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**AEA Investors LP**  
**AEA QP Advisers LLC**  
**AEA Investors SBF LP**  
**AEA Advisers LLC**  
**AEA Debt Management LP**  
**AEA Growth Management LP**  
**Amateras AEA Management 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, AEA Advisers LLC, AEA Debt Management LP, AEA Growth Management LP, Amateras AEA Management 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, AEA Investors SBF LP, AEA Debt Management LP, AEA Growth Management LP and their affiliated advisers is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**December 2, 2024**

## **Item 2 - MATERIAL CHANGES**

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This brochure, dated December 2, 2024, amends and restates the brochure previously filed on March 29, 2024, and includes information about Amateras AEA Management LP, a new relying adviser of AEA QP Advisers LLC, and its Clients, as well as additional and updated risk factors and conflicts of interests.

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## Item 4 – ADVISORY BUSINESS

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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 members of which are John L. Garcia and Brian R. Hoesterey.

In addition, in 2024, Amateras AEA Management LP (“AAM”), a joint venture between AEA Investors LP and Amateras Capital Management, LLC (“Amateras”), a Delaware limited liability company, became a relying adviser of AEA QP Adviser LLC. AAM is controlled by AEA Investors LP and Alexandra Jung.

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 LP, AEA Debt Management LP, AEA Growth Management LP and AAM (each an “Adviser” and collectively, as the context requires, the “Advisers” or “AEA”). This brochure serves as the brochure for all of the Advisers. AEA Advisers LLC, AEA Investors LP, AEA Debt Management LP, AEA Growth Management LP, and AAM are all relying advisers with respect to AEA QP Advisers LLC.<sup>1</sup>

The Advisers manage and provide investment advice to closed-end private investment vehicles, including special opportunity and/or continuation vehicles, that are exempt from registration under the Investment Company Act of 1940, as amended, and whose securities are not registered under the Securities Act of 1933, as amended (each such vehicle, a “Fund” or “Client”). The investment advice includes investigating, identifying and evaluating investment opportunities; structuring, negotiating, monitoring and managing investments of the Funds; and disposing of the investments of the Funds. The Funds invest pursuant to and in accordance with the investment criteria and limitations set forth in each Fund’s governing documents. The investments generally are not made in publicly traded securities and are commonly referred to as “private equity” or “private debt” investments. The Advisers provide advice to each Fund and do not tailor their advisory services to the individual needs of the investors in each Fund. The Funds (or the general partners thereof) generally enter into side letters with certain investors which have the effect of establishing rights under, or altering or supplementing the terms of, the relevant governing documents with respect to such investor.

The Advisers’ private equity investment vehicles are focused on the larger middle market (the “AEA Middle Market Private Equity Programs”), the smaller middle market (the “AEA Small

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<sup>1</sup> Includes general partners of Clients and certain non-US affiliates, which are treated as Advisers under SEC guidance: AEA Growth Equity Partners LP, AEA Growth Funding GP LLC, AEA Investors (Asia) Limited, AEA Investors (Germany) GmbH, AEA Investors (UK) LLP, AEA Investors 2006 PF LLC, AEA Investors Executive Partners VI LLC, AEA Investors Executive Partners VII LLC, AEA Investors Executive Partners VIII LLC, AEA Investors Partners 2006 L.P., AEA Investors Partners EF II LP, AEA Investors Partners V LP, AEA Investors Partners VI LP, AEA Investors Partners VII LP, AEA Investors Partners VIII LP, AEA Investors PF V LP, AEA Investors SBF II Partners LP, AEA Investors SBF III Partners LP, AEA Investors SBF IV Partners LP, AEA Investors SBF V Partners LP, AEA Mezzanine Partners III LP, AEA Mezzanine Partners IV LP, AEA Middle Market Debt III GP LP, AEA Middle Market Debt IV GP LP, AEA Middle Market Debt V GP LP, AEA Partners Asia LP, AEA Partners EXC CF LP, AEA Partners SBP CF LP, Amateras AEA CSF Partners LP and AEA Growth CF Partners LP.

Business Programs”) and growth-stage companies (the “AEA Growth Equity Program,” and collectively with the AEA Middle Market Private Equity Programs and AEA Small Business Programs, the “Private Equity Programs”). The Private Equity Programs focus primarily, but not exclusively, on the following sectors: (1) value-added industrials, (2) consumer, (3) services relating primarily to these and other business sectors and (4) in the case of growth equity, tech-enabled software and healthcare services companies. Each of the Private Equity Programs is comprised of one or more Funds. The AEA Private Equity Programs are comprised of the following Funds:

- AEA Investors 2006 Fund L.P. (and its related parallel vehicles), AEA Investors Fund V LP (and its parallel vehicles), AEA Investors Fund VI LP (and its parallel vehicles), AEA Investors Fund VII LP (and its parallel vehicles), AEA Investors Fund VIII LP (and its parallel vehicles), and AEA EXC CF LP.
- The AEA Small Business Programs are comprised of the following Funds: AEA Investors Small Business Fund II LP, AEA Investors Small Business Fund III LP, AEA Investors SBF IV LP, AEA Investors SBF V LP (and its parallel vehicle), and AEA SBP CF LP.
- The AEA Growth Equity Program is comprised of AEA Growth Equity Fund LP (and its parallel vehicle) and AEA Growth CF LP.

The Advisers’ private debt funds invest primarily, but not exclusively, in mezzanine debt investments (the “Mezz Funds”), senior debt investments (the “Senior Debt Funds”) and capital solutions investments (which includes debt and equity co-investments) (the “AAM Funds”, and together with the Mezz Funds and the Senior Debt Funds, the “Debt Funds” or the “AEA Debt Programs”) in non-public companies. Each of the AEA Debt Programs is comprised of one or more Funds.

- The Mezz Funds include AEA Mezzanine Fund II LP (and its parallel vehicle), AEA Mezzanine Fund III LP and AEA Mezzanine Fund IV LP.
- The Senior Debt Funds include AEA Middle Market Debt Fund III LP, AEA Middle Market Debt Fund IV LP, and AEA Middle Market Debt Fund V LP.
- The AAM Funds include Amateras AEA Funding LP and Amateras AEA Capital Solutions Fund LP.

The Advisers expect in the future to advise other funds in addition to those listed herein. Adviser personnel may also serve on the boards of directors or similar governing bodies of the underlying portfolio company investments of the Funds.

Additionally, as permitted by a Fund’s governing documents, the Advisers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain current or prospective investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, and portfolio company management or personnel. Such co-investments typically, although not always, involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, for strategic and other reasons, a co-

investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, but in certain instances could be well after the Fund's initial purchase. Where appropriate, and in the Advisers' sole discretion, the Advisers reserve the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent any such amounts are not so charged or reimbursed (including charges or reimbursements required pursuant to applicable law), they generally will be borne by the relevant Fund.

The provision of information about the above referenced Funds shall in no event be considered to be an offer of interests in a Fund nor shall it be an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this brochure is designed solely to provide information about AEA for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Potential investors are provided with relevant organizational documents and private placement memoranda further describing terms, key risks and conflicts associated with a particular Client prior to investing and encouraged to review such documents carefully.

As of December 31, 2023, the Advisers had total assets under management (including uncalled capital commitments) of approximately \$19,131,623,983, all of which was managed on a discretionary basis.

## **Item 5 - FEES AND COMPENSATION**

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### **Fee Schedules**

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**

Funds. Except as set forth below with respect to the Participant Programs, the Clients comprising the Funds of the AEA Middle Market Private Equity Program pay an annual management fee (and investors in the Fund bear those fees indirectly). During the commitment period, the management fee is generally 1.75% per annum of a Client's aggregate non-AEA affiliated commitments, depending on the terms of a particular Fund. These management fees are waived or offset in certain cases, as described further in "Other Fees and Expenses," below. After the end of the commitment period, the annual management fee is generally 1.5% (depending on the particular Fund) 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. As a general matter, management fees will be payable until the final liquidation of the Fund unless otherwise agreed with investors. 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 is generally 20% of the profits of the Fund, assuming that a specified preferred return is achieved.

**Participant Programs.** Certain of the Funds in the AEA Middle Market Private Equity Programs are commitment-based Funds which we refer to as the “Participant Programs.” The investors in the Participant Programs (the “Participants”) pay an annual management fee to the Advisers. During the “commitment period” (the period during which new investments are generally made), the management fee is generally 1.75% 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. These management fees are generally not subject to offset or waiver. The profits of the Participant Programs are allocated such that persons associated with the Advisers (AEA personnel) are entitled, in addition to their 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, the allocation of profits depends on the performance of each particular investment. There is no preferred return hurdle for the Participant Programs.

#### **AEA Small Business Private Equity Programs and AEA Growth Equity Program**

The advisory fees payable by Clients comprising the AEA Small Business Programs and the AEA Growth Equity Program consist of an annual 2% management fee (and investors in those programs bear those fees indirectly). These management fees are waived or offset in certain cases, as described further in “Other Fees and Expenses” below. 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. In addition, the general partner is entitled to a carried interest equal to 20% of the profits of the relevant fund as described below (assuming that a specified preferred return is achieved).

#### **Other Private Equity Fund Vehicles**

Certain opportunity fund vehicles have been, and may in the future be, created that have a different fee structure than what is stated above.

#### **AEA Debt Programs**

The advisory fees payable by Clients comprising the AEA Debt Programs consist of an annual management fee (and investors in those programs bear those fees indirectly). In addition, the general partner is entitled to a carried interest based on profits if a specified preferred return is achieved. During the commitment period, the management fee is 1% or 1.5% of aggregate non-AEA affiliated commitments (depending on the particular Fund) plus, generally, in the case of the leveraged Funds, the total outstanding amount of the debt facility of that Fund. In the case of the AAM Funds, the management fee is based on the sum of 1% on committed capital and 0.75% on invested capital. In certain cases, the fee is reduced or waived, as described further in “Other Fees and Expenses” below. After the end of the commitment period, the management fee is between 1% and 1.75% 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

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 10% to 20% of the profits of the Fund, assuming that a specified preferred return is achieved.

### **Management Fee Adjustments**

For each of the Funds, and as is generally the case in private equity and debt funds, such Funds' governing documents provide that a Fund's management fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the governing documents, from the effective date of the relevant Fund until a date specified in the governing documents (the "Stepdown Date"), management fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate commitments. Further, after the Stepdown Date, management fees generally will be charged and calculated based on a formula tied to the amount of investment contributions (including, where applicable, a Fund borrowing component) made by the relevant Fund relating to its aggregate investment in portfolio companies that have not been realized or permanently written down (such investments, "Impaired Value Investments").

Under the governing documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date management fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. Conversely, the relevant governing documents do not require management fees to be reduced or refunded following the occurrence of a writedown, decrease (including a significant decrease) in fair value or other event not constituting a complete realization, such as a reorganization, roll-over investment in connection with a sale or dividend distribution, except in the case of investments meeting the relevant Impaired Value Investment standard under the relevant governing documents. For the avoidance of doubt, following the Stepdown Date, if the fair market value of an Impaired Value Investment is less than the total amount of investment contributions relating to such Impaired Value Investment, then the amount of management fees otherwise payable relating to such investment will be reduced only to the extent the fair value of the relevant investment is less than the amount of total investment contributions relating to such investment.

