

Item 1- Cover Page

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March 28, 2019

This brochure (the “Brochure”) provides information about the qualifications and business practices of AIP, LLC. If you have any questions about the contents of this brochure, please contact Stan Edme, our Chief Compliance Officer (“CCO”) at (212) 627-2360, or by email at stan@americanindustrial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

From time to time in this and other documents AIP, LLC may refer to itself as a “registered investment adviser” by virtue of its registration with the SEC. This title does not imply any level of training or skill.

Additional information about AIP, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This amendment to the Brochure, dated March 28, 2019 contains the following material changes from AIP, LLC's previous Form ADV, which was filed as an annual amendment on September 25, 2018:

- Item 4: Assets under management has been updated.
- Item 5: Clarifying language has been added with respect to the allocation of expenses related to unconsummated deals.

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Item 4 – Advisory Business

- A. AIP, LLC (“AIP” or the “Firm”), a Delaware limited liability company, is an investment adviser located in New York, NY, founded in 2006. AIP serves as the sole investment adviser to pooled investment vehicles (each a “Fund” or “Client”). The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), pursuant to Section 3(c)(7) of the Investment Company Act. Interests in the Funds are privately offered generally to qualified investors.

Currently, AIP has 47 employees, 43 of whom perform investment advisory functions.

John Becker, Kim Marvin and Dino Cusumano are the principal owners of the Firm.

- B. AIP generally provides discretionary investment advisory services to the Funds. In certain limited circumstances, the Firm provides non-discretionary investment advice. AIP’s investment objective is to provide its Clients long-term capital appreciation and generate significant risk adjusted returns. As a general matter, the Funds, seek to acquire control positions in North American headquartered industrial companies with revenues greater than \$200 million that are underperforming their profit potential. Certain of the Funds also seek to make investments in secured and unsecured loans, notes, bonds and debt, equity and equity-related securities (including without limitation common, preferred, convertibles, options and warrants) and other obligations of such companies, as well as short sales, derivatives and other hedges (collectively, “Credit Opportunity Investments”).

AIP is affiliated with entities that serve as the general partners to each of the Funds (each, a “General Partner” and, collectively, the “General Partners”) and each of the Funds is controlled by its respective General Partner.

The advisory services of AIP and each of the General Partners, as affiliated investment advisers, are described in this brochure. Each General Partner is deemed registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to AIP’s registration in accordance with SEC guidance and the information set forth herein regarding the investment advisory services provided by AIP shall also apply in respect of the General Partners.

- C. AIP generally utilizes a similar strategy for all its Funds, as outlined above; however, some Funds may differ slightly in their particular investing approach, as specified in each Fund’s offering memoranda. AIP may also tailor the advisory services it provides to the Funds to the extent that certain investments cannot be held by certain Funds for legal, tax or investment mandate purposes.
- D. AIP does not participate in wrap fee programs.
- E. As of December 31, 2018, AIP managed approximately \$3.7 billion in assets on a discretionary basis and \$76 million in assets on a non-discretionary basis.

Item 5 – Fees and Compensation

- A. The Funds are offered only to “qualified purchasers”, as defined in the Investment Company Act. AIP generally charges a management fee (the “Management Fee”) of 2% on committed capital during the investment period, and a Management Fee of 1.5% on remaining invested capital less write downs for the remaining life of the Funds.

AIP also generally charges a 20% performance-based fee (the “Carried Interest Distribution”) on realized gains net of expenses and write downs.

Please refer to each Fund’s offering documents for specific information related to the fees associated with an investment in such Fund.

- B. AIP deducts Management Fees directly from the Clients’ assets on a quarterly basis. As AIP is structured primarily as a private equity firm, the Carried Interest Distributions are deducted as investments come to fruition and not on any set schedule. Carried Interest distributions relating to Credit Opportunity Investments are deferred until the end of the investment period and thereafter as investments come to fruition for the applicable Fund.
- C. In addition to the Management Fees and Carried Interest Distributions described above, each Fund bears its own operating expenses, including, but not limited to, investment-related expenses (including expenses incurred in connection with transactions not consummated (“Broken Deal Expenses”), including custodial fees, interest expense, consulting and professional fees relating to particular investments or contemplated investments, investment-related travel and lodging expenses and research-related expenses; legal expenses; accounting; audit and tax preparation expenses; organizational expenses; expenses relating to the offer and sale of interests in the Funds; expenses related to the maintenance of the Funds’ registered office; extraordinary expenses and other similar expenses relating to the Funds.

