Market Private Equity Programs. The Funds will have an investment committee consisting of Messrs. Cozzi, Wilkinson, Carlson and, in certain cases, John L. Garcia, the CEO and Chairman of AEA Investors LP. Mr. Garcia is not active in day-to-day operations of the AEA Small Business Private Equity Programs but as a member of certain of the investment committees is active in the review of investment transactions. Accordingly, there can be a conflict in the allocation of the time commitments to the AEA Small Business Private Equity Programs by members of the investment committee. Neither the AEA Small Business Private Equity Programs nor the Adviser has entered into any employment or non-compete agreements with its senior management. The loss of service of one or more of the Principals could have an adverse effect on the AEA Small Business Private Equity Programs' ability to realize its investment objectives. It should also be noted that neither the AEA Small Business Private Equity Programs, the Adviser nor its management company have entered into any long term employment contracts with any of the members of the investment committee and that the obligation of investors to contribute capital to the AEA Small Business Private Equity Programs may not be dependent on the continued service of one or more member(s) of the investment committee.

Conflicts of Interest. Advisers manage the AEA Middle Market Private Equity Programs (including the 2003 Program, the 2006 Program and the Fund V Program) and several private debt funds. In the future, Advisers may manage other funds. The general policy that the Advisers expect to follow with respect to the allocation of initial investment opportunities in portfolio companies is that domestic transactions involving an equity investment to be made by affiliates of AEA Investors LP of \$50 million or less and which are deemed suitable by the Adviser for the AEA Small Business Private Equity Programs to invest will be presented first to the AEA Small Business Private Equity Programs. The AEA Middle Market Private Equity Programs will not invest in these transactions except in special circumstances.

Transactions involving an equity investment to be made by affiliates of AEA Investors LP in a

portfolio company of more than \$50 million generally, and certain non domestic investments regardless of size, will be presented first to the other private equity funds managed by Advisers. It is contemplated that in certain circumstances, the AEA Small Business Private Equity Programs may be invited to co-invest in transactions being managed or led by other funds managed by the Advisers; and that the other Adviser funds may be invited to co-invest with the AEA Small Business Private Equity Programs. This side-by-side investing can give rise to conflicts of interest including allocations of investment interests, governance rights and the sharing of fees and expenses.

Advisers also sponsors private debt (mezzanine, senior and second lien) funds which focus on providing debt to a variety of borrowers, including businesses in which the AEA Small Business Private Equity Programs may seek to invest equity and entities formed by the AEA Small Business Private Equity Programs to make investments. In these cases, conflicts may arise between the interest of the AEA Small Business Private Equity Programs (as equity investors) and those of the private debt funds (as a creditor) in structuring, negotiating and pricing the investment. Since the AEA Small Business Private Equity Programs and the private debt funds can have different positions in the investee company's capital structure, there can be conflicts, especially if the borrower suffers financial difficulties (including conflicts over proposed waivers and amendments to debt instruments, whether or not to seek to reorganize the capital of the borrower, and the nature of restrictions to be imposed on the borrower).

The AEA Small Business Private Equity Programs may establish advisory boards, selected by the applicable Adviser, consisting of representatives of investors not affiliated with the Adviser with which it may consult as to potential conflicts of interest and other matters (the "Advisory Board"). On any issue involving actual conflicts of interest, the Adviser (directly and through the investment committee) will be guided by its good faith judgment as to the AEA Small Business Private Equity Programs' best interests, including, if deemed to be advisable by the Adviser, in consultation with the Advisory Board. In such an event, the Adviser may take whatever actions it deems necessary or appropriate to ameliorate the conflict, to the extent required, and upon the taking of these actions the Adviser and the members of the investment committee and Advisory Board will be relieved of any responsibility for the conflict.

The AEA Small Business Private Equity Programs and other Adviser funds may use common counsel with respect to investments in entities in which they acquire an interest, if the Adviser believes that the time, cost and other savings and efficiencies outweigh any potential conflicts of interest. The Adviser expects to keep the Advisory Board regularly informed of its policies with respect to these matters, and the conflicts referred to above and when the Adviser or the investment committee believes it appropriate to do so, to consult with the Advisory Board before proceeding in a matter involving a potential conflict.

Risks Related to the Operation of SBF I

The Adviser operates SBF I as a small business investment company ("SBIC"). The Small Business Administration (the "SBA") rules and regulations are lengthy and complex. SBF I will provide a copy of the rules and regulations to any current or prospective investor upon request. Additional information about SBICs may also be found on the SBA's website at

<http://www.sba.gov/INV/>.