As a result, the amount of management fees generally will not correspond with fluctuations in the net asset value of individual investments or of the Fund, including following the relevant investment period, and will not be reduced in connection with any write downs (including temporary write downs), except in the case of Impaired Value Investments. Except where the governing documents expressly provide to the contrary, management fees will not be reduced (in whole or in part) in the case of partial distributions (e.g., those resulting from a dividend recapitalization) or reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, or in circumstances where one or more other Fund(s) divest their respective investment(s) (including credit investments) in the relevant portfolio company, whether in whole or in part, in each case in circumstances that do not result in the complete disposition of the relevant Fund's interest therein, and even in cases where the value of the Fund's investment or the Fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction.

In many circumstances, the post-Stepdown Date management fee base will include capitalized transaction-specific expenses of unrealized investments. Further, management fees generally will not be reimbursed or refunded under the governing documents in the event of realizations, dispositions or partial write-downs or write-offs that occur partway through the relevant calculation period.

The governing documents set forth the full list of terms under which management fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified management fee rate in the governing documents until they are reduced in the circumstances and on the date(s) specified therein.

Certain opportunity fund vehicles have been, and may in the future be, created that have a different fee structure than what is stated above.

### **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) and are generally referred to as AEA affiliated commitments above. 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 and/or carried interest, including, but not limited to, members of AEA's current and former global and regional advisory boards or similar advisory relationships and former employees and other investors.

### **Calculation & Deduction of Advisory Fees**

In the case of each of the Funds, management fees are generally billed 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 to be distributed to the Client.

With certain limited exceptions, the governing documents of the Funds generally permit the Advisers to waive or agree to reduce a portion of the management fees payable to the extent set forth in such governing documents. In certain circumstances, 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 (and will be treated as capital contributions made by the relevant general partner). 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.

### **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 Advisers bear 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 a particular Client.

To the maximum extent permitted by the governing documents applicable to such Client, the Client will generally pay, or reimburse its general partner for, all other fees, costs, expenses, liabilities and obligations relating to the Client, its activities, its business, its portfolio companies, and/or its actual or potential investments, including with respect to any entity formed to effect the acquisition and/or holding of an investment (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the identifying, sourcing (including meeting with consultants, broker-dealers, investment banks and other sources of investments), structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals or databases), acquiring, bidding on, developing, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving, or otherwise disposing of, as applicable, actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence and deal-sourcing software and other subscription services and service providers, consultants (including executive partners, senior advisors and advisory councils) and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, a Client or its general partner on behalf of a Client (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to AIFMD), Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule, or regulation related to the implementation thereof), trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees, salary and other compensation paid to consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other similar consultants), tax and other professional services (including costs associated with any SOC (Service Organization Controls Report) Type I or II control testing and reporting or similar services); (vii) reverse breakup, termination and other similar fees; (viii) insurance (including directors and officers liability, fidelity bond, management liability, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees,

costs and commissions) and the cost of any consultants or other advisors utilized in the procurement, review and analysis of insurance policies; (ix) filing, title, transfer, survey, registration and other similar fees and expenses; (x) printing, communications, mailing, and courier; (xi) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with Partners or any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis reports) and any administrative, regulatory, reporting, filing, or other compliance requirements (other than the initial registrations, filings, and compliance contemplated by AIFMD), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) compliance with any financial account reporting regime, including FATCA and the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, rules and regulations, and fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting and ledger systems) or other administrative or reporting tools (including subscription-based services); (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs and expenses incurred in connection with compliance with the General Data Protection Regulation (EU 2016/679) (as amended) and any similar laws, rules and regulations); (xv) to the extent provided in a Client’s limited partnership agreement (“Partnership Agreement”), or otherwise approved by its general partner in its sole discretion, activities or proceedings of its Advisory Board (including any out-of-pocket costs and expenses incurred by representatives of the general partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board); (xvi) indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnifying any Partner or other person or entity and advancing fees, costs and expenses incurred by any such person or entity in defense or settlement of any claim that may be subject to a right of indemnification pursuant to a Client’s Partnership Agreement), except as otherwise set forth in the applicable Partnership Agreement; (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in a Client’s Partnership Agreement; (xviii) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting (including via telephone or webcast) with any limited partner(s), in each case to the extent incurred by a Client, its general partner or any affiliate of its general partner; (xix) except as otherwise determined by a general partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Client’s expense if it were incurred in connection with the Client, and any expenses incurred in connection with the formation (to the extent formed after the final closing date of a Client), management, operation, termination, winding up and dissolution of any feeder vehicles related to a Client to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of any Client entity; (xx) the termination, liquidation, winding up or dissolution of a Client and any legal entities owned directly or indirectly by a Client,

including portfolio companies of a Client; (xxi) except as otherwise provided in a Client's Partnership Agreement, amendments to, and waivers, consents or approvals pursuant to, the constituent documents of a Client, its general partner (and its general partner), any entities owned directly or indirectly by a Client (including portfolio companies of a Client) and related entities and any alternative investment vehicle of a Client, including the preparation, distribution and implementation thereof; (xxii) compliance with any law, rule, regulation or policy (including any legal fees, costs and expenses related thereto, any regulatory expenses of a general partner (except as set forth in its Partnership Agreement) or any administrator related thereto, compliance with any privacy, data protection, know-your-customer, anti-money laundering (including any validation of any payments made to a Client or its general partner in connection with any voluntary or compulsory review), sanctions or anti-terrorist laws, rules, regulations, directives or special measure, and compliance with any environmental, social or governance considerations and policies); (xxiii) any litigation or governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in a Client's Partnership Agreement; (xxiv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer contemplated by a Client's Partnership Agreement or any limited partner's name change or change in registered agent; (xxv) any taxes, fees and other governmental charges levied against a Client and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review (except to the extent that a Client is reimbursed therefor by a Partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to a Client's Partnership Agreement), and any costs and expenses of or related to the "partnership representative" of a Client; (xxvi) distributions to the partners and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxvii) subject to a Client's Partnership Agreement, compliance or regulatory matters, except as otherwise set forth in a Client's Partnership Agreement, including compliance with a Client's Partnership Agreement and/or any letter agreement and costs and expenses incurred in connection with the most-favored-nations process; (xxviii) any third-party experts, including independent appraisers engaged by a general partner in connection with the Clients' considering, making, holding or disposing of, directly or indirectly, an investment in the same entity as one or more affiliates of a Client or its general partner; (xxix) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the Adviser or a general partner at any trade conference reasonably related to the investment activities of the Fund and/or its portfolio companies, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses and, the case of AAM Funds, expenses of the AAM advisory network programming; (xxx) any travel (including costs of commercial or private air travel at a cost not exceeding the cost of reasonably comparable first class commercial airfare, car or ride sharing services, and other modes of transportation) lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxi) any organizational expenses; (xxxii) any Placement Fees; and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by a Client's Advisory Board. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including any side letters relating thereto and (where applicable) environmental, social, governance and other standards.

The Advisers or affiliates of the Advisers expect to receive break-up, closing, transaction and monitoring, and directors' fees or other similar fees from or with respect to portfolio companies owned by the Clients and, in the case of the AEA Debt Programs, may additionally receive commitment, waiver and consent fees, and other similar advisory fees associated with such Funds' investments (collectively, "Supplemental Fees"). In certain cases, the payment of monitoring fees and other fees in connection with the monitoring agreements (for example consulting fees, transaction / financing fees and termination fees) may be payable or required to be prepaid or accelerated upon the Fund's exit from a portfolio company or in certain other circumstances, such as an initial public offering or change of control. In the case of the Private Equity Programs, these amounts do not include amounts received by the Advisers (and such excluded amounts are not subject to the offsets described below): (i) as reimbursement for expenses directly related to such portfolio company; (ii) as payment for services not of the type customarily provided by the Advisers to such portfolio company as part of ordinary management services; or (iii) as reimbursement for any secondment or similar fees/salary reimbursements earned in relation to services provided by employees and directors of and those holding similar positions with respect to the Advisers (including operating partners and executives) who are lent to work or provide services on an interim basis to a portfolio company that are reasonable in relation to the services provided or as otherwise approved by the relevant Client's Advisory Board.

In the case of the Participant Programs, 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 paragraph). 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 but excluding amounts attributable to investments by AEA affiliated investors (e.g., general partner). The offset percentages vary from 0% to 100%. Generally, fees received by the Advisers or their affiliates in proportion to investments by co-investors in the portfolio companies (including portfolio company management, other co-investors and financing sources with equity stakes) and fees received by the Advisers or their affiliates in proportion to investments by the Participant Programs in portfolio companies are not offset against Funds' management fees and are retained by the Advisers.

As a matter of practice, the Advisers are typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the management fee payable by any Fund(s) that have also invested in such investment, and, as a result, a Fund will, in most cases, only benefit with respect to the relevant allocable portion on a fully diluted basis of any such fee and not the portion of any fee related to: (i) general partner or affiliated partner commitments; (ii) co-investors or potential co-investors (which could include co-investment vehicles managed by the Adviser, service providers, third parties, current or former portfolio company management or personnel, sellers that have rolled their interest or reinvested proceeds in the portfolio company and/or others); or (iii) the value of profits, participation or equity interests in or relating to the relevant portfolio company, including interests owned by current or former portfolio company management, which have the potential to be significant. Supplemental Fee offsets generally are performed on a net basis, after giving effect to certain taxes and other expenses in connection with the receipt of such fees or the provision of

related services, and to the extent Supplemental Fees are paid in kind (including through securities, option grants or other interests), an Adviser is permitted to calculate the amount of offset based on the then-current value of the in-kind payment, rather than the ultimate value of the interests as of a future date. Unless otherwise agreed with investors, Supplemental Fees generally will be payable even if management fees are reduced or eliminated during any extended term, thus reducing the amounts of management fees actually offset. In certain circumstances, the Advisers expect that co-investors, lenders, consultants or other parties will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons.

### **Prepaid Fees**

Clients are required to pay management fees quarterly 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**

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As described in Item 5, the general partner (or its partners/affiliates) receive a percentage of the profits from the Funds it controls (in some cases, assuming that investors receive a specified preferred return), generally referred to as “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 Clients to make riskier or more speculative investments than would otherwise be the case, although the Advisers generally consider performance-based compensation to better align its interest with those of its investors, particularly in instances where Fund governing documents include terms requiring clawback or giveback or performance-based compensation amounts at the end of the relevant Fund’s life or at certain interim levels.

Additionally, to the extent that the Firm has Funds with varying carried interest terms (including amount, timing, waterfall conditions or other terms) and/or Firm personnel are assigned varying percentages of carried interest from the Funds, the Firm and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage. The Firm seeks to address the potential for conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund’s investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by the Firm or any Firm personnel.