In cases where co-investors participate in an investment, such co-investors will bear their pro-rata share of any expenses associated with such investment. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary, ultimately is not consummated, all Broken Deal Expenses relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors who were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-invest or other vehicle in connection with such transaction, such vehicle may bear its share of such Broken Deal Expenses. Such co-investments typically do not pay advisory fees or allocate any carried interest to AIP.

AIP may receive certain fees from portfolio companies, such as “transaction” fees or “monitoring” fees, in connection with activities performed on behalf of clients. In some instances, such fees paid to AIP, net of expenses related to the activities leading to the receipt of such fees, will reduce the management fee paid by the Funds.

In the event that AIP uses a third-party placement agent, the management fee payable to AIP is reduced by 100% of any such placement agent fees, expenses or commissions paid by the Funds.

Please refer to the relevant Fund's governing documents for a complete understanding of each Fund's fees and expenses. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund's offering memoranda.

Certain of the Clients will incur brokerage costs. See Item 12 – Brokerage Practices.

- D. Management Fees are paid quarterly in advance. In the unlikely event AIP does not provide services for the full period, the Management Fee is typically required to be returned to investors in the applicable Fund. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

Carried Interest Distributions are not paid in advance.

- E. Neither AIP nor any of AIP's supervised persons accepts compensation for the sale of securities or other investment products.

Item 6 – Performance-Based Fees and Side-By-Side Management

AIP is generally entitled to receive a Carried Interest Distribution, which is based on realized gains from investments above a performance threshold, as specified in each Fund’s offering memoranda.

All Carried Interest Distributions are structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance-based fee arrangements with “qualified clients”. Accordingly, AIP seeks to ensure that the Funds’ investors satisfy the qualifications of Rule 205-3, and have been advised of the terms of such performance-based fees and the associated risks.

Carried Interest Distributions may create an incentive for AIP to cause the Funds to make investments that may be riskier or more speculative than those which would be made under a different fee arrangement. However, the Firm is committed to fulfilling its fiduciary duty to the Funds to act at all times in the best interests of the Funds. To this end, the Firm has implemented internal controls to address the potential conflicts associated with performance based fees, as more fully described in each Fund’s offering memorandum.

Item 7 – Types of Clients

As described in Item 4, AIP provides investment advice to the Funds, which are private investment vehicles that are exempt from registration under the Investment Company Act. These Funds are typically limited to individuals and entities that meet the criteria of “accredited investors” and “qualified purchasers”. The Funds are marketed exclusively to institutional investors and high net worth individuals.

Prospective investors should refer to the offering documents of each respective Fund for information on minimum investment requirements. Typically, AIP requires a minimum investment of \$10,000,000, although this is negotiable at the discretion of the Fund’s General Partner.

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

AIP's investment objective is to provide its Clients with above average positive absolute returns. As a general matter, the Firm seeks to acquire control positions in U.S.- and Canada-headquartered industrial companies ("Portfolio Companies") with revenues greater than \$200 million that are underperforming their profit potential and improve these companies through the implementation of a comprehensive operating agenda (the "Operating Agenda") developed in collaboration with Portfolio Company management.

AIP seeks Portfolio Companies where both the operating opportunities and risks are familiar to the Firm's investment professionals. In particular, AIP will pursue Portfolio Companies that enjoy favorable competitive positions, proprietary capabilities or leading market shares yet have the potential for significant value enhancement through operating improvements, add-on investments or other strategic initiatives. AIP seeks investments in Portfolio Companies with a high degree of predictability with respect to revenue growth, product life cycles and profit margins. AIP places special emphasis on companies with global marketing and sourcing opportunities and those with significant aftermarket sales opportunities.

