



## **BBAM US LP**

Part 2A of Form ADV  
The Brochure

100 Crescent Court  
Suite 1050, 10<sup>th</sup> Floor  
Dallas, TX 75201  
[www.bbam.com](http://www.bbam.com)

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of BBAM US LP. If you have any questions about the contents of this brochure, please contact us at (469) 871-2230. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

BBAM US LP is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration does not imply a certain level of skill or training.

Additional information about BBAM US LP is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2      Material Changes**

This item discusses changes made to the Brochure since it was last updated on September 28, 2023. This annual amendment updates the description of the business practices of BBAM US (as defined below) and its affiliates.

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## Item 4      **Advisory Business**

BBAM US LP (“BBAM US” or the “Adviser”) is a Delaware limited partnership with its principal place of business in Dallas, Texas. The Adviser, together with its affiliates (collectively, “BBAM” or “Babcock & Brown Aircraft Management”), is one of the world’s largest aircraft lessors. BBAM was founded in 1989 and has been led by its founder and Chief Executive Officer, Steve Zissis, since its inception. BBAM is a private partnership owned by its management team, affiliates of Onex Corporation (“Onex”), an investment manager listed on the Toronto Stock Exchange, and affiliates of GIC (“GIC” and, together with Onex, the “Strategic Partners”), a private company wholly owned by the Government of Singapore. The Strategic Partners are operationally independent from BBAM and do not participate in the day-to-day control of BBAM. BBAM has focused primarily on aircraft leasing on behalf of its clients until 2023. The Adviser provides investment advice on instruments that are “securities” for purposes of the Advisers Act.

BBAM US and certain affiliated advisers (each, an “Affiliated Adviser” or, collectively, the “Affiliated Advisers,” and together with BBAM US, the “Advisers”) provide advisory services to several privately offered pooled investment vehicles (each a “Fund” and collectively, the “Funds”) focused on sourcing, buying, trading, and managing aviation-related investments and securities. Certain Funds may make investments through alternative investment vehicles or special purpose vehicles and other similar vehicles or funds that were formed to facilitate investments for tax, regulatory, or other structuring reasons.

The Funds are generally organized as master-feeder structures. The persons and entities that invest in the Funds (each, a “Limited Partner” and, collectively, the “Limited Partners”) generally invest in the feeder funds (each a “Feeder Fund” and collectively, the “Feeder Funds”) which, in turn, invest substantially all of their assets in a master fund (each a “Master Fund” and collectively, the “Master Funds”). The Master Funds invest in securities and other assets as selected by the Advisers. Investment advice is provided directly to the Funds and not individually to the Limited Partners. In certain circumstances, for tax, regulatory, or other structuring reasons, Limited Partners may be permitted to invest directly in the Master Funds. The Advisers investigate, analyze, and negotiate potential investments and dispositions on behalf of the Funds. Investments are made predominantly in aviation-related opportunities including, without limitation, commercial passenger and freighter jet aircraft and related equipment, and certain securities, including non-public companies, public companies, debt instruments and certain other instruments that may be used for hedging purposes in connection with investments.

Each Fund has one or more general partners (the “General Partners”) that are affiliated with the Advisers. Limited partnership interests in the Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”) and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Funds are privately offered and sold exclusively to Limited Partners who are “qualified purchasers” as defined under the Investment Company Act and who are subject to certain other conditions, which are detailed in the applicable offering documents, limited partnership agreements, investment management agreement, or private placement memorandums (the “Governing Documents”). Shares in the Funds are generally offered outside of the United States to persons who are not “U.S. Persons,” as defined under Regulation S of the Securities Act, or who are tax exempt U.S. Persons (or entities substantially composed of tax-exempt U.S. Persons), on a private placement basis, and who are subject to certain other conditions, which are fully set forth

in the Governing Documents for the respective Funds.

From time to time and as permitted by the Governing Documents, the Advisers provide co-investment opportunities to certain investors, including Limited Partners in the Funds, market participants, finders, consultants, service providers, the Strategic Partners, and/or certain other persons associated with BBAM or the Strategic Partners, including personnel and their family members. Such co-investments often involve investment and disposal of interests in assets at the same time and on the same terms as the Fund(s) making the investment. Certain Limited Partners in Funds that are co-investment vehicles pay reduced or no management fees and/or are subject to no or reduced carried interest.

BBAM US' and the Affiliated Advisers' advisory services to the Funds and any restrictions, limitations, and investment descriptions are detailed in the Governing Documents. The individual needs of Limited Partners in the Funds are not the basis for investment decisions by the Advisers and Limited Partners in the Funds may not impose restrictions on types of securities in which the Funds invest. Investment advice is provided directly to the Funds by the Advisers and not individually to Limited Partners. The Advisers provide advice to the Funds based on specific investment objectives and strategies described in the Governing Documents for each Fund. Interests in the Funds are offered only to investors who meet certain eligibility conditions, which are fully set forth in the Governing Documents of each Fund. The Advisers have in the past and expect in the future to enter into agreements (often referred to as "side letters") with certain Limited Partners that grant terms which differ from those outlined in the Governing Documents. Certain such additional rights but not all rights, terms or conditions may be elected by certain sizeable investors with "most favored nations" rights pursuant to the Limited Partner's side letters.

As of December 31, 2023, the Adviser managed approximately \$3,445,827,125 in assets on a discretionary basis on behalf of the Funds.

## **Item 5 Fees and Compensation**

Generally, the Advisers receive a management fee ("Management Fee") and one or more affiliates receive carried interest in connection with advisory services to the Funds. In addition to the management fee and carried interest, each Fund bears certain expenses as described herein.