## **Item 7 – TYPES OF CLIENTS**

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The Advisers' "Clients" are defined as the private investment funds (referred to in this brochure as "Funds") comprising the Private Equity Programs and the Debt Funds. The relevant Adviser also generally is permitted to establish Funds that are alternative investment vehicles in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reason. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

Interests in the Clients are privately offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, as well as certain non-US exemptions. Investors in the Funds include high net worth individuals and a variety of institutional investors (e.g., charitable organizations, trusts, pensions funds, limited liability companies and other types of entities, including private funds of funds). AEA has an anti-money laundering policy which ensures that all investors satisfy applicable anti-money laundering and know-your-customer requirements. Each Client has certain stated minimum commitment amounts (usually \$5-10 million) for an investor to be able to invest, however 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**

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### **General Description**

The Advisers generally invest pursuant to four categories of private investment programs: (1) AEA Middle Market Private Equity Programs; (2) AEA Small Business Private Equity Programs; (3) AEA Growth Equity Program and (4) 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. The following includes certain of the key investment strategies used by the Advisers in investing pursuant to these programs:

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.

Certain material risks and conflicts of interest related to particular investment programs that are described under particular subsections will also apply to other investment programs.

### **Private Equity Programs**

Business Risks. The 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.

Investments in Private Companies. The Funds’ investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments 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 Private Equity Programs’ future results. While the Advisers intend for the 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.

Control Investments. The Private Equity Programs, either alone or together with co-investors, is

expected to typically hold controlling interests in many of the portfolio companies in which it invests. The exercise of such control by a Fund may result in additional risks of liability for violations of governmental regulations (including securities laws), failure to supervise management or other types of liability in which the general limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, the Fund might suffer significant and material losses. Even when the Fund prevails in any such claims for liability, it may incur significant costs of defending against those claims.

Investment in Junior Securities. The equity securities in which the 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 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, in a limited geographic area, in a single asset type and/or within a short period of time. As a result, the Private Equity Programs' investment portfolios could become highly concentrated, and the performance of a few holdings or of a particular industry, or the timing of the investments, may substantially affect their aggregate returns. Furthermore, to the extent that the capital raised is less than the targeted amount, the Private Equity Programs may invest in fewer portfolio companies and thus be less diversified.

Unspecified Investments. The business of identifying, structuring, completing and realizing private equity investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that the Private Equity Programs will be able to identify or complete portfolio investments that satisfy the Private Equity Programs' rate of return objectives or, if completed, realize such investments for fair or attractive values or be able fully to invest its Commitments.

Lack of Sufficient Investment Opportunities. It is possible that the Private Equity Programs will never be fully invested if enough sufficiently attractive investments are not identified and/or consummated. The business of identifying, structuring, and completing private equity transactions is highly competitive and involves a high degree of uncertainty. Potential competitors include other investment funds, strategic industry acquirers and other financial investors. Other investment funds with similar investment objectives to the Private Equity Programs may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel. As a result, the Private Equity Programs may experience difficulty identifying and consummating investments, and the terms upon which investments can be made may be less favorable than obtained by any prior AEA investment.

To the extent that the Private Equity Programs encounter significant competition for investments, returns to the limited partners may decrease. In addition, it is possible that a Private Equity Program will never be fully invested if enough attractive investments are not identified and consummated. Regardless of the extent to which the commitments of investors are invested (or drawn down to be invested), the investors will be required to bear management fees during the applicable investment periods based on the entire amount of their capital commitments as well as



other expenses as set forth in the applicable partnership agreement even if a Private Equity Program fails to make any investment.

Illiquidity; Lack of Current Distributions. Investments through the 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. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While it may be possible for a portfolio company to be sold at any time, it is generally expected that such a sale will not occur until a number of years after the initial investment in such portfolio company. Before such time, there may be no current return on such investment, and the expenses of operating the Private Equity Program (including management fees) may exceed the Private Equity Programs income, thereby requiring that the difference be paid from the Private Equity Program's capital (including the aggregate unfunded commitments).

The Private Equity Programs' ability to dispose of investments may be limited for several reasons (some or all of which may be outside of AEA's control), including the absence of an established market for such investments, as well as contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms upon which a disposition could be made. Any possibility of a disposition in the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which the Private Equity Programs invests and an active mergers and acquisitions (or recapitalizations and reorganizations) market, among other factors.

Broad Investment Guidelines. The Private Equity Programs are permitted to pursue additional investment strategies and may modify or depart from their initial investment strategies, investment processes, and investment techniques as each program determines. The Private Equity Programs are permitted to pursue investments outside of industries and sectors in which the principals of the Private Equity Programs have previously made investments.

Leveraged Investments. The Private Equity Programs are permitted to make use of leverage by incurring or causing portfolio companies or intermediate entities to incur debt to finance all or a portion of certain investments, whether on a temporary or long-term basis. Leverage generally magnifies both the Private Equity Programs' opportunities for higher returns and their risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets (which may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast. As a result, at times it may be difficult to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies may restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the general partner and

its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's management fee calculation under the governing documents.

The use of leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and potentially will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. As a result, any decline in the value of a leveraged portfolio company may be accelerated and magnified in a market downturn. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in such portfolio company, which could adversely affect the Fund's returns. Additionally, in such a situation, lenders would typically have a claim that has priority over any claim by the Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a portion of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts for such portfolio company. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. Except where otherwise required by relevant governing documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company. If a portfolio company is unable to obtain favorable financing terms for its investments, refinancing its indebtedness or maintain a desired or optimal level of financial leverage, the Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from such portfolio company, which would likely adversely affect the Fund's returns. Any failure by lenders to provide previously committed financing could also expose the Fund to potential claims by seller of prospective portfolio companies that the Fund may have contracted to purchase.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations it is not expected that the Fund would be compensated for providing such guaranty or exposure to such liability. Although use of such borrowing facilities enhances the relevant Fund's general partner's ability to close transactions quickly, such activity also increases risk and raises the possibility that the general partner will need to call additional capital to pay off such debt. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will

be subject to limitations set forth in the relevant governing documents and interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. A Fund is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other investment funds and entities managed by the Advisers or its affiliates, including through Fund subsidiaries and other intermediate entities, and in connection with incurring such indebtedness, the general partner of such Fund is permitted, in its sole discretion, to cause such Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when a Fund were to seek to enforce any such right, any such other fund could default on its obligation and/or such right may otherwise be unenforceable. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring leverage, and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage or provides such guaranties, such amounts are permitted to be secured by capital commitments made by such Fund's investors and other fund assets. The inability of a Fund to repay any leverage secured by the capital commitments of the Fund could enable a lender to issue a capital call directly to the investors of such Fund.

Subscription Lines. A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the governing documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the relevant Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's return calculations and thereby may be deemed to benefit the marketing efforts of the general partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's

management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. Because management fees are incurred whether an investment is financed through capital calls or borrowings, and a Fund's preferred return typically does not accrue on outstanding borrowings, the relevant general partner has an incentive to cause the Fund to make investments and/or pay such amounts using a subscription line rather than making capital calls. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's management fee calculation under the governing documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant general partner's ability to consent to the transfer of a limited partner's interest in a Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant general partner may request certain financial information and other documentation from limited partners to share with lenders. The general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a general partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant general partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A general partner is authorized to use Fund-level borrowing to pay management fees and to reimburse the Adviser for expenses incurred on behalf of the relevant Fund. A Fund is also permitted to utilize Fund-level borrowing when a general partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased

exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant general partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the governing documents, this scenario potentially incentivizes the relevant general partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

Investment- and Intermediate Entity-Level Borrowing. Under the relevant governing documents, each Fund is authorized to incur indebtedness that is secured by any assets of the Fund (e.g., asset-based borrowing, as well as “back leverage” and net asset value (NAV) facilities), and is permitted directly or indirectly through one or more intermediate entities (e.g., special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any person or to incur any other obligation (including other extensions of credit). Indebtedness is permitted to be incurred for any purpose relating to the activities of the Fund, including without limitation to: finance any investment-related activities of the Fund; increase the buying power of the Fund; provide interim financing to the extent necessary to consummate the purchase of investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable); pay for Fund expenses or fund the payment of management fees; make, hold or dispose of investments; provide financing or refinancing; fund the payment of amounts to withdrawing limited partners; fund distributions to the partners; and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the relevant governing documents.

Bridge Financing. The Private Equity Programs are permitted to 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.

Litigation. The Private Equity Programs' business and investment activities expose them to the risk of third-party litigation. Accordingly, in the ordinary course of its business, a Fund may be subject to litigation. Under the Partnership Agreement of such Fund, the Fund generally will be responsible for indemnifying the general partner of a Fund and certain other persons and entities for costs they may incur with respect to such litigation not covered by insurance. The outcome of litigation proceedings may materially and adversely affect the value of the Fund, and such

litigation may continue without resolution for extended periods of time. Additionally, litigation may consume substantial amounts of the general partner's and the Principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Changes to Benchmark Rates. To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including the London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate ("SOFR") or other rates (each, a "Benchmark Rate"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Private Equity Programs' investments, and hence, most of the Private Equity Programs' investments will be difficult to value. Certain investments may be distributed in kind to the investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the Fund's Partnership Agreement, including the value used to determine the amount of carried interest available to the Fund's general partner with respect to such investment.

Reliance on the Advisers and Portfolio Company Management. Investment programs within the 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 Private Equity Programs will be vested entirely with the Advisers and their Principals, and the Private Equity Programs' future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Private Equity Programs' ability to realize its investment objectives. Investors generally have no right or power to take part in the management of the Private Equity Programs, and as a result, the investment performance of the Private Equity Programs will depend entirely on the actions of the Advisers and their Principals. Although the Advisers will monitor the performance of each 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 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 Private Equity Program's investment.

Active Management. Private Equity Programs may, in certain circumstances, take majority positions, which may be alongside other investors, such as institutions, other pooled investment vehicles, and management, while providing equity financing at all stages of a company's lifecycle. Depending upon the amount of equity owned by a Fund, any relevant contractual arrangements between a portfolio company and a Fund, and other relevant factual circumstances, such majority position could result in an extension of the ninety-day bankruptcy preference period to one year with respect to payments made to it. In addition, because of its equity ownership, representation on the company's board of directors, and/or contractual rights, a Fund may often be thought to control, participate in the management of or influence the conduct of such portfolio company, its other security holders, its creditors or governmental agencies. Further, investments alongside other investors, including in the event that a Fund holds a majority position in such portfolio company, may involve certain additional risks not present in investments where a third party is not involved.

Risk in Effecting Operating Improvements. The success of each Fund's investment strategy is likely to depend, in part, on the ability of a Fund to effect improvements in the operations of certain portfolio companies. Identifying and implementing operations improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key portfolio company personnel and disrupt normal business. There can be no assurance that a Fund will be able to successfully identify and implement such improvements.