For certain of its Clients, AIP also seeks to make investments in Credit Opportunity Investments. For deals sourced through AIP's credit opportunities channel, the Firm seeks distressed investments in U.S.- and Canada-headquartered industrial enterprises where AIP has the potential for developing actual or effective control (in some cases in conjunction with other investors) and where AIP can leverage its operating capabilities and change the value of assets by implementing an Operating Agenda in partnership with management. AIP seeks investments with financial restructuring process dynamics that lend themselves to speedy and consensual resolutions. In addition, AIP's Credit Opportunity Investments include a wide variety of investments in securities and other instruments, issued by a wide variety of issuers in a wide variety of industries, where control by AIP is highly unlikely or impossible. AIP believes that having a credit opportunity platform that is a market participant will increase the probability that AIP will have the opportunity to make control investments at favorable valuations.

AIP's investment program is speculative and entails substantial risks, including risk of loss of the entire investment. There can be no assurance that AIP's investment objectives will be achieved, and actual investment results may vary substantially from the investment objective. Investors should be prepared to bear these risks.

The descriptions contained below are a brief overview of the material risks related to the strategies employed by AIP; however, this is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management of, or an investment in, the Clients. Please refer to the respective Funds' offering documents for further detail thereto.

Risks in Effecting Operating Improvements. The activity of identifying and implementing potential operating improvements at Portfolio Companies entails a high degree of uncertainty. There can be no assurance that AIP will be able to successfully identify and implement such improvements.

Past Performance Not Indicative of Future Results. Performance of prior Funds managed by AIP and its affiliates is not necessarily indicative of future results. There can be no assurance that the future Funds will generate investment returns commensurate with AIP's past performance.

Distressed Companies. The Funds may invest in companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization or liquidation proceedings. Although investments in distressed companies may result in significant returns to the Funds, they involve a substantial degree of risk and may not show any return for a considerable period of time, if at all. Given the nature of the targeted companies, AIP anticipates that there is a likelihood that one or more investments of the Funds may fail to yield any returns. In addition, such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities that may exceed the value of the Funds' original investments therein. On a selective basis, the Funds intend to invest in distressed companies with the intention of influencing the restructuring of the company, through a work-out, bankruptcy proceeding or otherwise. However, even where the Funds invest in distressed securities with the intention of gaining control of the company, there can be no assurance that the Funds will obtain such control, and without control, they may be unable to preserve the value of their investment.

Use of Leverage. The Funds' investments may involve varying degrees of leverage, which will increase the exposure to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of a Portfolio Company or its industry (as well as particular risks associated with investing in the industries targeted by the Funds). Moreover, rising interest rates may significantly increase Portfolio Companies' interest expense, causing losses and/or the inability to service debt levels. In the event a Portfolio Company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Fund's equity investment in such company could be significantly impaired or even eliminated.

Unspecified Investments. Investors in the Funds must rely upon the ability of the General Partner and the Firm to identify structure and implement investments consistent with the Fund's investment objectives and policies. The Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

Illiquid and Long-Term Investments. An investment in the Funds requires a long-term commitment with no certainty of return. There most likely will be little or no near-term cash flow available to investors. Many of the Funds' investments will be highly illiquid and there can be no assurance that the Fund will be able to realize returns on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to investors. 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 investment is made. The Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended ("Securities Act"), or in a private placement or other transaction exempt from registration under the Securities Act. In some cases, the Funds may be prohibited by contract from selling certain securities for a period of time. Even where the Funds hold freely tradable publicly traded securities, the Funds' positions may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity when a Fund wishes to dispose of or reduce its position in such company by selling shares into the market.

Highly Competitive Market for Investments. AIP expects to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors investing directly or through affiliates. Further, over the past several years, an ever-increasing number of private equity funds have been formed (and many such existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the General Partner, AIP and their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Funds and adversely affecting the terms upon which investments can be made. There can be no assurance that AIP will be able to identify or consummate investments satisfying its investment criteria. Likewise, there can be no assurance that the Funds will be able to realize upon the values of their investments or that it will be able to invest its committed capital. To the extent that the Funds encounter competition for investments, returns to investors may decrease.

Reliance on Portfolio Company Management. Although it is AIP's intent to invest in companies with strong and stable management, there can be no assurance that the existing management team of a Portfolio Company, or a new one, will be able to operate such company successfully. Furthermore, although the General Partner will monitor the performance of each Portfolio Company, company management will have primary responsibility for operating the business on a day-to-day basis.