The following provides a general description of fees, compensation, and expenses for the Funds. With respect to any particular Fund, while the description below may be generally applicable, fees and expenses may vary, and Fund investors should review the applicable Governing Documents for a description of all relevant fees and expenses to be paid by a Fund.

### **Management Fee**

During the life of the Funds, the Funds pay a Management Fee to the Advisers. The Management Fee is established by the Governing Documents and is based on a percentage per annum of committed capital or net invested capital. Additional details regarding the Management Fee can be found in the applicable Governing Documents.

The Management Fee is paid monthly in arrears. The Advisers have in the past and may in the future reduce or waive the Management Fee for certain Limited Partners, including personnel of

BBAM and their family members, Strategic Partners, and affiliates, among others.

As is generally the case in private equity funds, the 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 the "Stepdown Date" (as specified in the Governing Documents), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate capital 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 investments that have not been realized or the subject of a complete disposition (such investments, "Impaired Value Investments"), and will, in the case of some Funds, if greater than the foregoing, be tied to a percentage of the gross acquisition cost of 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 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 Governing Documents.

As a result, and as is generally the case for private equity funds, the amount of Management Fees generally will not correspond with fluctuations in the net asset value of individual investments or of a Fund, including following the relevant investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), 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, 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.

### **Carried Interest**

Affiliates of the Advisers, known as special limited partners ("Special Limited Partners"), receive carried interest with respect to the Funds as a percentage of net profits subject to the terms of each Fund's Governing Documents. Additional details regarding the carried interest can be found in the applicable Governing Documents. A description of carried interest is included in Item 6.

The Advisers have in the past and may in the future reduce or waive the carried interest for certain

Limited Partners, including personnel of BBAM and their family members, Strategic Partners, and affiliates, among others.

### **Additional Service Agreements**

BBAM US and certain Affiliated Advisers, have in the past and expect in the future to enter into services agreements with the Funds to provide certain administrative or management services in connection with the Funds' assets. The Affiliated Advisers may also enter into additional services agreements with one or more subsidiaries of the Funds in connection with financing provided by lenders to such subsidiary. Any such services agreement may provide for terms that differ from the terms of the service agreements with the Funds, including terms relating to the fees payable to the Affiliated Advisers and the circumstances under which such services agreement may be terminated. All or a portion of fees paid to affiliated service managers typically are offset against the Management Fee.

### **Placement Agent Fees**

BBAM US has used and expects in the future to use one or more placement agents. Potential investors should be aware that the placement agents receive a placement fee from the Funds which is permitted to be offset against the Management Fee. Certain placement expenses are not applied to reduce the Management Fee. For the avoidance of doubt, fees paid to locally licensed intermediaries or distributors that the Funds, General Partners, or an affiliate is required to engage in order to offer the interests in the Funds in particular jurisdictions shall not be deemed to be placement fees and therefore any such fees will not offset the Management Fee. Investors should consult with their own internal and external advisors before taking action with respect to any services, material, or information provided to them by the placement agent. Placement agents also seek to do business with and earn fees or commissions from affiliates of the Advisers or the General Partners and its investments, as well as with other third party fund sponsors that have similar or different investment objectives as the Funds.

Examples of such business include provision of financing or investment banking services; lending or arranging credit; provision of prime brokerage; and placement services. Accordingly, potential investors should recognize that the placement agents are influenced by its interest in such current or future fees and commissions, including differentials in the placement fees that are offered by other third-party fund sponsors for which the placement agent acts as placement agent. Potential investors should also be aware that certain affiliates or personnel of the placement agent might invest in the funds on their own behalf and/or on behalf of their clients. Potential investors should consider these potential conflicts in making their investment decisions.

### **Expenses**

Each Feeder Fund pays its pro rata share of each Master Fund's operating and other expenses, including, without limitation, the type of expenses set forth in "Fund Expenses" below.

#### Organizational Expenses:

Each Fund pays or otherwise reimburse the Adviser, Affiliated Advisers, or General Partners for all legal, accounting, filing, travel (including, where appropriate as determined by the General Partners, the cost of using private air travel at a cost equal to the cost of first-class commercial

airfare), lodging, meals, accounting, tax, consulting, printing, capital raising, regulatory, compliance, administrative or other filings, and other organizational expenses incurred in connection with organizing and establishing the Funds and their affiliated entities and the marketing and offering of interests in the Feeder Funds. The Management Fee is reduced to the extent organizational expenses exceed an amount predetermined in each Fund's Governing Documents. The Funds also generally bear certain expenses incurred by a placement agent, as described above and more fully in each Fund's Governing Documents.

#### Fund Expenses:

Each Fund bears all costs, expenses, fees, liabilities, and obligations relating to its activities, actual and potential investments, and business, including but not limited to:

- all costs relating or attributable to the Funds' investments whether or not consummated;
- all legal, accounting, research, auditing, client relations management, valuation, consulting or other similar services and other costs of the Funds related thereto; costs charged or specifically attributed or allocated by the General Partners or their respective affiliates to provide technical consulting and/or other expert consulting and in-house legal, technical consulting and/or other expert consulting (e.g., with respect to conversion or aircraft engines and parts) and in-house legal, tax, financial, administrative and accounting services to the Funds, and costs incurred by the Funds, or affiliates in connection with such provision of technical consulting and/or other expert consulting and other overhead allocable to such services;
- activities or proceedings of the Funds' board of advisors (including any reasonable legal expenses of counsel engaged by the Fund's board of advisors), as well as travel (including, where appropriate as determined by the General Partners, the cost of using private air travel at a cost equal to the cost of first-class commercial airfare) and lodging costs incurred by representatives of the General Partners and board of advisors members and observers in connection with attending or otherwise participating in board of advisors meetings (including via webcast or other video conference (and any subscription costs related thereto);
- costs associated with tax or other compliance, or any other administrative, compliance or regulatory filings or reports, or other information, including the global Common Reporting Standard for the automatic exchange of financial account information, the Directive on Administrative Cooperation has been amended, by Directive 2018/822/EU or any other administrative, compliance or regulatory filings or reports (including Form PF, any filings or reports contemplated by or in order to comply with the Foreign Bank and Financial Accounts or similar, the AIFMD, CISA, FinSA or any other similar law, rule or regulation or any applicable environmental, social or governance related legislation or any similar law, rule or regulation and any reports required or requested by the U.S. Bureau of Economic Analysis);
- costs associated with the preparation of side letters with investors;
- extraordinary expenses, liabilities, indemnities, and other obligations of the Funds;



- costs of terminating, winding-up and dissolving the Funds and any legal entities owned directly or indirectly by the Funds;
- costs incurred in connection with complying with any law, rule, regulation, or policy related to the activities of the Funds;
- costs related to legal inquiries;
- out-of-pocket costs incurred in connection with the collection of amounts due to the Funds from any person or entity;
- any costs incurred in connection with the obtaining of consents or approvals to or waivers of the constituent documents of the Funds;
- all debt service obligations of and guarantees made by or on behalf of, the Funds, including interest, premium, if any, costs, and other amounts payable in respect of indebtedness of the Funds incurred, or indebtedness of any subsidiary thereof or seeking to put in place or amending or otherwise modifying or supplementing any such indebtedness or guarantee;
- the Management Fee;
- costs attributable to any annual investor meeting (including via webcast or other video conference (and any subscription costs related thereto) or other periodic, if any, meetings of the and any other conference or meeting with any investor(s);
- 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 related to any retention or deductibles and broker fees, costs and commissions) and any consultants or other advisors utilized in the procurement, review and analysis of insurance policies;
- financing, commitment, origination, and similar costs;
- broker, dealer, finder, underwriting, loan administration, private placement fees, sales commissions, investment banker, finder, and similar services;
- brokerage, sale, custodial, depository, trustee, record keeping, account, registered office, registered agent, and similar services;
- reverse break-up, indemnification, damages, termination, and other similar costs, including any costs related to transactions that might have been offered to co-investors, for the avoidance of doubt, including such co-investors' respective portion of such expenses;
- filing, title, transfer, registration, and other similar costs;
- printing, communications, marketing, and publicity;
- developing, licensing, implementing, maintaining, or upgrading any web portal, extranet

tools, computer software or other administrative or reporting tools for the benefit of the Funds or the Limited Partners;

- any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information;
- actual, threatened or otherwise anticipated litigation, mediation, arbitration, or other dispute resolution process, including the costs of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith;
- any cost relating to any separate investment entity or its activities, business, actual or potential investments that would be a Fund Expense or excess organizational expense if it were incurred in connection with the Funds;
- any third-party experts;
- any taxes, fees and other governmental charges levied against the Funds and all costs incurred in connection with any tax audit, inquiry, investigation settlement or review of the Funds and any costs of or related to the “partnership representative” of a Fund;
- costs associated with the acquisition, holding and disposition of a Fund’s investments;
- any travel (including, where appropriate as determined by the General Partners, the cost of using private air travel at a cost equal to the cost of first-class commercial airfare), lodging or meals relating to any of the foregoing, including in connection with consummated and unconsummated investments and disposition opportunities;
- any excess organizational expenses;
- any placement fees paid to any placement agent;
- developing, structuring, operating and winding-up administrative structures in other countries and elsewhere that are put in place to operate the Funds’ investment activities;

- costs incurred in connection with joint venture arrangements;
- costs involving amendments to, and waivers, consents, or approvals pursuant to the Governing Documents;
- costs incurred in connection with a defaulting investor;
- any costs arising from any foreign exchange or other currency transaction;
- costs incurred in connection with making distributions to Limited Partners; and
- any other costs approved by the board of advisors.

### Other Expenses

Each Fund pays all out-of-pocket costs and expenses relating to its activities, including legal, technical, tax, financial, auditing, consulting, administration, custodian and accounting fees and expenses, insurance and other expenses associated with the investigation, acquisition, holding and disposition of its investments, extraordinary expenses (such as indemnification and litigation) and all debt service obligations, including principal, interest, premium, if any, fees, expenses and other amounts payable in respect of indebtedness of the Funds.

The Advisers have adopted procedures to govern the allocation of expenses that are shared by more than one Fund or between the respective Adviser and any Fund. If any expenses are incurred jointly by more than one Fund managed by an Adviser or its affiliates, such expenses are generally allocated among the Funds in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the Advisers consider to be fair and reasonable.

Neither the Advisers nor any of their personnel accept compensation for the sale of securities or other investment products.

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

Affiliates of the Advisers, known as Special Limited Partners, receive carried interest with respect to the Funds as a percentage of net profits subject to the terms of each Fund's Governing Documents. Carried interest is generally equal to a percentage of net profits, subject to a preferred return or hurdle rate, as more fully described in the relevant Fund's Governing Documents. Invested capital and applicable preferred return are generally distributed to Limited Partners prior to distributing performance-based compensation. As described in Item 5 above, the relevant Adviser or an affiliate generally accepts performance-based compensation from each Fund.