Risk Relating to Due Diligence of and Conduct at Portfolio Companies. Before making an investment, Private Equity Programs will often conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to such investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degree depending on the type of investment and the facts and circumstances related thereto, and Private Equity Programs may rely on the advice received from such third parties. Investment analyses and decisions may be limited, and Private Equity Programs will often be undertaken on an expedited basis in order for the Fund to compete for investment opportunities and/or consummate investments. In such cases, the information available to the Private Equity Programs at the time of an investment decision may be limited, and the Private Equity Programs may not have access to the detailed information necessary for a full evaluation of an investment opportunity. The due diligence investigation carried out with respect to any investment opportunity is unlikely to reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

Investments Longer than Term. Certain of the Advisers' Clients' investments may not be disposed of prior to a Client's dissolution. The general partner of each Client has a limited ability to extend the Client's term, and the Client may be required to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of its dissolution or, if a Client's general partner

cannot dispose of such investments, the Client may continue in existence, holding such investments, notwithstanding its dissolution. To the extent that such investments are held in trust in connection with the Client's dissolution, such trusts may incur operating and formation expenses. In addition, there can be no assurance with respect to the timeframe in which a Client's winding-up and final distribution to its investors will occur.

Outbreaks of Infectious or Contagious Diseases; Pandemics. A public health emergency could result in significant adverse impacts on the Adviser's Clients. The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, which may impact the Adviser's Clients' ability to source, diligence and execute new investments and to manage, finance and exit investments in the future, or cause significant changes or reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. Likewise, social or governmental mitigation actions may (among a wide variety of other potential effects) constrain or alter existing financial, legal and regulatory frameworks in ways that could adversely affect a Client's ability to fulfill their investment objectives. They may also impair the ability of Clients' investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of a Client, their investments, the applicable general partner, and the Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other social, political, financial, legal, regulatory and/or other factors related to an actual or threatened public health emergency (e.g., COVID-19), including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

International Conflicts. Wars and other international conflicts, such as the Israeli-Palestinian conflict and the ongoing military conflict between Russia and Ukraine, have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain of the countries involved, as well as related individuals and businesses. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

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



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

Sanctioned Investors. If, after subscribing to a Fund, a limited partner is included on a list of prohibited persons maintained by a relevant regulatory or governmental authority (including Office of Foreign Assets Control (“OFAC”) or equivalent non-U.S. authorities) (a “Sanctions List”), the relevant general partner will have the sole discretion to determine the resolution, remedy and manner of compliance of the Fund with applicable laws, including without limitation a “freeze” on distributions and/or capital calls from the relevant limited partner and reporting to the relevant authorities. Adverse actions by any such authorities, including temporary or permanent stays or holds on the Fund’s activities, could materially and adversely affect the Funds.

Projections. Projected operating results of a company in which the Private Equity Programs invest normally will be based primarily on financial projections prepared by each company’s management, with adjustments to such projections made by the general partner of the relevant Fund in its sole discretion. In all cases, projections are only estimates of future results that are based upon information received from a portfolio company and third parties and assumptions made at (in whole or in part) the time the projections are developed. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the results set forth in any projections will be attained, and actual results may differ significantly from projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Adviser is permitted to determine, on behalf of the Private Equity Programs, to provide additional funds or otherwise increase its investment to these portfolio companies (whether for

opportunistic reasons, to fund the needs of the portfolio company, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Private Equity Programs will make follow-on investments or that they will have sufficient funds to make all or any of these investments. Any determination by the 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 Private Equity Programs to increase their participation in a successful operation or the dilution of the relevant Fund's ownership in a portfolio company if a third party or co-investor is permitted to invest.

Non-U.S. Investments. The 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, headquartered and/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 Private Equity Programs), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Private Equity Programs and/or the investors with respect to the Private Equity Programs' income, and possible foreign tax return filing requirements for the Private Equity Programs and/or the investors.

Financial Institution Risk; Distress Events. An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Advisers, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event will potentially have an adverse effect on the ability of the Advisers to manage the Funds and their investments, and on the ability of the Advisers, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses could occur in connection with a Fund having to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution

experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well as the inability of a Fund to acquire or dispose of investments at prices that the relevant general partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfil obligations and maintain operations. Although the Advisers expect to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that an Adviser and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with at least one custodian, which heightens the risks associated with a Distress Event with respect to such custodian(s). Although the Advisers seek to do business with custodians that they believe are creditworthy and capable of fulfilling their respective obligations to the Funds, the Advisers are under no obligation to use a minimum number of custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

United Kingdom (“UK”) Exit from the European Union (the “EU”). The UK formally left the EU on January 31, 2020 (“Brexit”). After a transition period that ended on December 31, 2020, EU rules ceased to apply in the UK. Although the terms of the UK’s future relationship with the EU were agreed in a trade and cooperation agreement, the agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK Government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty and disruption generally resulting from Brexit may adversely affect both EU- and UK-based businesses, including the Adviser and Fund portfolio companies, as applicable. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK

and in one or more EU Member States.

Public Company Holdings. The Private Equity Programs' investment portfolios may contain securities issued by publicly held companies. These investments may subject the 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 Private Equity Programs to dispose of these securities at certain times, increased likelihood of shareholder litigation against the companies' board members, including AEA personnel, and increased costs associated with each of the aforementioned risks.

Director Liability. The 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 Private Equity Programs' representatives, and ultimately the 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 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 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.

Certain Consultants. The Advisers or their affiliates, a Fund or its general partner, and the portfolio companies expect to retain other companies and individuals ("Special Consultants") which may be affiliates of the general partner, employees, partners, members, shareholders, officers, directors and managers of such affiliates, portfolio companies of other funds, third party consultants (including individual consultants and external executives), "operating advisors," "strategic partners," "executive partners" or "senior advisors." These Special Consultants may be engaged to provide services to, or in connection with, a Fund or its portfolio companies or in one or more industry sectors, or in connection with their activities, including in relation to the identification, acquisition, holding, recapitalization, restructuring, refinancing or improvement and disposition of portfolio companies and prospective portfolio companies, operational aspects of such companies and/or serving on the boards of directors of portfolio companies ("Services"). A Special Consultant may provide services to a Fund and one or more other Fund.

Certain fees and expenses associated with the Services (collectively "Consulting Fees and Expenses"), are paid and/or reimbursed by applicable portfolio companies and/or the Fund (either directly or through the Advisers or their affiliates) and will not be offset or otherwise reduce management fees. Consulting Fees and Expenses, at the sole discretion of the applicable general partner taking into account the particular Services, could include cash fees, a per diem or project-based retainer or fee, monthly fee, performance fee, 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 which 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. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all Special Consultant compensation as well as fees, costs and expenses of structuring arrangements of such Special Consultants. To the extent that Special Consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Special Consultants' services at a time when fewer portfolio companies or Funds make use of such Special Consultants. Under many of these arrangements, including where Special Consultants are paid a flat fee, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by consultants, operating partners and operating executives. The use of Special Consultants is expected to fluctuate and/or expand over time. Additionally, Special Consultants may be provided opportunities to co-invest in one or more portfolio companies. Special Consultants may have a limited partner or profit interest in the Fund, the general partner, other funds or an affiliate of the general partner. Although the general partner intends to retain Special Consultants in an attempt to reduce costs to portfolio companies (and, ultimately, the Fund) and/or improve portfolio company performance, due to a number of factors any such retention may result in limited or no cost savings or an increase in costs, in which case portfolio company performance may only be marginally improved or may be negatively affected. In addition, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, portfolio companies of a Fund may pay Special Consultants to perform Services that, directly or indirectly, benefit AEA, its affiliates, Other Funds and/or portfolio companies of other funds. Consequently, AEA, its affiliates and/or portfolio companies of Other Funds may receive Services without being charged or at below-market rates. Conversely, portfolio companies of a Fund may benefit from Services that are paid for by AEA, its affiliates and/or portfolio companies of other funds. Likewise, certain Other Funds may pay Special Consultants to perform services that, directly or indirectly, benefit AEA, its affiliates, the Fund and/or portfolio companies of the Fund.

Co-Investments. The Advisers and their affiliates, 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 arise in the allocation of 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 is permitted to consider some or all of a wide range of factors, including, but not limited to: (i) the size of the investment opportunity and the related equity (or, in the case of debt funds, investment amount) required, (ii) the role, if any, of the co-investor in making the investment opportunity available for the fund, (iii) any strategic or other benefit to the fund in having the co-investor actively involved in an investment opportunity after the investment is made, (iv) the number and type of investments existing in a fund, taking into consideration the mix of the then-existing investments, as well as their investment characteristics and risks associated therewith, and (v) the dynamics of the negotiation with other parties involved in the transaction. Although each Adviser reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by the Adviser in identifying co-investors. Each Adviser reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities. 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. In general, co-investors described in this paragraph do not pay or share fees and expenses related to transactions that the Fund does not close or in which such co-investor does not invest and they are borne by the applicable Private Equity Program (to the extent set forth in the operative documents of each program). For unconsummated deals that would have been allocated among more than one Private Equity Program or other AEA private equity fund, the fees and expenses of the unconsummated deal are allocated among the AEA private equity funds that would have participated in the deal in a manner that the general partner determines to be fair and equitable.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by a Fund. When estimating fair value, the general partner will apply a methodology based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant general partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Accordingly, the valuation decisions made by such general partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments. Further, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The exercise of discretion in valuation by the general partner gives rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

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

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "Privacy Laws") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Advisers, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Advisers, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar

Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the Advisers, the Funds and/or their portfolio companies.

Material Non-public Information. By reason of their responsibilities in connection with other activities of the Adviser, certain employees of the Private Equity Programs may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Private Equity Programs will not be free to act upon any such information. Due to these restrictions, Private Equity Programs may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that otherwise might have sold.

U.S. Taxation of Carried Interest. U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its general partner, or the Adviser who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for an Adviser to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

Secondaries and other GP-Led Transactions. There continues to be a significant market in the private fund sector for secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by the Adviser following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where the Adviser believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by the Adviser and its affiliates). However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant general partner to the extent of its right to receive carried interest, if any), effectively diluting their



interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of the Adviser or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where the Adviser or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction, their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, the Adviser, the relevant general partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. Further, the relevant general partner is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances the Adviser reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant Advisory Board prior to the closing of the transaction, there can be no assurance that the Adviser will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of the Fund or any individual limited partner or group of limited partners. However, the Adviser reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant governing documents.

Limited Access to Information. Limited partners' rights to information regarding a Fund, the relevant general partner or the Adviser generally will be specified, and in many cases strictly limited, by the Fund's governing documents. In particular, it is anticipated that the general partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of the Adviser's control. Decisions by the Adviser or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor the Adviser and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's Advisory Board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and the Adviser reserves the right to withhold certain information from investors subject to such laws for reasons relating to the Adviser's public reputation, business strategy or other reasons.

Social Media and Publicity Risk. The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding the Adviser, the Funds or one or more portfolio companies could have a material and adverse effect on the value of the Funds.

### **AEA Debt Programs (including the AAM Funds)**

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’ investment therein.

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, headquartered and/or 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.

Changes to Benchmark Rates. To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including LIBOR, SOFR or other Benchmark Rates, the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

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, capital solutions 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.