Non-U.S. Investments. The Funds may invest outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Funds' foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation or other changes in law; (iv) foreign statutory and regulatory requirements; (v) differences between U.S. and foreign market contract terms; (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; and (vii) less developed corporate laws regarding fiduciary duties and the protection of investors.

Contingent Liabilities on Disposition of Portfolio Companies. In connection with the disposition of an investment, the Funds may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable securities laws. The Funds may also be required to indemnify the purchasers of such company if those representations or disclosures ultimately prove to be inaccurate. The General Partner expects to establish reserves for the Funds as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the Fund, such Fund's investors may be required to repay to the Fund all or a portion of distributions previously received by them in respect of such investment.

Investments in Smaller or Less Established Companies. The Funds' Credit Opportunity Investments may invest a portion of their assets in the securities of smaller or less established companies. Investments in such smaller or less established companies may involve greater risks than generally are associated with investments in larger or more established companies. Smaller or less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure.

Troubled Companies. The Funds may invest in Portfolio Companies that are in various stages of correcting previous operational or regulatory problems. Some or all of these companies may operate at a loss or with substantial variation in operating profits and losses from period to period, and may have a need for substantial additional capital to support expansion or to achieve or maintain a stable operating position. If turnarounds are not achieved, these portfolio companies could experience failures or substantial declines in value, and the Funds may not be able to divest themselves of such unprofitable investments in a timely fashion or at all.

Investments in Restructurings and Distressed Debt. The Funds' Credit Opportunity Investments may make investments in (i) restructurings that involve Portfolio Companies that are experiencing or are expected to experience financial difficulties or (ii) distressed debt securities and instruments. These financial difficulties may never be overcome and may cause such Portfolio Companies to become subject to bankruptcy or liquidation proceedings. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities that may exceed the value of the Funds' original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances voidable preferences lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in distressed debt securities and instruments are inherently speculative and are subject to a high degree of risk. Companies experiencing financial distress are often those operating at a loss or with substantial variations in operating results from period to period. Companies experiencing financial distress may be involved in insolvency proceedings and have the need for substantial additional capital to support continued operations or to improve their financial condition. Distressed companies may have further inability to service their debt obligations during an economic downturn or periods of rising interest rates, may not have access to more traditional methods of financing and may be unable to repay debt by refinancing. The value of distressed debt securities and instruments tends to be more volatile and may have an increased sensitivity to changing interest rates and adverse economic and business developments than other securities and instruments.

Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased as part of the Funds' Credit Opportunity Investments will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Investments in High Yield and Distressed Securities. There is no minimum credit standard that is a

prerequisite to the Funds' Credit Opportunity Investments in any instrument, and a significant portion of the assets in a portfolio may constitute "below investment grade" securities across different segments of the credit markets, encompassing high-yield, stressed and distressed credits, and investment grade credits and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. The Funds' Credit Opportunity Investments may consist of non-investment grade senior secured loans, notes and bonds (or interests in non-investment grade senior secured loans) that are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. These risks could be exacerbated to the extent that a portfolio is concentrated in one or more particular types of the Funds' investments. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that these assets will result in a successful reorganization or similar action.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there is a risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security in respect to which such distribution was made. To the extent that the Firm becomes involved in a liquidation or reorganization proceeding, the Funds may have a more active participation in the affairs of an issuer than that assumed generally by an investor. In addition, involvement by the Firm in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Funds' ability to liquidate its position in the issuer.

A non-investment grade senior secured loan or debt obligation, or an interest in a non-investment grade senior secured loan or debt obligation, is generally considered speculative in nature and may become a defaulted loan or obligation for a variety of reasons. Upon any such loan or obligation becoming a defaulted loan or obligation, such loan or obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such loan or obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such loan or obligation. The liquidity for defaulted loans or obligations may be limited, and to the extent that defaulted loans or obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon.

Follow-On Investments. The Funds may be presented with the opportunity, or may be required, to make additional, “follow-on” investments in its existing Portfolio Companies, either for regulatory reasons, because the company’s performance and/or liquidity have been below expectations or because additional capital is required to fund growth. There can be no assurance that the Funds will desire to make follow-on investments or that it will have sufficient funds to do so. Any decision by AIP not to make follow-on investments or its inability to make them may have a substantial negative impact on a Portfolio Company in need of such an investment and may dilute the Funds’ existing investment and/or may diminish AIP’s ability to influence the Portfolio Company’s future development.