It should be noted that the potential to receive performance-based compensation creates a potential conflict of interest in that the relevant Adviser and its affiliates may have the incentive to make investments that are riskier or more speculative than they would make in the absence of performance-based compensation. Additionally, the Advisers may have the incentive to favor accounts that pay a higher performance-based fee. The Advisers recognize that they have a

fiduciary duty and as such must act in the best interests of Funds.

As is described in further detail in Item 12 below, the Advisers have adopted policies and procedures governing the allocation of investment opportunities in order to ensure that such allocation is fair and equitable to all Funds. Fund Limited Partners and Funds are provided with clear disclosure in the applicable Governing Documents and other agreements as to how the performance-based compensation is charged.

Each U.S. Limited Partner in any of the Funds that is charged a performance-based allocation must also satisfy the eligibility requirements of a “qualified client” as set forth in Rule 205-3 under the Advisers Act.

## **Item 7      Types of Clients**

The Advisers’ clients consist of the Funds and related co-investments, which are private investment vehicles. Each Fund establishes investment requirements as detailed in each Fund’s respective Governing Documents. The investors participating in the Funds may include high net-worth individuals, banks or thrift institutions, sovereign wealth funds, pension and profit-sharing plans, trusts, estates, charitable organizations or other corporations or business entities and also may include, directly or indirectly, past or current service providers, principals or other personnel of BBAM.

Limited Partners in the Funds are generally required to make minimum initial investments ranging from no minimum to \$10 million. The Funds’ General Partners may waive the minimum initial investment amount at its discretion.

Any interests in the Funds will be offered and sold generally to investors that are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act, or other “knowledgeable employees” of BBAM US and its affiliates.

The General Partners or Advisers without notice to or consent from existing or prospective Limited Partners in the Funds, has in the past and may in the future enter into side letters or similar separate agreements with one or more Limited Partners that alter the terms and conditions described in the Governing Documents.

## **Item 8      Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategies**

The Funds generally pursue aviation-related investment opportunities, including, without limitation, investments in commercial passenger and freighter jet aircraft and related equipment, and certain securities, including interests in non-public companies, public companies and debt

instruments (the “Target Sector”). The Advisers carefully review and conduct due diligence to identify attractive investment opportunities and seek stable cash flows and strong risk adjusted and predictable returns primarily in the Target Sector. The Funds can use leverage directly and/or indirectly. There can be no assurance that the Advisers will achieve the investment objectives of the Funds and a loss of investment is possible.

The methods of analysis, investment strategies and risks are described in further detail in each Fund’s Governing Documents. The Advisers may take advantage of opportunities with respect to certain other assets or instruments that are not presently contemplated or available, but that may be developed. Special risks could apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds.

### **Methods of Analysis**

BBAM US and its Affiliated Advisers employ a variety of techniques to determine the value of potential aircraft investments, considering market conditions and the quality and reliability of data, including without limitation, the price of recent investments in substantially similar assets by the Funds or other BBAM managed or serviced vehicles; the price of recent dispositions of substantially similar by the Funds or other BBAM managed or serviced vehicles, industry valuation benchmarks, including third-party appraisals from appraisers certified by the International Society of Transport Aircraft Trading (“ISTAT”); discounted cash flows (“DCF”), using assumptions and estimations of expected future cash flows and terminal value, discounted to a risk-adjusted rate intended to capture the risk inherent in such cash flow projections; and indicative offers received by the Funds or other BBAM managed or serviced vehicles for the asset or substantially similar assets. BBAM US and its Affiliated Advisers exercise their judgment to select the valuation technique or techniques most appropriate for non-aircraft investments, including securities, considering market conditions and the quality and reliability of available data. The valuation techniques used for non-aircraft investments, including securities, typically are similar to those used to value aircraft investments. In addition when appropriate, BBAM US and its Affiliated Advisers use other valuation techniques, including, without limitation, the use of available market prices when quoted market prices reflecting normal market transactions are readily and regularly available.

### **Investment Strategy Risks**

Limited Partners should note that investing in any securities and other assets involves risk of loss that the Limited Partner should be prepared to bear. Below is a summary of the material risks associated with the Advisers’ investment strategy and types of investments. Prospective Limited Partners should refer to the Governing Documents for a full description of risks.

*Discretion of Adviser; New Strategies and Techniques.* The Advisers have considerable discretion in the types of securities in which Funds may trade and may have the right to modify the trading strategies or hedging techniques of Funds without the consent of the investor(s). Any of these new trading techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Funds. In addition, any new investment strategy or hedging technique developed by the Advisers may be more speculative than earlier techniques and may increase the

risk of an investment.

*Nature of Investment.* Given the nature of certain of the proposed assets, it is expected that current income on certain of the Funds' investments will not occur for several years, if at all. The Funds' portfolios are subject to a high degree of industry risk and poor performance by a few of the investments that could significantly affect the total returns to Limited Partners. Furthermore, the Funds can invest in assets and conduct business with companies that experience severe financial difficulties, which may never be overcome.

*Lack of Management Rights.* The Limited Partner interests in the Funds are passive investments and the Limited Partners will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the Funds. The Limited Partners will not have the opportunity to evaluate the relevant economic, financial, and other information that will be utilized by the General Partners in their selection of investments and will not receive the detailed financial information regarding investments that is available to the General Partners. Limited Partners must rely entirely on the General Partners and the Advisers to conduct and manage, respectively, the affairs of the Funds. In addition, to the extent that a Limited Partner is not represented by a member of the board of advisors, such Limited Partner will have no influence over matters submitted to the board of advisors for review or approval. The voting rights of certain large Limited Partners may be limited in order to comply with relevant offering requirements.