Use of Financial Leverage. SBF I has received a “Participating Securities Leverage” commitment from the SBA in the amount of \$98.6 million under the “Participating Securities” program. Under this program, the SBA provides capital to SBICs by purchasing a form of senior equity security called a “Participating Security”. The program was intended to encourage SBICs to make equity investments in earlier stage companies. SBA regulations govern when and how the Participating Securities Leverage may be drawn. SBF I’s use of Participating Securities Leverage increases both the potential for loss of an investor’s investment in SBF I, as well as the potential for gain. SBF I will be required to make payments on SBA leverage, which, in general, have a priority over payments to other investors. The ability of investors to realize a gain on their investment is, to a significant degree, a function of the ability of SBF I to meet priority payment obligations on drawn Participating Securities Leverage and to pay the remaining principal at the end of the ten-year life of each instrument. If SBF I cannot generate a sufficient return to meet priority payment obligations to the SBA, investor returns will be less than in an unleveraged Fund. If these priorities cannot be fully satisfied, investors may face a partial or complete loss of their investments.

In addition, if at the end of SBF I’s term, amounts to which the SBA is entitled have not been paid in full, the SBA will generally be able to require SBF I to call any remaining unfunded commitment of the investors for purposes of making these payments to the SBA.

Effect of Leverage on Adviser’s Investment Decisions. The greater volatility, due to the use of Participating Securities Leverage, of gain or loss realized by private investors on SBF I’s investments could have the impact of magnifying the incentive of the Adviser to pursue riskier investments with greater potential for gain than might otherwise be the case.

Regulatory Authority of the SBA. The SBA has significant ability to supervise many critical aspects of the affairs of SBF I. SBA regulations impose greater restrictions on the portfolio of an SBIC than would generally be the case for an unregulated private equity fund. Certain activities and decisions require SBA approval, and there are uncertain timeframes for these approvals. For example:

- SBA regulations impose various restrictions on the size and nature of a portfolio company in which SBF I may invest, including the size of any business that may be placed in an SBIC’s portfolio, requirements to diversify investments, and restrictions on certain investment terms.
- The SBA may also restrict distributions if it does not agree with an SBIC’s valuation of assets.
- The SBA may elect to restrict the activities of an SBIC that it deems to be in “capital impairment,” as defined in the SBA Regulations.
- The SBA may also impose regulatory sanctions for a variety of regulatory violations, including non-substantive violations.

- There may also be penalties on investors for participating in an unapproved change in control of these interests.
- In the event of a transfer of the interest in SBF I by an investor, the SBA takes the position that the transferor is not released from its unfunded commitment without prior SBA approval of such transfer and release.

SBF II and SBF III. The SBA's "Participating Securities" program has been discontinued. SBF II and III are not (and will not be) registered as an SBIC, have not received (and will not receive) any funding from the SBA and are not members of that program. Accordingly, they are not (and will not be) required to operate in accordance with the SBA rules discussed above.

AEA Debt Programs

No Assurance of Investment Return. The Advisers cannot provide assurance that they will be able to choose, make, and realize portfolio investments in any particular company or portfolio of companies. There can be no assurance that the AEA Debt Programs will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions described herein. There can be no assurance that any investor will receive any distribution from the AEA Debt Programs. Accordingly, an investment in the AEA Debt Programs should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with Advisers provide no assurance of future success.

Investments in Middle Market Companies. The AEA Debt Programs intend to invest in middle market companies. Portfolio investments in these companies may involve greater risks than generally are associated with investments in larger companies. Middle market companies tend to have lower capitalization and/or fewer resources and, therefore, often are more vulnerable to financial failure. These companies also may have shorter operating histories on which to judge future performance.

Operating and Financial Risks of Portfolio Companies. One of the fundamental risks associated with the AEA Debt Programs' investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. The AEA Debt Programs' return to investors would be adversely impacted if an issuer of debt securities in which the AEA Debt Programs invest becomes unable to make these payments when due. Companies in which the AEA Debt Programs invest could deteriorate as a result of, among other factors, adverse developments in their businesses, changes in the competitive environment, or an economic downturn. As a result, companies which the AEA Debt Programs expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Illiquid and Long-Term Investments. The AEA Debt Programs intend to invest their assets in long-term investments, which are likely to be illiquid. Illiquidity may result from the absence

of an established market for investments as well as legal or contractual restrictions on their resale. Investors should expect that they will not receive a return of capital for several years even if the AEA Debt Programs' investments prove successful. In addition, there can be no assurance that the distributions, if any, from the AEA Debt Programs to its investors will be sufficient to cover any investor's tax obligations arising from taxable income of the AEA Debt Programs. Moreover, current income on securities acquired by certain of the AEA Debt Programs may be in the form of payable-in-kind ("PIK") interest, thereby delaying the receipt of cash proceeds from said investment.