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, through an intermediary or against specific portfolio investments. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. 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. Additionally, the Fund may choose to make all investments during the early life of the Fund entirely on a leveraged basis, prior to the Fund requesting or receiving any capital contributions from the partners. Unfavorable performance of or a small number of such investments may result in amplified losses for the Fund and limit the Fund's ability to invest in the future.

The Fund's assets, including any investments made by the Fund, the capital commitments of the partners, and any capital held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If the Fund defaults on secured indebtedness, the lender may foreclose and the Fund could lose its entire investment in the security for such loan. Parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular asset and may require the partners to contribute their capital commitments in order to satisfy such liabilities.

Conversely, the ability of the Fund to attain its investment objectives depends in part on its ability to borrow money on favorable terms. To the extent the Fund does not employ leverage with respect to the Fund's portfolio, the Fund's investment returns may be lower than those that could have been achieved using leverage and there are risks that the Fund will not be able to maintain the leverage facility on favorable terms, or at all.

Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the general partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's management fee calculation under the governing documents. It is possible that the Fund may decide to repay any leverage with funds drawn from the commitments of the limited partners of the Fund or to make future portfolio investments with little or no corresponding leverage. If the Fund decides to pay down its leverage or to make its investment with little or no leverage, the returns of the limited partners of the Fund may be adversely affected.

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. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's 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 such Fund's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. 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 a Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. Except where otherwise required by the relevant governing documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. A Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Funds and entities managed by an Adviser or any of its affiliates, including through Fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant general partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Fund's governing documents, this scenario potentially incentivizes the relevant general partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are

always repaid out of disposition proceeds).

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the governing documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the relevant Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude bridge financing investments.

Risks Arising from Purchase of Debt on a Secondary Basis. AEA Debt Programs may invest in loans and debt securities acquired on a secondary basis. AEA Debt Programs are unlikely to be able to negotiate the terms of such debt as part of its acquisition and, as a result, these investments may not include some of the covenants and protections the AEA Debt Programs generally seek. Even if such covenants and protections are included in the investments held by the AEA Debt Program, the terms of the investments may provide portfolio companies substantial flexibility in determining compliance with such covenants. In addition, the terms on which debt is traded on the secondary market may represent a combination of the general state of the market for such investments and either favorable or unfavorable assessments of particular investments by the sellers thereof.

Loan Origination. In originating loans, AEA Debt Programs will compete with a broad spectrum of lenders some of which may be willing to provide capital on better terms (from a borrower's standpoint) than the AEA Debt Programs. Some lenders may have greater financial resources than the AEA Debt Programs. The increased competition for, or a diminution in the available supply of, qualifying loans may result in lower yields on such loans, which could reduce returns to the AEA Debt Programs. The Level of analytical sophistication, both financial and legal, necessary for successful financing to companies, particularly companies experiencing significant business and financial difficulties is high. There can be no assurance that the AEA Debt Programs will correctly evaluate the value of the assets collateralizing these loans or the prospects for successful repayment or a successful reorganization or similar action.

Loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases. The AEA Debt Programs may have to rely more on its own resources to conduct due diligence of the borrower. As a result, the diligence is likely to be more limited than the diligence conducted for a broadly syndicated transaction involving an underwriter. Loan origination may also involve additional regulatory risks given licensing requirements for certain types of lending in some jurisdictions. The AEA Debt Programs will attempt to ensure that their investments are compliant with such regulations by reviewing and taking advice on loan origination regulations in each relevant country. However, the scope of these regulatory requirements (and certain permitted exemptions) may vary from jurisdiction to jurisdiction and may change.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies. When conducting due diligence and making an assessment regarding an investment, the AEA Debt Programs will rely on the resources available to them, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the AEA Debt Programs carry out with respect to any investment opportunity may not reveal or

highlight all relevant facts that may be necessary or helpful in evaluating such investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect and potential investors should regard an investment in any of the AEA Debt Programs as being speculative and having a high degree of risk.

Projections and Third-Party Reports. The capital structure of an AEA Debt Program investment and the terms and targeting returns of such investment are established generally on the basis of financial, macroeconomic and other applicable projections. Projected operating results normally will be based primarily on investment executive judgements or third-party advice and reports with adjustments to such projections made by the Adviser in its discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be achieved, and actual results may vary significantly from the projections. General economic, natural and other conditions, which are not predictable, can have an adverse impact on the reliability of such projections.

Borrower Fraud; Breach of Covenant. AEA Debt Programs will seek to obtain structural, covenant and other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect and potential investors should regard an investment in AEA Debt Programs as being speculative and having a high degree of risks. Of paramount concern in originating or acquiring the financing contemplated by the AEA Debt Programs is the possibility of material misrepresentation or omission on the part of the borrower or other credit support providers or breach of covenant by such parties. Such inaccuracy or incompleteness or breach of covenants may adversely affect the valuation of the collateral underlying the loans or the ability of the AEA Debt Programs to perfect or effectuate a lien on the collateral securing the loan or otherwise realize on the investment. The AEA Debt Programs will rely upon the accuracy and completeness of representations made by borrowers, to the extent reasonable, but cannot guarantee such accuracy or completeness.

Obligation of Good Faith to the Borrower. Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) or good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors. AEA Debt Programs may be subject to potential allegations of lender liability. In addition, courts have in some cases applied the doctrine of equitable subordinations to subordinate the claim of a lending institution against a borrower to claims of other creditors or the borrower when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct.

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.

Non-Controlling Investments. The AEA Debt Programs are expected to hold minority stakes in portfolio companies and in some cases may have limited minority protection rights. In such instances, the Funds likely will have limited management and/or control rights with respect to the operation of such companies and be entirely dependent on the decisions of the portfolio company and/or third-party investors. As is the case with minority holdings in general, such minority stakes that the Funds hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Funds hold a minority stake, such stakes may be more difficult for the Funds to liquidate than if such Funds owned a controlling interest in such company or were otherwise granted control and/or management rights alongside any such company and/or third party investor. Even if the Funds have contractual rights to seek liquidity of such minority interests in such companies, it may be very difficult to sell such interests or to seek a sale of such company upon terms acceptable to the Funds, especially in cases where the interests of the other investors in such company have different business objectives and goals. In addition, the Funds are expected to co-invest with other persons through partnerships, joint ventures or other entities or arrangements as a co-venturer or partner, which presents additional risks (*see* – “Co-Investments” above).

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.

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.

Investments in Highly Leveraged Companies. The AEA Debt Programs' investments are expected to include investments in companies whose capital structures may have significant leverage, 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.

General Risks Associated with Debt Securities. Debt securities are subject to 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 the Fund's investment in any such company. The Fund's investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund 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 the Fund's rate of return objectives will be realized.

Investments in Less Established Companies. The Fund has not established any minimum size for the companies in which it may invest and could make investments in smaller, less established companies. Investments in such companies may involve greater risks than those associated with investments in more established companies. For example, such companies may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. In the case of start-up enterprises, such companies may not have significant or any operating revenues. Less established companies tend to have lower capitalizations and fewer resources (including cash) and, therefore, often are more vulnerable to funding shortfalls and financial failure.

Operational Risks. The AEA Debt Programs depend on their respective managers to develop the appropriate systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in an AEA Debt Program's operations may cause AEA Debt Programs to suffer financial losses, the disruption of its business, liability to third parties, regulatory intervention or damage to its reputation. Generally, the AEA Debt Program's general partner or the Adviser will be liable to the AEA Debt Programs for losses incurred due to the occurrence of any such errors.

Institutional Risk; Prime Brokers and Custodians. Institutions, such as brokerage firms or banks (including custodians and secured lenders), may hold certain assets of AEA Debt Programs in their own name and in non-segregated accounts. Insolvency or fraud at one of these institutions or other

entities could impair the operational capabilities or capital position of AEA Debt Programs or result in its inability to perform its obligations. Certain brokers will have general custody of the assets of AEA Debt Programs, and the failure of a broker may result in adverse consequences to the assets held and may in turn have an adverse effect on the value of the interests.

Diversification. While the general partner expects to maintain a diverse portfolio, there is no guarantee that this expected diversification can be obtained within a reasonable timeframe. Until such diversification is achieved, the Fund's portfolio may be subject to more rapid changes in value and may be adversely affected by the unfavorable performance of one or a small number of investments. To the extent the Fund concentrates investments in a particular issuer, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of the Fund may be adversely affected by the unfavorable performance of one or a small number of investments. Moreover, since all of the Fund's investments cannot reasonably be expected to perform well or even return capital, for the Fund to achieve above-average returns one or a few of its investments may need to perform very well. There are no assurances that this will be the case.

Spread Widening Risks. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which the Fund invests may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which the Fund invests.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company, Fund, general partner, the Advisers or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, the Advisers, the general partners, the Funds and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Advisers', the general partners', the Funds', portfolio companies' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating

to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Advisers or one of their service providers holding their financial or investor data, the Advisers, their affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under the Advisers' policies and practices.

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of Privacy Laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the general partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser, the general partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the Adviser, the general partners, the Funds and/or their portfolio companies.

Material Non-public Information. By reason of their responsibilities in connection with other activities of the Adviser, certain employees of the AEA Debt Programs may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. AEA Debt Programs will not be free to act upon any such information. Due to these restrictions, AEA Debt Programs may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that otherwise might have sold.

Zero Coupon and PIK Bonds. Because investors in zero coupon or PIK bonds receive no cash prior to the maturity or cash payment date applicable thereto, an investment in such securities generally has a greater potential for complete loss of principal and/or return than an investment in debt instruments that make periodic interest payments. Such investments are more vulnerable to the creditworthiness of the issuer and any other parties upon which performance relies.

Recharacterization. AEA Debt Programs may seek to place their representatives on the boards of certain companies in which the AEA Debt Programs have invested. The AEA Debt Programs may

also invest in companies in which the Adviser will have representatives on the boards of such companies. While such representation may enable AEA Debt Programs to enhance the sale value of its debt investments in a company, such involvement (and/or an equity stake by AEA Debt Programs or any of the Adviser's affiliates in such company) may also prevent AEA Debt Programs from freely disposing of its debt investments and may subject the AEA Debt Programs to additional liability or result in recharacterization of an AEA Debt Program's debt investments as equity.

**Social Media and Publicity Risk.** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding the Adviser, the Funds or one or more portfolio companies could have a material and adverse effect on the value of the Funds.

### **Private Equity Programs – Potential Conflicts of Interest**

During the relevant investment periods, the Private Equity Program Principals will pursue all appropriate investment opportunities they consider to be suitable for the Clients exclusively through the Clients comprising the Private Equity Programs and other investment vehicles comprising, or associated with, the Private Equity Programs, subject to certain limited exceptions. However, the Advisers currently manage multiple Clients investing in private equity and may direct certain relevant investment opportunities to different Clients.