Bridge Financings. From time to time, the Funds may lend to Portfolio Companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Funds’ control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

Hedging Policies/Risks. In connection with certain investments of the credit opportunity strategy, the Funds may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Funds than if they had not entered into such hedging transactions.

Investments in Public Companies. As part of Credit Opportunity Investments, the Funds may make investments in the securities of portfolio companies that have gone public and in the securities of other publicly traded companies. Such public company securities may be thinly traded, relatively illiquid or may cease to be publicly traded after the Funds invest. Such investments may also be in PIPE investments that the Funds will generally not be able to sell or distribute unless the securities are registered under applicable securities laws or an exemption from such registration is available. In addition, the Funds’ sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Funds’ returns. General fluctuations in the market prices of securities may affect the value of the portfolio investments held by the Funds. Instability in the securities markets may also increase the risks inherent in the Funds’ portfolio investments.

General Economic and Market Conditions. The success of the Funds’ investment activities will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political, environmental and socioeconomic circumstances. The Funds’ financial condition may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the Funds’ business and operations and thereby could impact the Funds. Moreover, a downturn in the U.S. or global economy (or any particular segment thereof) could adversely affect the Funds’ profitability, impede the ability of the portfolio companies to perform under or refinance their existing obligations, and impair the Funds’ ability to effectively exit investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain investments, which losses will likely be exacerbated by the

presence of leverage in an investment's capital structure.

Forward Trading. As part of Credit Opportunity Investments, the Funds may invest in forward contracts and options. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Firm would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.

Short Selling. As part of Credit Opportunity Investments, the Funds may engage in short selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales depends upon the Firm's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Cybersecurity Risks. AIP, the Clients and their respective service providers are susceptible to cybersecurity risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that AIP, the Clients and their service providers use to service the Clients' operations; or operational disruption or failures in the physical infrastructure or operating systems that support AIP, the Clients and their service providers. Cyber-attacks against or security breakdowns of AIP, the Clients or their service providers may adversely impact the Clients and their investors, potentially resulting in, among other things, financial losses; the inability of us or the investors to transact business and the Clients to process transactions; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. AIP and the Clients may incur additional costs for cybersecurity risk management and remediation purposes. In addition, cybersecurity risks may also affect issuers of securities in which the Clients invest, which may cause a Client's investment in such issuers to lose value. There can be no assurance that AIP, a Client or its service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future.

Item 9 – Disciplinary Information

In the past ten years, there have been no legal or disciplinary events involving either AIP or any of its management persons that would be material to the evaluation of AIP's advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Neither the Firm nor any management persons are registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither AIP nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. As disclosed in Item 4, AIP organizes and sponsors the Funds, which are private investment companies. Each investment vehicle managed by AIP is controlled by a General Partner. Although AIP provides advisory services to each AIP fund, the General Partner is responsible for all decisions regarding portfolio transactions of an AIP fund and have full discretion over the management of such AIP Fund's investment management activities. While the General Partner and AIP are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Advisers Act and the rules promulgated thereunder. Neither AIP nor any of its management persons have affiliations with broker-dealers, municipal securities dealers, government securities dealers, investment companies or other pooled investment vehicles, other investment advisers or financial planners, futures commission merchants, registered commodity pool operators, registered commodity trading advisors, banking or thrift institutions, accountants or accounting firms, lawyers, law firms, insurance agencies or companies, pension consultants, real estate brokers or dealers or other sponsors or syndicators of limited partnerships.
- D. AIP does not recommend or select other investment advisers for its Clients.

Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

- A. AIP has adopted a Code of Ethics (the “Code”), which describes the Firm’s fiduciary duties and responsibilities to its Clients, requires that the Firm’s employees act in the best interests of Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. AIP’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by AIP or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of AIP’s employees. The Code prohibits personal securities transactions of issuers who have been placed on the Firm’s restricted list, requires pre-clearance for all reportable securities, initial-public offerings and private placements, requires employees to report all securities transactions on at least a quarterly basis and provide a summary of securities holdings on at least an annual basis. The Code also addresses, among other things, outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. AIP will provide a complete copy of its Code to any Client, investor or prospective investor upon request to Stan Edme at Stan@americanindustrial.com.
- B. Although unlikely, from time to time, consistent with a Fund’s investment objectives and subject to satisfaction of the policies and procedures set forth in the Code, the Fund’s governing documents and applicable law, AIP may recommend that a Fund acquire or sell an investment which an AIP employee has a pre-existing direct or indirect interest. A potential conflict of interest could arise in that the interested AIP employee could benefit from such a purchase or sale of the applicable investment by a Fund. However, the Code is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that the Firm fulfills its role as a fiduciary to the Funds. In particular, the Code requires that AIP and its employees act in the best interests of the Funds, in good faith and in an ethical manner. Certain terms of the Funds’ governing documents and the equity participation of AIP related persons in the Funds further mitigate such conflicts.
- C. Neither AIP nor any of its related persons invests in the same securities that are recommended to AIP’s Clients, other than through the Clients’ General Partners and the Funds.
- D. (See Item 11 B.) In the unlikely event that AIP recommends to a Client an investment in which an AIP employee has a preexisting or direct interest, the Fund and the employee may sell their interest simultaneously, depending on the relevant facts and circumstances. Should this occur, the simultaneous sale would be unlikely to affect the sale price for the Fund due to the nature of the Firm’s investments. However, if such a sale could adversely impact the sale price received by the Fund, such employee would be required to wait until the Fund completed its transaction before selling his or her interest. Additionally, as disclosed in each Fund’s offering memoranda, the Firm’s partners are permitted to invest their own capital, up to a maximum of 5% cumulatively, in any investment acquired by a Fund.

Valuation. The Firm is primarily responsible for valuing the assets of its Funds and does so internally; the Firm may also utilize a third party for valuation purposes. Due to the nature of its investments strategy, many of the Fund assets are priced in the absence of a readily available market and are priced on determinations of fair value, which may prove to be inaccurate. The valuation of Fund investments in Portfolio Companies is determined internally by the Firm based on, to the extent possible, the most currently available data. On a regular, ongoing basis, the Firm obtains updates on each Portfolio Company's financial performance, as well as information on economic and industry trends and other operational issues. Conflicts of interest may arise with the presentation or reporting of valuations to investors or otherwise.

Carried Interest. As described in Item 6, carried interest may create an incentive for the Firm to make riskier or more speculative investments on behalf of the Funds than would be the case in the absence of this arrangement.

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

Conflicts of interest not described herein may also exist. The Firm can give no assurance that any conflicts of interest will be resolved in favor of a particular Fund or investors in such Fund. In the case of all conflicts of interest which are not managed pursuant to a contractual obligation, policy or procedure, the Firm's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Firm's best judgment but in its sole discretion. In resolving conflicts, the Firm considers various factors, including the short- and long-term interests of the applicable Funds. Conflicts of interest relating to the Funds will typically be presented for review by the relevant Fund's investor advisory committee or limited partner advisory committee.

Item 12 – Brokerage Practices

- A. Due to the nature of the Firm’s investment strategy, AIP does not generally utilize broker-dealers in connection with its Clients’ investments in Portfolio Companies. To the extent the Firm uses a broker-dealer to facilitate the sale of a Portfolio Company, the Firm will select a broker-dealer for such transaction based on relevant factors to the specific situation due to the unique and highly fact-specific nature of such transactions.

In connection with the its investments in Credit Opportunity Investments, the Firm will select broker-dealers on the basis of obtaining the best overall terms available, which the Firm will evaluate based on a variety of factors, including the reputation, financial strength and stability of the broker; the quality of execution, including the accurateness and timeliness of execution, clearance and dispute resolution; error correction capabilities; willingness to execute difficult transactions; willingness and ability to commit capital; ongoing reliability; overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads; the quality, comprehensiveness and frequency of available research and related services or other services or facilities provided by the broker or dealer that the Firm considers to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Funds’ overall selection criteria.