Investments Longer Than Term. The AEA Debt Programs may make investments which may not be advantageously disposed of prior to the date the AEA Debt Programs will be dissolved, either by expiration of the AEA Debt Programs' term or otherwise. Although the Advisers expect that investments will either be disposed of prior to termination or be suitable for in-kind distribution at dissolution and the Advisers have a limited ability to extend the term of the AEA Debt Programs, the AEA Debt Programs may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Follow-On Investments. The AEA Debt Programs may be called upon to provide additional funding for their portfolio companies or have the opportunity to increase their investments in these portfolio companies. There can be no assurance that the AEA Debt Programs will wish to make follow-on investments or that they will have sufficient funds to do so. Any decision by the AEA Debt Programs not to make follow-on investments or their inability to make them may have a substantial negative impact on a portfolio company in need of such an investment and may diminish the AEA Debt Programs' ability to influence the portfolio company's future development.

Investments in Publicly Traded Securities. The AEA Debt Programs may at any time invest a portion of capital commitments in securities that are publicly traded and are therefore subject to the risks inherent in investing in public securities. When investing in public securities, the AEA Debt Programs may be unable to obtain financial covenants or other contractual rights, including management rights, that they might otherwise be able to obtain in making privately negotiated investments. Moreover, the AEA Debt Programs may not have the same access to information in connection with investments in public securities, either when investigating a potential investment or after making an investment, as compared to privately negotiated investments. Furthermore, the AEA Debt Programs may be limited in their ability to make investments, and to sell existing investments, in public securities because Advisers may be deemed to have material, nonpublic information regarding the issuers of those securities or as a result of other internal policies. The inability to sell public securities in these circumstances could materially adversely affect the investment results of the AEA Debt Programs.

Non-U.S. Investments. A portion of the capital commitments may at any time be invested in portfolio companies organized and operating principally outside of North America. These investments will involve risks not typically associated with investments in the securities of U.S. companies. For instance, investments in non-U.S. businesses (i) may require significant government approvals under corporate, securities, exchange control, non-U.S. investment, and other similar laws and regulations, (ii) may require financing and structuring alternatives and exit strategies that differ substantially from those commonly used in the United States, (iii)

will expose the AEA Debt Programs to potential losses arising from changes in foreign currency exchange rates and (iv) may subject the AEA Debt Programs and/or the investors to additional or unforeseen taxation in the jurisdictions of the AEA Debt Programs' investments. The foregoing factors may increase transaction costs and adversely impact the value of the AEA Debt Programs' investments in non-U.S. portfolio companies.

Illiquidity. Investment in the AEA Debt Programs requires the financial ability and willingness to accept significant risk and illiquidity. The interests have not been registered under the Securities Act, or any other applicable securities laws. It is not contemplated that registration of the interests under the Securities Act or other securities laws will ever be affected. There is no public market for the interests and none is expected to develop. In addition, the interests are not transferable except with the consent of the Advisers, which may be withheld by the Advisers in their sole discretion, and are subject to the terms and conditions of the operative documents. The investors generally may not withdraw capital from the AEA Debt Programs. Investors must be prepared to bear the risks of owning interests and contributing capital for an extended period of time.

Competitive Nature of the AEA Debt Programs' Businesses. The businesses of the AEA Debt Programs are highly competitive and the Advisers will be competing for investment opportunities with other groups, including other mezzanine funds, middle market funds, financial institutions, CLOs, senior debt funds, private equity funds, direct investment firms, and merchant banks, and the Advisers may be unable to identify a sufficient number of attractive investment opportunities for the AEA Debt Programs to meet their investment objectives. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an investment target, consummating the transaction is subject to a multitude of uncertainties, only some of which are foreseeable or within the control of the Advisers. The need to compete for investment opportunities may make it necessary for the AEA Debt Programs to offer borrowers, or companies in which they make portfolio investments, more attractive terms than otherwise might be the case.

Dependence on Key Personnel. The success of the AEA Debt Programs depends in substantial part on the skill and expertise of the investment professionals of the applicable Adviser. The AEA Debt Programs' success also depends on the Adviser's ability to identify suitable investment opportunities. Control over the operation of the AEA Debt Programs will be vested entirely with the Adviser and its affiliates, and the AEA Debt Programs' future profitability will depend largely upon the business and investment acumen of the investment professionals of the Adviser. The investment professionals and other employees of the Adviser and the members of the investment committee are not bound by long-term employment contracts and there can be no assurance they will continue to be employed by the Advisers or their affiliates, throughout the lives of the AEA Debt Programs. The loss of key personnel could have a material adverse effect on the AEA Debt Programs.

Future and Past Performance. The performance of the Advisers or their affiliate's prior investments is not necessarily indicative of the AEA Debt Programs' future results. While the Adviser intends for the AEA Debt Programs to make portfolio investments that have estimated

returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principle is possible.