AEA expects to continue to sponsor and manage the "Other Funds" in the future and will sponsor, manage, co-manage additional funds and separate accounts with different and/or similar investment strategies, as well. In addition, AEA will continue to oversee portfolio companies in which Other Funds have acquired interests. These other activities and time spent by AEA and AEA personnel likely will result in conflicts of interest among the Funds and the investors therein. The significant investment of the Principals in the Other Funds, as applicable, 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. Additionally, to the extent that the Principals or other personnel of the Advisers are assigned varying percentages of carried interest from the Other Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage. The Advisers seek to address the potential for conflicts of interest in these matters with allocation practices that provide that transactions and investment opportunities will be allocated to the Other Funds in accordance with each Other Fund's investment guidelines and Partnership Agreement, as well as other factors that do not include the amount of performance-based compensation received by the Principals or other personnel of the Advisers. Other Funds (or portfolio companies held thereby) may compete with a particular Client comprising part of the Private Equity Programs or companies acquired thereby. The allocation of opportunities between competing portfolio companies will be determined in good faith by the relevant Advisers, taking into account a variety of factors including, but not limited to, availability of capital for each such portfolio company and sourcing involvement in such opportunity. Following the investment

period, the Principals reserve the right to, and will, devote attention to opportunities and areas unrelated to a particular Client's investments. Unless restricted by the governing documents of the relevant Funds, the Advisers' personnel are permitted to serve on boards or act in other roles unaffiliated with the Advisers, the Other Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce management fees.

In addition, except to the extent prohibited by the governing documents of the relevant Funds, the Advisers and their personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or Special Purpose Acquisition Companies of which the investment or business strategy does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. In addition, the Advisers' personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. The Advisers' personnel manage and monitor such investments until their realization. Such other investments that the Advisers' personnel expect to control or manage generally have the potential to compete with companies acquired by a Client. To the extent an investment opportunity is received that is unsuitable for a Client, in an Adviser's sole discretion, the Adviser and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Subject to any limitations imposed by such governing documents and anti-"assignment" provisions of the Adviser Act, the Advisers and their personnel are also permitted to offer, restructure and monetize interests in the Advisers.

The Advisers, their affiliates, and equity holders, officers, Principals and employees of the Advisers and their affiliates reserve the right to buy or sell securities or other instruments that the Advisers have recommended to a Client. In addition, officers, Principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund, but will not in such circumstances be required to share in, reimburse or compensate the relevant Fund for due diligence or other expenses (including broken deal expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. Any such transactions are subject to any restrictions in the relevant Fund governing documents and any related policies and procedures set forth in AEA's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of the Advisers have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expect to have additional potential conflicting interests in connection with these 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 Private Equity Programs may have invested or may seek to invest. In these cases, conflicts are expected to arise between the interest of the 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 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 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 seek to resolve these and other conflicts in what they believe to be a fair and equitable manner.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. Investments by more than one Fund in a portfolio company also have the potential to raise the risk of using assets of a Fund to support positions taken by other Funds. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Advisers and their affiliates reserve the right to express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers or personnel express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts, there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

The Advisers may arrange for a transaction in which one Client buys a security from or sells a security to another Client (a "Cross-transaction") when the Adviser deems the transaction to be in the best interest of each participating Client. In doing so, the Adviser may use an unaffiliated broker-dealer or custodian to execute such cross-transaction and may pay such broker-dealer or custodian to do so, or (ii) execute a cross-transaction directly without the use of a broker-dealer or custodian, in which case the Adviser will not receive compensation to effect such transaction. Any such compensation or other transaction costs associated with a cross-transaction are expected to be divided among the participants based upon the expenses related to each such party unless the Adviser determines in its sole discretion that different allocation would be more fair and equitable. When effecting cross-transactions, the Adviser may have conflicting responsibilities with respect to each participating Client. In certain circumstances, a cross-transaction may be considered to be a "principal transaction" (i.e., where an Adviser acts as principal for its own account and an Adviser knowingly transacts with one of its affiliated funds) under the Advisers Act. To the extent that a cross-transaction may be viewed as a principal transaction, the Advisers will conduct such

transaction in accordance with the provisions of Section 206(3) of the Advisers Act. To the extent required by the applicable Funds' governing documents or otherwise in the sole discretion of the Advisers, the Advisers reserve the right to seek to mitigate any conflicts posed by cross or principal transactions by seeking input from an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness or "arm's-length" nature of a purchase or sale price, whether or not part of a formal fairness opinion, "request for proposal" process, or proposal or quotation provided exclusively for the benefit of the Advisers) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's Advisory Board) to such transactions.

In certain cases, the Advisers have and may in the future determine that it would be in the best interest of a Client to provide an opportunity for investors to obtain liquidity for all or a portion of their interests prior to the end of a Client's term. In such situations, the Advisers will seek to raise capital from third parties who wish to directly or indirectly acquire interests in one or more portfolio companies from a Client, including through the creation of a new fund or similar continuation vehicle. In such cases, the Advisers may seek to require the purchasers to make commitments to a successor Client and/or its parallel Clients or accept the terms of disposition offered by the new investors for the portfolio company interests which may or may not reflect fair market value of such interests. Because the Advisers and/or their affiliates will have the opportunity to earn additional management fees and/or receive additional carried interest and other economic benefits in respect of such transactions, and because each purchaser's commitment to acquire interests in a successor Client and/or its parallel Clients could be conditioned upon completion of the transaction, the Advisers will have a potential conflict of interest in determining transaction terms and participants.

In determining which Client should participate in investment opportunities, subject to the applicable governing documents of the Clients, AEA and AEA personnel are subject to conflicts of interests in respect of the investors in the various Clients. Notwithstanding the foregoing, AEA ultimately will determine the allocation of investment opportunities among Clients in such manner as it determines, in its sole discretion. In addition to the general risks above, when determining whether and to what extent a particular Client in the Private Equity Program will participate in an investment opportunity, AEA and its affiliates generally assess whether an investment opportunity is appropriate for each relevant Client based on factors they determine, in their sole discretion, to be appropriate at such time which may include: (i) the applicable investment guidelines of each Fund; (ii) the sourcing and expected risk-adjusted returns of the investment, structural or contractual protections, such as security interests and/or covenants, and the nature and extent of involvement of the respective teams of AEA personnel dedicated to the relevant Client in such efforts; (iii) the availability of capital for such investment, need for follow on investments to achieve the investment thesis and the duration of relevant investment periods; (iv) the level of control expected with the investment; (v) the sector and geography/location of the investment; (vi) the relevant industry experience and network of the respective teams of AEA personnel; (vii) the specific nature (including size, type, amount, liquidity, holding period, anticipated maturity and minimum investment criteria) of the investment; (viii) expected risk adjusted return of the investment; (ix) expected leverage on the investment; (x) portfolio diversification concerns (including whether a particular fund already has its desired exposure to the investment, sector, industry, geographic region or markets in question); (xi) relation to existing investments in a Client, if applicable (e.g., "follow on" to existing investment, joint venture or other partner to



existing investment, or same security as existing investment); (xii) avoiding allocation that could result in de minimis or sub-scale investments; (xiii) anticipated tax treatment of the investment; (xiv) expected availability and degree of leverage on the investments; (xv) co-investment arrangements; (xvi) the specific nature (including size, type, amount, liquidity, holding period, anticipated maturity and minimum investment criteria) of the investment; (xvii) diversification requirements for business development companies or registered investment companies, as applicable; (xviii) applicable regulatory obligations, including any requirements to offer investment opportunities to another Fund pursuant to any applicable SEC exemptive relief order; and (xix) other considerations or factors deemed relevant by AEA, the Client's general partner and AEA personnel. Furthermore, decisions made by AEA and their personnel with respect to the structuring and negotiation of a potential investment (including, for example, the type of security invested in) may influence whether an investment opportunity is within the investment objective and strategy of, and therefore whether it will be allocated to, a particular Fund to the exclusion of another Fund. With respect to follow-on investments in portfolio companies where a Client already has a controlling stake, it is AEA's policy to allocate follow-on investments initially to such Client to the extent such Client has available capital. There can be no assurance that the allocation of any investment opportunity among Clients, or the terms on which such allocation is made, will be as favorable as they would be if the conflicts of interest to which the Client's general partner, AEA and AEA personnel will be subject did not exist.

AEA makes good faith determinations for allocation decisions based on expectations that may prove inaccurate and such determinations require it to make subjective judgments regarding application of the guidelines and arrangements described herein. Information unavailable to AEA, or circumstances not foreseen by AEA at the time of allocation, may cause an investment opportunity to meet the investment parameters of an Other Fund. An investment that AEA expects to be consistent with the Client's return objectives may fail to achieve them. Any such judgments and application involves inherent conflicts and risks that assumptions regarding investment opportunities may not ultimately prove correct. As such, there can be no assurance that the subjective judgments made by the sponsor will provide correct in hindsight.

Decisions regarding whether and to whom to offer co-investment opportunities may be made by the Advisers or their related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other investors. The Advisers' allocation of co-investment opportunities generally will not result in allocations that are proportional to the amounts committed, if any, by the relevant potential co-investors to any of the Advisers' other Funds or any other co-investment vehicle, and such allocations may be more or less advantageous to some persons or entities than to others. Additionally, conflicts of interest are expected to arise in the allocation of co-investment opportunities to the extent that such allocation may benefit the Adviser instead of, or more than, the relevant Fund or is not in the best interests of the relevant Fund or any individual investor.

Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and AEA expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to management fees and/or performance-based compensation, co-investments blend the

effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the management fee offset provisions of a Fund's governing documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the general partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the general partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that employees and related persons of AEA and its affiliates make capital investments in or alongside certain Funds, AEA and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. Additionally, conflicts of interest are expected to arise in the allocation of co-investment opportunities to the extent that such allocation may benefit the Adviser instead of, or more than, the relevant Fund or is not in the best interests of the relevant Fund or any individual investor.

In addition, it is likely that in certain circumstances, a particular Fund will be invited to co-invest in transactions being managed or led by one or more other Funds and that one or more other Funds will be invited to co-invest with a Fund. Where such Fund co-invests alongside another Fund managed by AEA, such Fund will generally have a non-controlling interest in the co-investment, even though AEA is a sponsor of the other participating Funds. Such co-investment may take place simultaneously to the investments by such other participating Funds, or at a different time and may include a purchase by a Fund of interests from such others Funds, as permitted by the terms of the governing documents of such Funds.

Subject to any relevant restrictions or other limitations contained in the governing documents of the Funds, the Adviser will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its Clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. Further, the Advisers reserve the right to consider each relevant Client's strategy as a component of its allocation of investment expenses, and as a general matter will not allocate expenses associated with one Client's equity investment to a different Client's credit investment, or vice versa, even if the two investments are in the same portfolio company. Funds have different expense reimbursement terms, including with respect to management fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment. In exercising such discretion, the Advisers will be faced with a variety of potential

conflicts of interest.

Most of the Adviser's Clients have Advisory Boards. These Advisory 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 Private Equity Programs' investments, potential conflicts of interest, and other of the Private Equity Programs' matters, as provided in the relevant governing agreement. The Adviser and its affiliates will retain ultimate responsibility for all decisions relating to the operation and management of the 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.