*Reliance on the General Partners and BBAM Principals.* Control over the operation of the Funds will be vested entirely with the General Partners, and a Fund's future profitability will depend largely upon the business and investment acumen of members of BBAM's senior management team (the "BBAM Principals"). Should any of these individuals become incapacitated or in some other way cease to participate in the activities of BBAM, a Fund's performance could be adversely affected. Further, the loss or reduction of service of one or more of the BBAM Principals could have an adverse effect on a Fund's ability to realize its investment objectives. The BBAM Principals intend to devote sufficient time to the Funds so it can carry out its proposed activities. In addition, to the extent permitted or otherwise not prohibited in the Governing Documents, the BBAM Principals currently, and are permitted in the future, to manage other accounts and may need to devote substantial amounts of their time to the investment activities of such other accounts, which could pose conflicts of interest in the allocation of their time. In addition, certain changes in the General Partners or the BBAM or circumstances relating to the General Partners or BBAM could have an adverse effect on the Funds or one or more of its aircraft or related equipment investments, including potential acceleration of debt facilities.

*Restrictions on Transfers and Withdrawal.* Participation in the Funds will generally be an illiquid investment. The interests in the Funds are not assignable or transferable without the prior written consent of the General Partners. Limited Partners may not withdraw capital from the Funds, except to the extent set forth in the Governing Documents. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of a Fund's term, which given the asset class is expected to be lengthy and must be prepared to bear the risks of an investment in the Funds for an extended period of time. Distributions are made in the discretion of the General Partners, subject to the requirements of the Governing Documents. There will be no public market for interests in the Funds and none is expected to develop. Further, each Limited Partner must represent that it will only sell or transfer its interest with the prior written consent from the General Partners to a qualified investor under applicable securities laws and in a manner permitted by the Governing

Documents and consistent with such laws.

*Mandatory Withdrawal.* In certain limited circumstances, the General Partners have the authority to require a Limited Partner to withdraw from the Funds prior to the termination and liquidation of the Funds, including if the General Partners determine that the continued participation in the Funds of such Limited Partner could materially adversely affect the Funds (e.g., by causing the Funds to be registered as an investment company under the Investment Company Act). A Limited Partner required to withdraw early from the Funds could suffer a material loss on its investment and this could have an adverse effect on the Funds or the Limited Partners as a whole.

*Special Limited Partners' Carried Interest.* The fact that the Special Limited Partners' carried interest is based on a percentage of net profits and is not proportionate to the Advisers' capital contributions to the Funds could create an incentive for the General Partners to cause the Funds to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. Current 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 Funds have held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with the Advisers who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the Advisers and their respective affiliates to incentivize, attract and retain individuals to perform services for the Funds. This could also create an incentive for the General Partners to cause the Funds to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

*Limited Access to Information.* Limited Partners' rights to information regarding the Funds will be limited as specified in the Governing Documents. In particular, it is anticipated that the General Partners will obtain certain types of material information with respect to a Fund's investments that will not be disclosed to Limited Partners because such disclosure is prohibited for contractual, legal or similar obligations, which may be outside of the General Partners' control, or because the level of detail is deemed inappropriate or unnecessary by the General Partners in their sole discretion. Decisions by the General Partners not to present certain information may have adverse consequences for Limited Partners in a variety of circumstances. Certain Limited Partners could have more information about the Funds than other Limited Partners, and the General Partners will have no duty to ensure all Limited Partners seek, obtain, or process the same information regarding the Funds and their investments. The Funds and the General Partners could provide additional information to certain Limited Partners and prospective Limited Partners that is not distributed to other Limited Partners and prospective Limited Partners. Such information may affect a prospective investor's decision to invest in the Funds or take actions or make decisions as an investor.

*Repayment of Certain Distributions and Liability of the Limited Partners.* Generally, a Limited Partner will not be personally liable for the debts of the Funds and the total liability of a Limited Partner is generally limited to the amount of its commitment, except in certain circumstances and as set forth under applicable law or in the Subscription Agreement. However, if a Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law and pursuant to the Governing Documents, be obligated to return to such Fund or to pay to creditors of the Fund distributions previously received by them. In addition, a Limited Partner may be liable under applicable bankruptcy law to return distributions made during a Fund's insolvency, and Limited

Partners may be required to pay to such Fund amounts that are required to be withheld by such Fund for tax purposes.

*Service Providers and Limited Partners' Rights.* Limited Partners in the Funds generally have no direct rights against a Fund's service providers, including the Advisers. Where wrongdoing is alleged to have been committed against the Funds, such wrongdoing would generally only be actionable by one or both of the General Partners. In the absence of any direct contractual relationship between the Limited Partners and a Fund's service providers, there are only very limited circumstances in which a Limited Partner may bring a direct claim against any such service provider, including the Advisers.

*Feeder Vehicles as General Partners.* In certain cases, Feeder Fund vehicles may hold, directly or indirectly, a general partner interest in its respective Master Fund and therefore be liable for all debts and obligations of such Master Fund in the event the assets of such Master Fund are inadequate.