AEA Debt Program Leverage. Certain of the AEA Debt Programs expect to incur indebtedness for borrowed money and may pledge portfolio investments and unfunded capital commitments as collateral against such indebtedness. Such indebtedness may be incurred on a portfolio-wide basis or against specific portfolio investments. The extent to which the AEA Debt Programs use leverage may have important consequences to the investors, including, but not limited to, the following: (i) greater fluctuations in the net assets of the AEA Debt Programs, (ii) use of cash flow for debt service, rather than for additional investments, distributions, or other purposes, (iii) to the extent that AEA Debt Programs revenues are required to meet principal payments, the investors may be allocated income (and therefore tax liability) in excess of cash available by distribution and (iv) in certain circumstances the AEA Debt Programs may be required to prematurely harvest investments to service its debt obligations. There can also be no assurance that the AEA Debt Programs will have sufficient cash flow to meet its debt service obligations. As a result, the AEA Debt Programs' exposure to losses may be increased due to the illiquidity of their investments generally.

Recycling; Reinvestment. During the investment period, the Advisers may have the right to recall capital contributions applied to an investment that has been disposed of by the AEA Debt Programs (as well as capital for management fees, organizational expenses, and used to repay indebtedness or interest thereon up to the amount of other proceeds from these dispositions). The scope and availability of that right will vary based on the specific AEA Debt Program. It may also be possible for capital contributions to be retained by an AEA Debt Program and be redeployed. Accordingly, to the extent these recalled or retained amounts are reinvested in portfolio investments, an investor will remain subject to investment and other risks associated with these portfolio investments.

Liability of Investors. Certain programs within the AEA Debt Programs have been organized as Delaware limited partnerships. An investor will not be personally liable for the debts of the AEA Debt Programs (i) except as provided in the operative documents and (ii) except that, in the event that the AEA Debt Programs are otherwise unable to meet its obligations, each investor may, under Delaware law, be obligated to repay amounts previously received by that investor to the extent that these amounts are deemed to have been wrongfully distributed to that investor.

No Rights to Control the AEA Debt Programs' Operations. Investors will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the AEA Debt Programs. In order to safeguard their limited liability for the liabilities and obligations of the AEA Debt Programs, investors must rely entirely on the Advisers and their affiliates to conduct and manage the affairs of the AEA Debt Programs.

Consequences of Default. In the event that an investor fails to fund any portion of its capital commitment when due, this investor will forfeit all or a portion of its interest and be subject to other default provisions under the operative documents. In the event that an investor fails to pay, when due, installments of its capital commitment to the AEA Debt Programs, and the contributions made by non-defaulting investors and borrowings by the AEA Debt Programs

are inadequate to cover the defaulted capital contribution, the AEA Debt Programs may be unable to pay their obligations when due. As a result, the AEA Debt Programs may be subjected to significant penalties that could materially adversely affect the returns to the investors (including non-defaulting investors).

Unspecified Use of Proceeds. Purchasers of interests will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by the AEA Debt Programs and, accordingly, will be dependent upon the judgment and ability of the Advisers in investing and managing the capital of the AEA Debt Programs. No assurance can be given that the AEA Debt Programs will be successful in obtaining suitable investments, or that if these investments are made, the objectives of the AEA Debt Programs will be achieved.

Market Dislocation. Recent events in the subprime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the mezzanine debt, structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. To the extent that these marketplace events are not temporary and continue (or even worsen), this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. The existing market dislocation and any further economic downturn could adversely affect the financial resources and credit quality of corporate borrowers in which the AEA Debt Programs have invested and result in the inability of these borrowers to make principal and interest payments on, or refinance, outstanding debt when due. In the event of these defaults, the AEA Debt Programs may suffer a partial or total loss of capital invested in these companies, which would, in turn, have an adverse effect on the AEA Debt Programs' returns. These marketplace events also may restrict the ability of the AEA Debt Programs to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose the AEA Debt Programs' ability to hold these investments until maturity). There can be no assurance as to the duration of the current market dislocation.

Certain Regulatory Considerations. The AEA Debt Programs expect to make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities, and counties in which they operate. New and existing regulations, changing regulatory schemes, and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio companies that operate in these industries. The Advisers cannot predict whether new legislation or regulation governing those industries will be enacted by legislative bodies or governmental agencies, nor can it predict what effect this legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on the AEA Debt Programs' investment performance.

Reliance on Management of Portfolio Companies. While the Advisers intend to invest in companies with proven operating management in place, there can be no assurance that this management will continue to operate successfully. Although the Advisers will monitor the performance of each investment, the AEA Debt Programs will rely upon management to operate the portfolio companies on a day-to-day basis. In addition, certain of the AEA Debt

Programs' investments may be in businesses with limited operating histories. Although the AEA Debt Programs generally intend to invest in companies, with, or with the ability to retain, strong management, there can be no assurance that the management of these companies will continue to operate a company successfully or remain with the company following the AEA Debt Programs' investment.