A Client's limited partners likely will have conflicting investment, tax and other objectives with respect to their investments in such Client, including conflicting interests relating to the structuring and timing of investment acquisitions and disposition. As a consequence, conflicts are expected to arise in connection with decisions made by such Client's general partner regarding an investment that may be more beneficial to certain limited partners than to others, especially with respect to tax matters. In structuring, acquiring and disposing of investments, a Client's general partner generally will consider the investment tax and other relevant objectives of the Client and the partners as a whole, not the investment, tax, or other objectives of any individual limited partner.

There is not expected to be an actively traded market for most of the investments owned by the Private Equity Programs. When estimating fair market value, the general partner of each Client will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such investment and differ from the prices at which such investments ultimately may be sold. The general partners' discretion in respect of such valuations are expected to give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of the management fees.

In the case of the 2006 Program, this Fund made a commitments to SBF II and Europe Fund (such funds, the "Dropdown Funds") and became a limited partner in such Dropdown Funds. Although the 2006 Program does 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. The Advisers have not done any, and does not intend to make any, dropdown investments from any later dated Fund and will seek the approval of the limited partner advisory board of the appropriate Fund should that change.

The Funds comprising the Private Equity Programs and/or their portfolio companies 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.

The Funds comprising the Private Equity Programs and/or their portfolio companies may reimburse the Advisers 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 and could include equity incentives and performance awards, provided that in all instances the amount shall be reasonable in relation to the services provided. Such amounts are not offset against management fees and are retained by the Advisers.

The Advisers will exercise their discretion to recommend to the relevant Private Equity Program or to a portfolio company thereof that it contract for services with an entity with which the Advisers or its affiliates or current or former members of their personnel or their Participant network has a significant relationship (including a portfolio company of the Fund or another AEA-sponsored fund) or from which the Advisers or its affiliates or their personnel otherwise derives some benefit. This practice will subject the Advisers to conflicts of interest because although the Advisers intend to select service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Private Equity Program, the Advisers may have an incentive to recommend the related or other person because of its other business interest. There is a possibility that the Advisers, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person or entity. Whether or not the Advisers have a relationship or receive a benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. Additionally, the Adviser expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Funds, and due to the nature of the service provider relationships and the timing of services these persons have the potential to have information advantages relative to other investors or co-investors, and likely will be offered co-investment opportunities before such opportunities are presented to other interested prospective co-investors.

Additionally, the portfolio companies of the Private Equity Program are expected to reimburse the Advisers and/or service providers retained at the Advisers' discretion for expenses (including without limitation, travel expenses) incurred by the Advisers and such service providers in connection with their performance of services for such portfolio companies. Service provider expenses are required to be reimbursed whether or not there is overlap in expertise, function or services performed by Adviser personnel. This practice will subject the Advisers to conflicts of interest because the relevant Fund is not expected to have an interest or share in such reimbursements and the amount of such reimbursements may be significant. Such reimbursements will not offset or reduce the Management Fee. The Advisers expect to determine the amount of such reimbursements in its own discretion and in accordance with its internal reimbursement policies and practices. The amount of specific reimbursements generally is not expected to be disclosed to investors, however, their effect will be reflected in the Fund's audited financial statements (through the valuation of the Fund's assets), and any payments or reimbursements to

the Advisers or service providers generally will be subject to: agreements with sellers, buyers and management teams and/or the review and supervision of a portfolio company's board of directors or lenders and/or third party co-investors in the applicable transaction. The Advisers believe that these factors will help to mitigate related conflicts of interest.

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

In addition to reimbursements described above that do not offset the management fee, the Advisers or their affiliates are permitted to receive Supplemental Fees, and this practice will subject the general partners and the Advisers to conflicts of interest in certain circumstances. In particular, the management fee is generally offset by a specified percentage (ranging from 0% to 100%) of such fees received in respect of investments by the Fund however they will generally not be offset by such fees to the extent they are attributable to the investments by applicable general partner of a Fund, to other partners designated as "affiliated partners" in a Fund, to the Participant Programs or to investments by third-party co-investors. Further, the Advisers may receive such Supplemental Fees before it would be entitled to receive the portion of the management fee that is offset by such fees. To the extent that there are such fees that are attributable to the limited partners and have not offset the management fee upon the dissolution of the relevant Fund, such excess fees generally will be distributed to each limited partner in such amounts that such limited partner would receive if they were distributed in accordance with the provisions of the operative agreements; however, a partner may elect not to receive its share of such excess fees and in such event the applicable general partner would realize the full benefit of such portion of such fees

without an offset to the management fee. The opportunity to earn these fees and receive reimbursements (whether or not they offset the management fee), the formulation of the management fee at certain times during the life of the Fund, and the existence of the general partner's carried interest may create an incentive for the general partner to cause the Fund to make more investments, and to make more speculative investments, than it would otherwise make in the absence of such fees and reimbursements, such formulation of the management fee and such performance-based compensation.

As a result of the operations of the Private Equity Programs, the Adviser, its affiliates and their respective employees, partners, members, shareholders, officers, directors and managers may come into possession of confidential or material, non-public information including as a result of certain of the Adviser's personnel serving on the boards of directors of portfolio companies. Consequently, Clients may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken. The Adviser anticipates that, to minimize the impact of such restrictions, a Client may elect not to receive material, non-public information in certain situations in which such an election is available.

Clients may be permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate Commitments of such Client available to be called. A Client's use of such facilities will be determined by its general partner, and the performance of the Client may be impacted by how its general partner causes the Client to utilize such facilities. Although, the use of such facility may increase the Client's ability to swiftly invest capital, it also will cause the Client to incur interest expense. Conflicts of interest are expected to arise in that the use of such facilities may, and likely would, delay the need for Partners to make certain contributions to the Client, which may enhance the Client's performance figures and thereby benefit the Adviser.

A Fund's general partner generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the general partner as carried interest (which generally will be made using the value of the relevant securities on the date of distribution). In such circumstances, there is a potential conflict of interest between the general partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the general partner and its beneficial owners may intend to hold the investment for a different time period than AEA deems suitable for the Fund. Although the general partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the general partner and its beneficial owners could exceed the value of the general partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the general partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

#### **AEA Debt Programs - Potential Conflicts of 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 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. The representatives of the Advisers serving on the Investment Committees serve as officers and/or employees of the Advisers and will spend the preponderance of their business time on matters unrelated to a specific fund. As a result, potential conflicts of interest will 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 is expected to 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. The AEA Mezzanine Funds focus on mezzanine debt securities and equity co-investments with a focus on investments in middle-market companies. The Middle Market Debt Funds (“MMDF Funds”) focus on providing senior debt to a variety of borrowers. The AAM Funds focus on debt and equity co-investments that are considered capital solutions, providing capital to borrowers not using traditional senior or mezzanine debt capital. The Investment Team intends generally to allocate investment opportunities between the actively investing MMDF Funds pro rata, determined on a quarterly basis, on their respective total fund size taking into account the capital commitments, available leverage, and other factors of each the MMDF Funds. Nevertheless, investment opportunities may be allocated other than on a pro rata basis, if the Investment Team deems in good faith that a different allocation among the MMDF Funds is appropriate, taking into account, among other considerations: (a) geographic or industry diversification of the portfolios of each such fund; (b) liquidity requirements of each such fund; (c) tax consequences; (d) regulatory restrictions; and (e) proximity of an MMDF Fund to the end of its specified commitment period or term. 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 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. The AEA Debt Programs are also authorized to originate or initially acquire an investment (or portfolio of related investments) in circumstances where it expects that certain portions or tranches thereof (which may be of different levels of seniority or credit quality) will be syndicated to one or more other Funds (in which case AEA will have conflicting duties in determining the tranching thereof). 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 debt 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. To minimize potential conflicts of interest, the Fund may, but will not be obligated to, in such conflict situations to agree to vote its debt securities in accordance with the votes of other debt holders of the same class, or abstain from voting or taking certain actions not approved by the other holders of such class. Further, where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of expenses relating to unconsummated transactions, regardless of whether other Funds could or would have invested in the company in potential future transactions. For MMDF Funds, expenses related to unconsummated transactions are borne by the MMDF Funds on pro rata allocation (based on their respective total fund size taking into account the capital commitments, and available leverage, and other factors) determined for that quarter.

A Fund in the Private Equity Program 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 Private Equity Program 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 Board. 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. While the Advisers will allocate investment opportunities in a manner that they believe in good faith is fair and equitable to their Clients under the circumstances over time and considering relevant factors, there can be no assurance that a Debt Program's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Advisers may be subject, discussed herein, did not exist.

The portfolio companies of other AEA Funds in which the Fund also invests may reimburse AEA for the costs of secondment or similar arrangements where employees and consultants, including operating partners and operating executives, of the Adviser or its affiliates who are lent to work or provide services on an interim basis to a portfolio company. Such expenses are



required to be reimbursed whether or not there is overlap in expertise, function or services performed by Adviser personnel. The value of such reimbursements will not be shared with the Fund or the limited partners through an offset to, or a reduction in, the Management Fee or otherwise, but rather the Fund will bear such amounts through the portfolio companies in which it invests. The portfolio companies of other AEA Funds in which the Fund also invests may also retain other companies and individuals. Fees and expenses paid to such companies and individuals by applicable portfolio companies will not be offset against the management fees. The Fund will also be subject to the other risks and conflicts of interest associated with investing in portfolio companies of other AEA Funds and private equity investing generally.

The appropriate allocation between the AEA Debt Programs and another 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 relevant Adviser in its good faith discretion. Further, the Advisers reserve the right to consider each relevant Fund's strategy as a component of its allocation of investment expenses, and as a general matter will not allocate expenses associated with one Fund's equity investment to a different Fund's credit investment, or vice versa, even if the two investments are in the same portfolio company.

The Funds comprising the AEA Debt Programs 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 Adviser is permitted in its sole discretion to make available co-investment opportunities to strategic investors, lenders, limited partners and/or other persons. Conflicts of interest are expected to 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 Adviser in its sole discretion, may be for a variety of reasons and not solely with respect to the interests of the Fund or any individual limited partner. In exercising its sole discretion in connection with such co-investment opportunities, the Adviser 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 Adviser or its affiliates. The 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 the Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. If a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Fund. In the event that a transaction in which a co-investment was planned is not consummated, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, all expenses relating to such unconsummated transaction generally will be borne by the Fund, and not by any prospective co-investors, that were to have participated in such transaction. Such co-investors may come in directly to portfolio company investments or may come in through a co-investment vehicle formed by the Advisers or their affiliates and the Fund will be authorized to structure such co-

investments with fees and/or carried interest payable and such fees/carried interest will not be shared with the Fund. Such co-investments may take place simultaneously with the Fund's investment or before or after, and may include the Fund selling a portion of its investment to such co-investors or vehicles. To the extent a subscription line credit facility is used to fund the Fund's acquisition of an interest, such subscription line credit facility may also be used to fund the portion of the interests that may ultimately be purchased by co-investors.