*Cyber Security Breaches and Identity Theft.* Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners (including vendors and portfolio investments), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. BBAM's information and technology systems may be vulnerable to actual or perceived damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Cyber-attacks may also take the form of socially engineered frauds, such as "phishing". There have been reports of alleged government- and non-government- sponsored hacking attempts on American corporate intellectual property and BBAM and its Limited Partners or the Funds' customers or their respective personnel may be at risk of cyber- attacks. Third parties may also attempt to fraudulently induce personnel, customers, third-party service providers or other users of BBAM's systems to disclose sensitive information in order to gain access to BBAM's data or that of the Funds, the Limited Partners or the Funds' customers or their respective personnel. Companies and service providers have also been subject to "ransomware" attacks. As further evidence of the increasing and potentially significant impact of cyber security breaches, the U.S. government, and several multinational companies, including financial institutions and retailers, have reported cyber security breaches affecting their computer systems that resulted in the personal information of millions of citizens, customers and personnel being compromised. 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. In the first quarter of 2024, two publicly listed aircraft and engine leasing companies, AerCap Holdings and Willis Lease Finance Corporation, disclosed that they had been the victims of cyberattacks. An emerging cybercrime group claimed responsibility for the attack on AerCap Holdings, and it is possible that this group, or one or more other malicious actors, is targeting the aircraft and engine leasing sector.

Although BBAM has implemented various measures to manage risks relating to these types of



events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, BBAM and/or the Funds may have to incur significant time and/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 BBAM's and/or a Fund's operations and result in corruption, deletion, or destruction of data; physical damage and repairs to systems; disruptions of operations; and a failure to maintain the security, confidentiality or privacy of sensitive data, including confidential or proprietary client information and/or personal information relating to Limited Partners (and the beneficial owners of Limited Partners). Such a failure could harm BBAM's and/or a Fund's reputation, subject any such entities and their respective affiliates to legal claims, regulatory penalties or otherwise affect their business and financial performance. Third parties, including activists, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce investors or a Fund's customers or their respective personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. Cyber threats and/or incidents could cause financial costs from the theft of a Fund's assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs and remediation costs. In addition, BBAM's, the Funds' and/or a portfolio investment's insurance coverage may be insufficient to compensate any such entity and its respective affiliates or counterparties for incurred liabilities. BBAM's, the Funds', investors' and portfolio investments' information and technology systems may be vulnerable to actual or perceived damage or interruption from computer viruses, infiltration by unauthorized persons and security breaches, and other disruptive behavior including denial-of-service attacks.

*Expedited Transactions.* Investment analyses and decisions by the General Partners and the Advisers may be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, information available to the General Partners and the Advisers at the time of an investment decision may be limited, and the General Partners and the Advisers may not have access to the detailed information that is necessary for a full evaluation of the investment opportunity. In addition, the General Partners and the Advisers may rely upon independent consultants or advisors in connection with the evaluation of proposed investments. There can be no assurance that these consultants or advisors will accurately evaluate such investments. Further, the Funds may conduct its due diligence activities in a very brief period and may assume the risks of obtaining certain consents or waivers under contractual obligations. While the General Partners expect to negotiate purchase price adjustments, termination rights and other protections with respect to such risks, such rights may not be available or, if available, the General Partners may elect not to exercise them.

*Availability of, and Competition for, Suitable Investments.* The activity of identifying, completing, and realizing attractive investments has from time to time been highly competitive, and involves a high degree of uncertainty. Although BBAM has been successful in identifying investments in the past, the Funds will be competing for investments with many other parties, including, other investment partnerships and corporations, strategic industry acquirers, institutional limited partners, and other financial limited partners, including hedge funds and private equity funds investing directly or through affiliates. Further, over the past several years, an ever-increasing number of alternative asset funds have been or are being formed (and many existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and/or purchasing power, greater negotiating power, a greater willingness to

take on risk, a lower cost of capital, beneficial regulatory structures and/or more personnel or more local resources than the General Partners, the Funds, and their respective affiliates. The Funds may also incur significant expenses identifying, investigating, and attempting to make potential investments that are ultimately not consummated.

*Dynamic Investment Strategy.* While the General Partners generally intend to seek attractive returns for the Funds primarily through making investments in the Target Sector as described herein, the General Partners may, subject to the terms of the Governing Documents, pursue additional investment strategies with respect to making investments and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The Funds may take advantage of opportunities with respect to certain other assets or instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Funds, the terms of the Governing Documents and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds.

*Environmental, Social and Governance Policy.* BBAM maintains an environmental, social and governance (“ESG”) policy and intends to apply the policy to a Fund’s investment activities. Although BBAM believes that its ESG policy will enhance the performance of a Fund investments over the long-term while also providing infrastructure that benefits both society and the environment, BBAM cannot guarantee that its ESG policy will positively impact the financial or ESG performance of any individual investment or a Fund as a whole.

Further, ESG integration and responsible investing practices as a whole are evolving rapidly and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. Therefore, BBAM’s approach to ESG integration may not align with the approach used by other asset managers or preferred by prospective investors or with future market trends. Additionally, approaches to ESG policy are evolving rapidly in the aircraft leasing industry, and BBAM is likely to modify its ESG policy during a Fund’s term. BBAM may rely on third party tools and service providers to measure and analyze the ESG impact of a Fund and may not be able to independently verify the ESG information reported by the General Partners to investors.