Bankruptcy of Portfolio Companies. The AEA Debt Programs may make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state laws in connection with these bankruptcy proceedings could operate to the detriment of the AEA Debt Programs. There is also a risk that a court may subordinate the AEA Debt Programs' investment to other creditors or require the AEA Debt Programs to return amounts previously paid to them by a portfolio company that become insolvent or files for bankruptcy, a risk that could increase if the AEA Debt Programs have management rights or hold equity securities in these portfolio company.

Hedging Policies/Risks. The AEA Debt Programs expects to employ hedging techniques designated to reduce the risks of adverse movements in interest rates, currency exchange rates, and certain other risks. For example, the AEA Debt Programs may utilize currency or interest rate options or other instruments to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates or interest rates.

Financial Market and Interest Rate Fluctuations. General fluctuations in the market prices of securities and interest rates may affect the AEA Debt Programs' investment opportunities and the value of the AEA Debt Programs' investments. The market value of debt instruments generally fluctuate with, among other things, the financial condition of the issuer. Prepayments of floating rate debt instruments are likely to be made during any period of declining interest rate spreads or by issuers whose credit standing improves significantly. Likewise, prepayments of fixed rate debt instruments are likely to be made in any period of declining interest rates, although premiums may be payable. Any such prepayments would force the AEA Debt Programs to replace the prepaid debt instruments with potentially lower-yielding investments. Instability in the securities market generally may also increase the risks inherent in the AEA Debt Programs' investments.

Indemnification. The AEA Debt Programs will be required to indemnify, among others, the Advisers, the members of an advisory committee (to be established by representatives of the AEA Debt Programs and to consist of at least three members not affiliated with the Advisers, selected by the Advisers from among the investors or their representatives) (the "Advisory Committee"), their respective affiliates, and each of their respective members, partners, directors, officers, agents or employees, and certain other persons who serve at the request of the Advisers on behalf of the AEA Debt Programs for liabilities incurred in connection with the affairs of the AEA Debt Programs. These liabilities may be material. The indemnification obligations of the AEA Debt Programs would be payable from the assets of the AEA Debt Programs, including the unused capital commitments of the investors. If the assets of the Partnership are insufficient, the Advisers may recall distributions previously made to the investors, subject to certain limitations.

Risk Arising from Provision of Managerial Assistance. The Advisers intend to use commercially reasonable efforts to avoid having the assets of the AEA Debt Programs constitute “plan assets” of any plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or Section 4975 of the Code and may, in this regard, elect to operate the AEA Debt Programs as “venture capital operating companies” (“VCOCs”) within the meaning of regulations promulgated under ERISA. Operating the AEA Debt Programs as VCOCs would require that the AEA Debt Programs obtain rights to participate substantially in and to influence substantially the conduct of the management of the majority (valued at cost) of the AEA Debt Programs’ portfolio companies.

ERISA Considerations. In the event the AEA Debt Programs are operated to qualify as VCOCs in order to avoid holding “plan assets” within the meaning of ERISA, the AEA Debt Programs may be restricted or precluded from making certain investments. In addition, it could be necessary for the Advisers to liquidate investments at a disadvantageous time in order to avoid holding ERISA “plan assets,” resulting in lower proceeds to the AEA Debt Programs than might have been the case without the need to qualify as a VCOC.

U.S. Tax Considerations for Non-U.S. Investors. Non-U.S. investors in the AEA Debt Programs (including, non-U.S. feeder funds treated as corporations for U.S. tax purposes, if any) will be subject to U.S. federal income tax on their net income if the AEA Debt Programs are treated as engaged in a trade or business within the U.S. No activity closely comparable to those of the AEA Debt Programs has been the subject of any Treasury regulation, revenue ruling or judicial decision, however, and there can be no assurance the activities of the AEA Debt Programs will not cause them to be treated as engaged in a trade or business within the United States. In addition, press reports indicate the Internal Revenue Service (the “IRS”) and Congress may be reviewing the tax treatment of loan investment activities similar to those of the AEA Debt Programs. It is possible that changes to the U.S. federal tax laws or interpretations thereof could cause the AEA Debt Programs to be treated as engaged in a U.S. trade or business or result in other adverse tax consequence to investors. Prospective investors should consult their own tax advisors with respect to the possibility that the AEA Debt Programs would be treated as engaged in a trade or business within the United States.

Potential Conflicts of Interest

Investors should be aware that there will be situations where the Advisers and their respective affiliates may encounter potential conflicts of interest in connection with the AEA Debt Programs’ investment activities. The following discussion details certain potential conflicts of interest which should be carefully considered before making an investment in the AEA Debt Programs.

The fact that the Advisers’ carried interests are based on the performance of the AEA Debt Programs may create an incentive for the Advisers to cause the AEA Debt Programs to make investments that are more speculative than would be the case in the absence of this performance-based compensation. However, this incentive may be tempered somewhat (i) by the Advisers’ substantial commitment to the AEA Debt Programs and (ii) in that losses will reduce the AEA Debt Programs’ performance and thus the Advisers’ carried interest.