In connection with Funds managed by AAM, a joint venture between AEA and Amateras, although AAM is majority owned by Amateras, certain major decisions with respect to the business and operation of AAM require the consent of AEA. Accordingly, the success of AAM will depend, in part, on the ability of Amateras and AEA to work together. In the event of a disagreement between AEA and Amateras as to the resolution of a particular issue to come before AAM, or as to the management or conduct of the business of AAM in general, AEA and Amateras may not be able to resolve such disagreement. Any such disagreement could adversely affect an AAM Fund's ability to achieve its investment objectives, as well as the ability of an AAM Fund to conduct its operations and has the potential to create conflicts of interest due to each parties' independent economic interest. These conflicts may relate to, or arise from, among others, the decisions regarding the selection, allocation, structuring, and acquisition of new investments and disposition of existing investments.

The Funds within the AEA Debt Programs may establish Advisory Boards consisting of representatives of investors not affiliated with the applicable Adviser. The Advisory Board will meet as required to consult with the Adviser as to potential conflicts of interest. On any issue involving actual conflicts of interest not provided for in the Partnership Agreement, (i) each of the Adviser and the AEA Debt Programs will be guided by its good faith judgment as to the best interests of the Fund and shall take such actions as are determined by the Adviser or the AEA Debt Programs, as the case may be, to be necessary or appropriate to ameliorate such conflicts of interest and (ii) the Adviser or the AEA Debt Programs will consult with the Advisory Board with respect to any matter as to which the Adviser determines in good faith that a material conflict of interest exists. If the Adviser or the AEA Debt Programs consult with the Advisory Board with respect to a matter giving rise to a conflict of interest, and if the Advisory Board waives such conflict of interest or the Adviser or the AEA Debt Programs act in a manner, or pursuant to standards or procedures, approved by the Advisory Board with respect to such conflict of interest, then none of any Related Investment Fund, the successor funds, the Adviser, the AEA Debt Programs, or any of their respective affiliates shall have any liability to the Fund or any Partner for such actions in respect of such matter taken in good faith by them, including actions in the pursuit of their own interests, and such actions shall not constitute a breach of the Partnership Agreement or any other agreement contemplated therein or of any duty (including any fiduciary duty) or obligation of such person at law or in equity or otherwise.

The Advisers may establish a successor or complementary 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 or complementary investment fund will be made by the Advisers in their sole discretion.

The Adviser or its affiliates may come into possession of material non-public information with respect to an issuer. Should this occur, the Adviser would be restricted from buying, originating

or selling securities, derivatives or loans of the issuer on behalf of a Client until such time as the information became public or was no longer deemed material to preclude a Client from participating in an investment. Disclosure of such information to personnel of a Client's general partner responsible for the affairs of the Client will be on a need-to-know basis only, and the Client may not be free to act upon any such information. Therefore, a Client may not have access to material non-public information in the possession of the Adviser that might be relevant to an investment decision to be made by a Client, and the Client may initiate a transaction or sell an investment that, if such information had been known to it, may not have been undertaken. Due to these restrictions, a Client may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. In addition, the Adviser, in an effort to avoid buying or selling restrictions on behalf of a Client may choose to forego an opportunity to receive (or elect not to receive) information that other markets participants or counterparties, including those with the same positions in the issuer as the Client, are eligible to receive or have received, even if possession of such information would be advantageous to the Client.

The fair value of all investments or of property received in exchange for any investments will be determined by the general partner of each Client in accordance with the relevant Partnership Agreement and the valuation methodologies reviewed by a Client's Advisory Committee and auditors. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material.

AEA is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to AEA, its affiliates and personnel, or the Funds). Further, the Adviser is permitted to enter into a side letter or other similar agreement with a particular limited partner in connection with its admission to the Fund as a limited partner therein without the approval of any other limited partner, which would have the effect of establishing rights under or supplementing the terms of the Partnership Agreement with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners, the costs and expenses of which are expected to be borne by the relevant Fund. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to particular investments (which may increase the percentage interest of other limited partners in, and contribution obligations of other limited partners with respect to, such investments), (ii) reporting obligations of the Adviser, (iii) waiver of certain confidentiality obligations, (iv) consent of the Adviser to certain transfers by such limited partner, (v) rights or terms necessary in light of particular legal, tax, regulatory or public policy characteristics of a limited partner, (vi) economic arrangements (including, for example, with respect to any carried interest and/or management fees to be charged to limited partners) or (vii) matters regarding such limited partner's right to participate in co-investment opportunities (including, without limitations, preferential allocation thereof and the terms and conditions related to such participation (including any carried interest and/or management fees that might have to be charged with respect thereto). Except in the circumstances and on the timing required by governing documents and/or applicable law, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the Adviser, the relevant general partner or any of their affiliates in the event that certain investors

have received additional and/or different rights and/or terms as a result of such side letters.

In respect of AAM, the Investment Team partners expect to manage portfolio investments not held by the AAM Funds, including investments made with Amateras before the formation of AAM, which may cause them to devote a substantial amount of their time and attention to such portfolio investments in lieu of AAM and/or the AAM Funds. These other activities and time spent by AEA, AEA personnel and AAM likely will result in conflicts of interest with the Fund and the Limited Partners.

It may be possible that other private equity sponsors that compete with AEA may choose not, and in any event, will not be required, to approach an AEA Debt Funds to provide debt or other financing as a result of its affiliation with AEA.

### **General – Potential Conflicts of Interest**

Fund governing documents provide each Adviser with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that in each case have the potential to affect the Adviser's compensation. In making such determinations, the Adviser is subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for the Adviser or its affiliates to make investments and to hold investments longer than otherwise would be the case in the absence of the relevant Fund's management fee and carried interest compensation arrangements. The Adviser expects to be incentivized to cause a Fund to make, hold, value and/or dispose of investments (and to delay or forego a determination that the investments are Impaired Value Investments) in order to receive greater ongoing management fees and, potentially, earlier and/or larger carried interest distributions than would otherwise be the case.

Where the management fee is calculated taking into account the valuation of an investment, the Adviser will have incentives to make determinations that result in the continued payment of, or a higher, management fee. Where the relevant governing documents do not require management fees to be reduced in connection with investment reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, the Adviser is incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant general partner is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and the relevant general partner expects to be subject to related potential conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine that an investment is an Impaired Value Investment, within the requirements of the relevant Governing Documents.

The Adviser's wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant general partner or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant general partner's determination that an investment is an Impaired Value Investment, and except as set forth in the governing documents, neither the general partner nor its affiliates is

obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Fund's holding period. The general partner is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the governing documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of the Adviser's compensation is dependent in part on an investment's status as an Impaired Value Investment, the relevant general partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although the Adviser intends to operate in accordance with the governing documents, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

Although Fund governing documents generally contain broad exculpation and indemnification provisions, AEA will not interpret such provisions to constitute a waiver of any person's non-waivable federal fiduciary duties to the relevant Fund under the Advisers Act. The relevant liability standards under insurance coverage procured by AEA are expected to vary by carrier, and such standards are expected to vary depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages are expected to vary from relevant liability and/or indemnity standards in the governing documents. Investors generally will be responsible for insurance premiums, as set forth in the governing documents, regardless of whether the liability and/or indemnity standards in AEA's insurance coverage are higher or lower than that set forth in the governing documents.

## **Item 9 - DISCIPLINARY INFORMATION**

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Not applicable.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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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 located in Europe and Asia, respectively, and are relying advisers with respect to AEA QP Advisers LLC. AAM is being added as a "relying adviser" on AEA QP Advisers LLC's Form ADV Part 1A pursuant to a strategic partnership between Alex Jung and AEA Investors LP, which is discussed further in Item 4 above.

The general partners of various Funds have filed for an exemption from registration as commodity pool operators in accordance with CFTC Rule 4.13(a)(3) on behalf of the Clients.

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

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The Advisers have adopted a Code of Ethics (the “Code”) to help ensure that their personnel comply with all applicable federal securities laws (including insider trading 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. If an employee feels they are unable to make an internal report, they are encouraged to make an anonymous report to the relevant regulatory body. The Advisers will provide a copy of the Code to Clients and prospective investors in Clients upon request.

The Advisers require all employees (and members of the household of the employee) 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. The Advisers and their employees may come into possession of material nonpublic information or other confidential information about public companies which, if disclosed, might affect an investor’s decision to transact in a security. Under applicable law, the Advisers and their employees are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such person is a Client. 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**

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If Advisers buy or 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 ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any), (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution, (iii) the financial strength, integrity and stability of the broker-dealer or counter party, (iv) the competitiveness of commission rates in comparison with other broker-dealers, (v) the nature and extent of customer services (i.e., proprietary research and access to third party research services, the need for anonymity, trade adjustments and the like), (vi) accuracy of recommendations on particular securities and access to underwritten offerings and secondary markets, (vii) willingness to commit capital and quality of quotes regarding both price and size and related liquidity considerations, (viii) nature and frequency of investment coverage, and (ix) general responsiveness.

In certain instances, a Client will take a portfolio company public, which requires engaging one or more underwriters and bookrunners. The Client will provide guidance to the portfolio company's Directors when choosing underwriters and bookrunners, taking the above factors into account. The Directors will generally engage the same underwriters and bookrunners for secondary public offerings and the Client will generally use the lead underwriter for other additional transactions, including block trades related to the exit.

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**

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The Advisers periodically review all Client investments. The investment professionals responsible for each investment program prepare quarterly reviews of the portfolio of such investment program that are then reviewed by AEA Investors LP's executive 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 quarterly valuations of each investment that are reviewed and approved by the Advisers' senior personnel. Investors in Funds receive quarterly 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. 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.

### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

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Advisers have in the past agreed, and may in the future agree, to pay certain unaffiliated persons (placement agents) a cash fee for referring potential investors in Clients. These arrangements generally provide for the reimbursement of expenses incurred by placement agents, a monthly fee, and a success fee, based on the commitment made by the purchaser of interests in client referred by the placement agents. Any fees payable to any such placement agents will be borne by AEA indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, may and typically are borne by the relevant Fund(s). The Advisers and its related persons may receive discounts on products and services provided by portfolio companies of Clients and/or customers or suppliers of portfolio companies. For details regarding economic benefits provided to the Advisers by non-clients with

respect to break-up, transaction, monitoring, commitment, waiver and similar fees, including a description of the material conflicts and how they are addressed, please see Item 5 and Item 8 above.

## **Item 15 - CUSTODY**

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The Advisers are deemed to have custody of the Funds' assets for purposes of the Advisers Act by virtue of their relationship with each Fund's general partner. Except as permitted by the Advisers Act, such cash and physical securities are maintained in accounts established with qualified custodians, as defined in Rule 206(4)-2 of the Advisers Act, to the extent required by law. The Funds are subject to annual audit by an independent public accountant and the audited financial statements of the Funds, prepared in accordance with GAAP, are distributed to investors in the Funds no later than 120 days after the end of the fiscal year.

## **Item 16 - INVESTMENT DISCRETION**

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The 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. Pursuant to the terms of the Funds' governing documents, AEA and/or its affiliates have entered, and expect to enter, into side letters with certain limited partners whereby the terms applicable to a limited partner's investment in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. 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**

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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**

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Not applicable.