There is growing regulatory interest across jurisdictions, particularly in the United States, United Kingdom, and European Union (“EU”) (which may be looked to as models in growth markets), in improving transparency around how asset managers identify and manage financially material ESG risks as well as how they define and measure ESG performance, in order to allow investors to validate and better understand sustainability claims. For example, on May 25, 2022, the SEC proposed amendments to rules and reporting forms concerning ESG factors, which rules are not in final form and therefore cannot be determined as to how they may affect the Funds. In addition, on August 23, 2023, the SEC adopted its final rule enhancing the regulation of private fund advisers, which includes requirements with respect to the disclosure of certain information to investors that potentially could, in certain circumstances, affect the way certain ESG-related information is shared. There may also be an increase in related enforcement through efforts such as those of the SEC’s Climate and ESG Enforcement Task Force, established in March 2021. The European Securities and Markets Authority (“ESMA”) has also published its Union Strategic Supervisory Priorities in its 2023-2028 Strategy, which identifies ensuring integrity of ESG disclosures as a key supervisory priority to prevent greenwashing, and it is expected to publish a

final report on greenwashing in Spring 2024 outlining supervisory powers, resources, and actions to address greenwashing risks. On December 15, 2023, ESMA also commenced a consultation on guidelines for supervision of corporate sustainability information pursuant to the Corporate Sustainability Reporting Directive (“CSRD”).

At the same time, anti-ESG sentiment has also gained momentum across the U.S., with several states and Congress having proposed or enacted “anti-ESG” policies, legislation or initiatives or issued related legal opinions. Additionally, asset managers have been subject to recent scrutiny related to ESG-focused industry working groups, initiatives, and associations, including organizations advancing action to address climate change or climate-related risk. Such anti-ESG policies, legislation, initiatives, litigation, legal opinions and scrutiny could expose BBAM to the risk of antitrust investigations or challenges and enforcement by state or federal authorities, result in penalties and reputational harm and require certain investors to divest or discourage certain investors from investing in BBAM’s Funds. BBAM’s ESG policy, and the General Partners could become subject to additional regulation, regulatory scrutiny, penalties, or enforcement in the future, and the General Partners cannot guarantee that its current approach (including the ESG Policy) or the Fund’s investments will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement. Compliance with new requirements may lead to increased management burdens and costs.

*Regulations Relating to Climate Change, Noise Restrictions, and Greenhouse Gas Emissions.* Regulations relating to climate change, noise restrictions and greenhouse gas emissions are expected to have a negative effect on the airline industry and, in turn, the Funds. Governmental regulations regarding noise and emissions levels apply based on where the relevant aircraft is registered and operated. The United States and certain other jurisdictions regulate emissions of certain greenhouse gases, such as nitrogen oxide, as well as noise levels of engines manufactured or certified on or after a certain date. Even if a jurisdiction does not require any phase-out of aircraft that meet standards applicable to engines manufactured or certified prior to the effective date of the new regulations, there is no guarantee there will not be any impositions of operating limitations on aircraft that is not consistent with new standards set in the future. In addition, concerns over global warming could result in more stringent limitations on the operation of aircraft powered by older, noncompliant engines, as well as newer engines. European countries generally have relatively strict environmental regulations that can restrict operational flexibility and decrease aircraft productivity. Such regulation could possibly distort the air transport market, leading to higher ticket prices and ultimately a reduction in demand for air travel.

Concerns over global warming also could result in more stringent limitations on the operation of aircraft. Any of these regulations could limit the economic life of a Fund’s aircraft and engines, reduce their value, limit a Fund’s ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require a Fund to make significant additional investments in its aircraft and engines to make them compliant. Compliance with current or future regulations, taxes or duties imposed to deal with environmental concerns could cause lessees to incur higher costs and to generate lower net revenues, resulting in an adverse impact on their financial conditions. Consequently, such compliance is expected to affect lessees’ ability to make rental and other lease payments and reduce the value a Fund receives for the aircraft upon any disposition, which could negatively affect a Fund’s ability to make distributions to investors.

The airline industry in general has come under increased scrutiny by the press, the public and

investors regarding the impact of commercial jet aircraft on the environment, including emissions to the air, discharges to surface and subsurface waters, safe drinking water, aircraft noise, the management of hazardous substances, oils and waste materials and other environmental impacts related to aircraft operations. If such scrutiny results in reduced demand for air cargo, it may affect demand for aircraft assets, which would negatively affect the Fund's financial condition, cash flow and results of operations.

In addition, the European Union's Corporate Sustainability Reporting Directive ("CSRD"), which entered into force in 2023, requires a broad range of EU companies, as well as some non-EU companies generation more than €150 million on the EU market, to report on sustainability, beginning with the 2024 financial year, in reports published in 2025. The Fund may incur substantial costs to comply with CSRD.

*International and EU Regulatory and Market Initiatives on Emissions from Aviation.* There are sustainability risks involved in investing in the aviation sector, including the regulatory obligations and financial burdens imposed by the European Union (the "EU") regulation surrounding carbon emissions specific to the aviation sector. These currently include Directive 2008/101/EC which sought to include aviation activities in the system for greenhouse gas emission allowance trading ("EU ETS"), which imposes both an annual "cap" on emissions and an obligation on market participants to monitor, report and verify emissions in respect of flights within the European Economic Area ("EEA"). These obligations are expected to impact the performance of the Funds when making investments in that sector, particularly in light of the rising price of carbon credits and offsets in recent years.

Pursuant to the EU Green Deal, there is potential for increased EU regulation to be implemented impacting the aviation sector. Proposals currently include a revision to the Energy Taxation Directive (Directive 2003/96/EC), which proposes to end the tax exemption for aviation fuel, and the ReFuelEU Aviation Initiative, which could mandate the percentage of sustainable aviation fuel on a per flight basis. In addition, the potential impact on costs of the European Union's Emissions Trading Scheme ("ETS") and the International Civil Aviation Organization's new Carbon Offset and Reduction Scheme for International Aviation (known as "CORSIA"), which calls for a carbon offsetting measure to help the aviation industry meet its goal of carbon neutral growth, is not yet known with certainty. Schemes to reduce emissions such as the EU ETS and CORSIA could favor younger, more fuel-efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect a Fund's ability to remarket or otherwise dispose of older, less fuel-efficient aircraft on a timely basis, at favorable terms, or at all.