Advisers and their respective affiliates engage in other activities, including managing other Funds that are independent from and may from time to time conflict with the activities of the AEA Debt Programs. For example, it may be possible that other private equity sponsors that compete with Advisers for transactions may choose not to approach the AEA Debt Programs to provide mezzanine debt as a result of their affiliation with Advisers.

The officers and employees of the Advisers and their affiliates will devote such time as the Advisers, in their sole discretion, deem necessary to carry out the investment objectives and activities of the AEA Debt Programs. As a result, conflicts of interest may arise, including with respect to allocating management time, services, and functions, between the Advisers and their respective affiliates. Moreover, the same personnel of the Advisers manage multiple Funds within the AEA Debt Programs. This may create conflicts in the allocation of investment opportunities, particularly between the various debt Funds that may invest in more junior debt securities.

The Advisers manage Funds which invest primarily in debt and equity securities. Specifically, the Advisers manage (or will manage) the 2003 Program, the 2006 Program, the Fund V Program, the AEA Small Business Private Equity Programs and the AEA Debt Programs. Certain of the AEA Debt Program Funds focus on providing senior debt to a variety of borrowers, including businesses in which other AEA Debt Program Funds or the Middle Market or Small Business Private Equity Programs may have already invested or may seek to invest. In addition the Advisers continue to oversee portfolio companies in which prior invested funds acquired an interest. In the future, the Advisers may manage successor funds to these funds or funds with other strategies.

The AEA Debt Programs will have the right to invest a substantial portion in portfolio companies in which another Adviser Fund has also invested, either concurrently with that Fund as a part of the same financing plan or subsequent or prior to the investment by that Fund. In these cases, the AEA Debt Programs and said Fund will hold different classes of securities and conflicts may arise between the interests of the AEA Debt Programs and those of the Fund in the structuring, negotiation, and pricing of the investment. For example, conflicts may arise between certain Funds and the AEA Debt Programs in negotiating the price of the mezzanine securities, the characterization of these securities (secured or unsecured), the terms of inter-creditor agreements, the interest rate or stated dividend yield of these securities, the nature of the covenants running in favor of the AEA Debt Programs, the enforcement of covenants and the other terms and conditions of such investment, or in addressing any subsequent amendments or waivers. These conflicts may become particularly active in cases where one Fund invests in senior debt or equity and another in more junior debt.

A Fund may desire optimal flexibility to grow the portfolio company, while the AEA Debt Programs may want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions. If a portfolio company of which the AEA Debt Programs and a Fund hold different classes of securities suffers financial difficulties, decisions over the terms of any workout will raise conflicts of interest (including conflicts over proposed waivers and amendments to debt covenants). For example, the AEA Debt Programs may be better served by a liquidation of the company in which they will be paid in full, whereas the Fund might desire a reorganization that could create value for the equity holders. It is also possible that in a

bankruptcy proceeding, the AEA Debt Programs' interest may be subordinated or otherwise adversely affected as a result of Fund's involvement and actions relating to its investment. The Advisers will resolve these and other conflicts in its good faith judgment as to the AEA Debt Programs' best interests and as noted below, may refer the matter to the respective AEA Debt Program Advisory Committee. As noted above in "Management of the AEA Debt Programs" the same personnel of the Advisers manage multiple Funds within the AEA Debt Programs.

In addition, the Advisers are under no obligation to offer investment opportunities to the AEA Debt Programs of which they become aware or to allocate investments in accordance with any specific formula.

The appropriate allocation between the AEA Debt Programs and a Fund of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees, and the fees of other professionals, will be determined by the Advisers in their good faith discretion.

The AEA Debt Programs and the Funds may use common counsel with respect to investments in entities in which they have or acquire an interest, at the same or at different levels of the capital structure, if the Advisers believe that the time, cost, and other savings and efficiencies outweigh any potential conflicts of interest. The Advisers expect to keep their Advisory Committee regularly informed of their policies with respect to these matters, and when the Adviser believes it is appropriate to do so, to consult with the Advisory Committee before retaining common counsel.

The Funds within the AEA Debt Programs may establish Advisory Committees consisting of representatives of investors not affiliated with the applicable Adviser. The Advisory Committee will meet as required to consult with the Adviser as to potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith judgment as to the AEA Debt Programs' best interests. In the event that any matter arises that the Adviser and the Advisory Committee determine in their good faith judgment to constitute an actual conflict of interest between the AEA Debt Programs, on the one hand, and the Adviser, or their affiliates, on the other hand, the Adviser may take whatever actions it deems necessary or appropriate to ameliorate the conflict (and upon taking these actions the Adviser will be relieved of any responsibility for the conflict of interest). These actions may include disposing of the security held by the AEA Debt Programs giving rise to the conflict of interest or appointing an independent fiduciary. The Adviser will retain ultimate responsibility for all decisions relating to the operation and management of the AEA Debt Programs, including but not limited to investment decisions.