1. Currently, the Firm does not, on behalf of any Funds, directly enter into any soft dollar arrangements by which it receives research or services other than execution in exchange for commissions. To the extent that the Firm uses soft dollars in the future, the Firm’s general policy is to use Fund commissions to pay only for products or services that qualify as eligible “brokerage and research services” under the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.
 2. AIP does not consider Client referrals when selecting or recommending a broker-dealer.
 3. AIP does not engage in directed brokerage at this time.
- B. The Firm employs an investment structure whereby no two Funds managed by AIP require aggregation.

Item 13 – Review of Accounts

The Funds' Portfolio Companies and Credit Opportunity Investments are continuously monitored and reviewed by AIP's senior managing partners and other investment professionals. AIP's senior managing partners, John Becker, Kim Marvin and Dino Cusumano are primarily responsible for portfolio and risk management. Portfolio Companies and Credit Opportunity Investments are reviewed in the context of each Client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as a Client's individual circumstances, or the market, political or economic environment.

Within 30 days after the completion of each year's audit of the Funds' books and records, or as soon as reasonably practicable thereafter (and within 120 days of the Funds' fiscal year end), audited financial statements, prepared in accordance with generally accepted accounting principles ("GAAP"), will be distributed to investors in the Funds. AIP may also provide periodic unaudited performance information for the Funds, no less frequently than quarterly, to their respective investors.

Item 14 – Client Referrals and Other Compensation

- A. No one other than AIP's Clients provide an economic benefit to AIP for providing investment advice or other advisory services to the Clients.
- B. Neither AIP nor any related person directly or indirectly compensates any person who is not a supervised person for Client referrals. However, as noted in Item 5(c) above, AIP may use an unaffiliated third-party placement agent for investor referrals.

Item 15 – Custody

AIP is deemed to have custody of Client assets by virtue of it having affiliates serve as general partners of its Clients. Therefore, AIP is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule").

In accordance with the Custody Rule, AIP's Chief Financial Officer ("CFO") is responsible for ensuring that the Funds' securities, other than cash and "privately offered securities," are held only with a qualified custodian. AIP's CFO is also responsible for arranging for annual independent audits of the Funds by an accounting firm registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, within 120 days of the Funds' fiscal year end and for obtaining audited financial statements prepared in accordance with GAAP. AIP arranges for the delivery of such audited financial statements to investors of the Clients within 120 days of the Funds' fiscal year end, which is December 31.

Item 16 – Investment Discretion

AIP generally accepts discretionary authority to manage assets and securities on behalf of its Clients. In such instances, AIP accepts discretion through the investment management agreements with such Clients subject to the limitations as described in the respective partnership agreements.

Item 17 – Voting Client Securities

- A. AIP generally has discretionary authority over the securities held by the Funds, and therefore has proxy voting authority. Accordingly, AIP is subject to Rule 206(4)-6 under the Advisers Act (the “Proxy Voting Rule”). To meet the Firm’s obligations under the Proxy Voting Rule, AIP has adopted proxy voting policies and procedures to ensure that any proxy voted on behalf of the Funds is voted in a manner that is in the best interest of the Funds. AIP typically votes proxies in accordance with management’s recommendation. However, under circumstances in which the Firm believes that company management’s proposal will not maximize value for the Funds, the Firm will vote against company management. In such cases, the reason for the decision, along with a record of the vote, will be retained by the Firm.

Occasions may arise in which the Firm is required to vote a proxy while having an actual or potential conflict of interest with a Fund. To protect the Funds against a breach of the Firm’s duties to them, on any occasion when a proxy vote presents an actual or potential conflict of interest, AIP’s CCO will present any such actual or potential conflict of interest to the Firm’s senior management (and potentially appropriate legal counsel) for consultation on the matter and conduct a conflict analysis accordingly.

Clients may obtain information about how proxies were voted or a copy of the Firm’s proxy voting policies by contacting Stan Edme at Stan@americanindustrial.com.

- B. Not applicable.

Item 18 – Financial Information

- A. AIP does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore has not included a balance sheet.
- B. AIP does not believe that there are any conditions that are reasonably likely to impair its ability to meet contractual commitments to its Clients.
- C. AIP has never been the subject of a bankruptcy petition.

Item 19 – Requirements for State-Registered Advisers

Not applicable.