The Advisers may establish a successor fund with investment objectives similar to those of the AEA Debt Programs. Allocation of available investment opportunities between the AEA Debt Programs and any successor investment fund will be made by the Advisers in their sole discretion.

The investors are expected to include U.S. taxable and tax-exempt entities, and institutions/persons from jurisdictions outside of the United States. These investors may have conflicting investment, tax, and other interests with respect to their investments in the AEA

Debt Programs. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the AEA Debt Programs, the structuring of the acquisition of investments, and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Advisers, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the AEA Debt Programs, the Adviser will consider the investment and tax objectives of the AEA Debt Programs and the investors as a whole, not the investment, tax or other objectives of any investor individually.

By acquiring an interest in the AEA Debt Programs, each investor will be deemed to have acknowledged the existence of these actual and potential conflicts of any interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

The Senior Debt Funds are not expected ordinarily to have representation as a director on the board of directors of an issuer in which they have made a debt investment.

Investments in Highly Leveraged Companies. The AEA Debt Programs' investments are expected to include investments in companies whose capital structures may have significant leverage (including, with respect to Mezz Fund I, Mezz Fund II and Mezz Fund III, substantial leverage senior to the AEA Debt Programs' investments), a considerable portion of which may be at floating interest rates. The leveraged capital structure of these companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or further deteriorations in the financial condition of the company or its industry. This leverage may result in more serious adverse consequences to these companies (including their overall profitability or solvency) in the event these factors or events occur than would be the case for less leveraged companies. For example, rising interest rates may significantly increase the portfolio company's interest expense, or a significant industry downturn may affect a company's ability to generate positive cash flow, in either case causing an inability to service outstanding debt. Certain of the AEA Debt Programs' investments may be among the most junior financings in a company's capital structure. In the event such company cannot generate adequate cash flow to meet debt obligations, the company may default on its loan agreements or be forced into bankruptcy resulting in a restructuring or liquidation of the company, and subordinated and/or unsecured position may suffer a partial or total loss of capital invested in the company, which could adversely affect returns.

Special Risks applicable to Mezz Fund I, Mezz Fund II and Mezz Fund III.

Nature of AEA Debt Programs' Investments. The debt securities in which Mezz Fund I, Mezz Fund II and Mezz Fund III will invest typically will be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. The ability of these AEA Debt Programs to influence a company's affairs, especially during periods of financial distress or following an insolvency is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt or other exercises by these AEA Debt

Programs of their rights as creditors. Accordingly, these AEA Debt Programs may not be able to take the steps necessary to protect their investments in a timely manner or at all. In addition, the debt securities in which said AEA Debt Programs will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of these AEA Debt Programs’ investments in any such company. Their investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by these AEA Debt Programs earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that these AEA Debt Programs’ rate of return objectives will be realized.

Subordinated Investments. The mezzanine and junior debt investments of the AEA Debt Programs typically will be subordinated to the senior obligations of an issuer, either contractually (in the case of debt securities) or because of the nature of the security (in the case of preferred stock or common stock). In addition, many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Any such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of this issuer to make payments on the subordinated securities and result in defaults on and declines in the value of these securities more quickly than in the case of the senior obligations of said issuer.

Risk Arising from Provision of Managerial Assistance. Mezz Fund I, Mezz Fund II and Mezz Fund III typically will designate one or more directors to serve on the boards of directors of portfolio companies or will receive observer rights on these boards. The designation of representatives and other measures contemplated could expose the assets of the AEA Debt Programs to claims by a portfolio company, its security holders and its creditors, including claims that the AEA Debt Programs are controlling persons and thus are liable for securities law violations of portfolio companies. These measures also could result in certain liabilities in the event of the bankruptcy or reorganization of a portfolio company; could result in claims against the AEA Debt Programs if the designated directors violate their fiduciary or other duties to a portfolio company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles; and could expose the AEA Debt Programs to claims that they have interfered in management to the detriment of a portfolio company. While the Advisers intend to manage the AEA Debt Programs in a way that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded.

Item 9 - DISCIPLINARY INFORMATION

Not applicable.

Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related persons of the Advisers serve as general partners of each of the Funds and may share common officers, partners, consultants or persons occupying similar positions. Related persons of the Advisers, AEA Investors (UK) LLP and AEA Investors (Asia) Ltd., provide advice to the Advisers with respect to investments and prospects located in Europe and Asia, respectively, and are relying advisers with respect to AEA QP Advisers LLC.

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

The Advisers have adopted a Code of Ethics (the “Code”) to help ensure that their personnel comply with all applicable federal securities laws and with the fiduciary duties and anti-fraud rules to which they are subject. The Code is based on the principle that the Advisers and their personnel owe a fiduciary duty to the Advisers’ Clients. The Code requires Advisers’ personnel to act in good faith and in the best interest of Clients, to conduct themselves ethically so as to disclose and manage any actual or potential conflict of interest and to promptly report violations of the Code. The Advisers will provide a copy of the Code to Clients and prospective investors in Clients upon request.

The Advisers do not invest for their own account in public securities. In addition, each Adviser requires all employees to obtain the prior approval of the Adviser for all personal securities transactions in covered securities. Advisers do not generally permit employees to purchase or sell securities in which Advisers have made an investment on behalf of Clients, or which are under active consideration for investment or divestiture by Advisers on behalf of Clients, except at the same time and on the same terms as the Clients. Employees of the Advisers and employees of Advisers’ affiliated companies invest in the Funds and Participant Programs but generally without paying management and or carried interest fees (except in the case of the certain Participant Programs which require employees to pay carried interest on their invested amounts).

Item 12 – BROKERAGE PRACTICES

If Advisers sell publicly traded securities for Clients, they are responsible for directing orders to broker-dealers to effect those transactions. Each Adviser selects brokers on the basis of best price, costs and execution capability. In selecting a broker to execute client transactions, each Adviser may consider a variety of factors, including (i) the price and prompt execution of orders, and (ii) the reliability integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order.

When Advisers place orders for purchases or sales of publicly traded securities on behalf of multiple Clients, the orders are aggregated, and partially filled orders are allocated pro-rata in accordance with the number of securities intended to be purchased or sold by each Client.

Item 13 - REVIEW OF ACCOUNTS

The Advisers periodically review all investments. The investment professionals responsible for each investment program prepare quarterly reviews of the portfolio of such investment program that are reviewed by AEA Investors LP's senior staff. Each quarterly review includes a review of the operating performance, capital structure, prospects and material developments of each portfolio company. The Advisers also conduct semi-annual valuations of each investment that are reviewed and approved by the Advisers' senior personnel.

Investors in Funds receive quarterly, semi-annual and annual written reports. In certain cases, Participant Programs may only receive semi-annual and annual written reports.

The quarterly reports of a Fund (for the quarters ended March 31, June 30 and September 30) include a summary of the status of each portfolio company, unaudited financial statements prepared on the basis of GAAP and an individual statement of partners' capital. In the case of SBF I, financial statements are based on the SBA's basis of accounting and are provided on SBA forms.

The semi-annual reports include an individual statement listing an investor's original cost and the current gross value of each investment. The Participant Programs also provide each investor in the Participant Program a commitment summary which includes commitment amount, amount invested in each series of units of an investment, the number of units issued and remaining commitment.

In the case of the Funds, the annual reports include audited annual financial statements of a Fund and Form K-1s. Annual reports for SBF I also include GAAP based financial statements in addition to financial statements based on the SBA basis of accounting.

Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Advisers have agreed to pay certain unaffiliated persons (placement advisers) a cash fee for referring potential purchasers of interests in clients to the advisers. These arrangements generally provide for the reimbursement of expenses incurred by placement advisers, a monthly fee, and a success fee, based on the commitment made by the purchaser of interests in client referred by the placement adviser. These solicitation arrangements will comply with the requirements of Rule 206(4)-3 of the Advisers Act.

Item 15 - CUSTODY

Not applicable.

Item 16 - INVESTMENT DISCRETION

Advisers generally have discretionary authority to manage the assets of their Clients, subject to the investment objectives and restrictions of each Fund and each investment program. That authority is set forth in the constituent documents of the Funds and in the commitment agreements for the investment programs. The authority of Advisers to determine the securities to be purchased by the Funds is subject to the prior approval of the appropriate investment committee of the Fund.

Item 17 - VOTING CLIENT SECURITIES

Each Adviser has adopted proxy voting policies and procedures (the “Policies”). Due to the nature of the investments they make, the Advisers anticipate that they will be presented with proxy voting opportunities only in rare circumstances. The general policy of the Adviser is to vote proxy proposals (and any amendments, consents or resolutions relating to client securities), in a manner that serves the best interests of Clients, as determined by the Adviser in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. Where the Adviser’s affiliated personnel serve as director(s) of a company, the Adviser will generally vote proxies in the same manner as such director(s), and where no such personnel serve as directors of a company, the determination of how to vote proxies will be made by the investment professionals responsible for the investment in consultation with the Adviser’s senior executive staff. In limited circumstances, the Adviser may refrain from voting proxies where the Adviser believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to Clients. A copy of the Policies and the proxy voting record applicable to any Fund may be obtained by contacting the Adviser.

Item 18 - FINANCIAL INFORMATION

Not applicable.