Separately, the global market-based mechanism (GMBM) known as the Carbon Offsetting and Reduction Scheme for Internal Aviation aims to stabilize CO<sub>2</sub> emissions at 2019 and 2020 levels by requiring airlines to offset the growth of emissions above 2020 levels by (i) monitoring emissions on all international routes and (ii) purchasing eligible emission units generated by projects that reduce emissions such as those for the generation of renewable energy.

The Advisers continue to monitor the complex and developing international and European regulatory and market initiatives governing the management of emissions from aviation.

*Leverage.* The Funds will use leverage to finance all or a portion of their investment activities, whether on a temporary or long-term basis, and for certain other purposes in managing the Funds

(including a credit facility, non-recourse or limited recourse leverage, and recourse asset-secured leverage). Leverage generally magnifies both the Funds' opportunities for gain (including through greater diversification) and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. For instance, during times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. No assurance can be given that financing for the Funds' investments will be obtained by the Funds, or obtained on favorable or acceptable terms, including terms which reflect the financing provided by the Funds. In addition, once initial financing is obtained by the Funds, no assurance can be given that such financing will subsequently be available throughout the life of the Funds.

The use of leverage will also result in material interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of investments. In addition, this leverage will increase the exposure of the Funds' investments to any deterioration in an asset's condition, the aviation industry, competitive pressures, an adverse economic environment and rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where an investment's creditworthiness is such that it must borrow at higher interest rates than are available to the Funds.

Risks related to the use of leverage are generally expected to increase as interest rates rise, including in circumstances where an asset-owning company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. Except where otherwise required by the relevant governing documents, a Fund will not be obligated to borrow on behalf of an asset-owning company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the asset-owning company.

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

*Capital Calls and Use of Subscription Lines and Asset-Backed Facilities.* Capital calls will be issued by the General Partners from time to time at the discretion of the General Partners, based upon the General Partners' assessment of the needs and opportunities of the Funds. To satisfy such capital calls, Limited Partners may need to maintain cash or other assets that can be readily converted to cash equal to all or a substantial portion of their commitments. Except as specifically set forth in the Governing Documents or under applicable law, each investor's obligation to satisfy capital calls will be unconditional. An investor's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of the Funds or upon any assessment thereof provided by the General Partners. Capital calls may not provide all of the information a Limited Partner desires in a particular circumstance, and such information may not be made available and will not be a condition precedent for a Limited Partner to meet its funding obligation. Additionally, and notwithstanding the foregoing, the General Partners will not be obligated to call

100% of an investor's commitment during the Funds' term. Even if a capital call is issued and capital contributions are made pursuant to such capital call, in the event that the General Partners determine that such capital contribution will not be invested in any investment or used to pay expenses for any reason as set forth in the Governing Documents, the General Partners reserve the right to retain such amounts or refund to the Limited Partners the unutilized amounts without interest.

The General Partners expect to cause the Funds to incur indebtedness to finance investments, including the acquisition, financing or refinancing of the Fund's investment and to pay Funds expenses (the collateral for which can be, for example, one or more assets of the Funds (i.e., asset-backed facilities)), or the undrawn commitments (i.e., subscription lines) prior to calling commitments. For administrative convenience, capital calls, including those used to pay interest on subscription lines, asset-backed facilities, and other indebtedness, are permitted to be "batched" together into larger, less frequent capital calls, with the Funds' interim capital needs being satisfied by the Funds borrowing money from such credit facilities. The interest expense and other costs of any such borrowings will be the Funds' expenses and, accordingly, may decrease net returns of the Funds. In addition, the batching of capital calls may increase the magnitude of potential defaults by Limited Partners as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender, such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of liquidity constraints on Limited Partners and/or Limited Partners facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a subscription facility will constrain an investor's ability to transfer its interest in the Funds as a result of restrictions imposed on such transfers by the lender. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return. As a result, the use of a subscription facility with respect to investments and ongoing capital needs could reduce or eliminate the preferred return received by the Limited Partners and accelerate or increase distributions of carried interest to the Special Limited Partners. As a general matter, use of leverage in lieu of drawing down commitments amplifies return calculations (either negative or positive) to Limited Partners. In light of the foregoing, the General Partners have an incentive to fund the acquisition and ongoing capital needs of investments and the Funds with the proceeds of such borrowings in lieu of drawing down commitments on a just- in-time basis. An investment financing from a subscription line, rather than from commitments has the potential to increase such returns, particularly in instances where the relevant amount has been drawn for an extended period of time.

Borrowings by the Funds could be secured by a pledge of, or the grant of security over, the right to issue drawdown notices in the name of the General Partners and related rights with respect to commitments and capital contributions. The exercise by the lenders under such facility of their drawdown right would reduce the amount of capital otherwise available to the Funds for making investments and therefore reduce the ability of the Funds to make further investments and may negatively impact the Funds' investment objectives and returns.

If an investment appreciates in value and is disposed of prior to repayment, the Funds generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by investors potentially will result in 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 Investors and increase the potential carried

interest for the General Partners, as reduced by the interest incurred by the Funds. Subject to the limitations in the relevant Governing Documents, this scenario potentially incentivizes the General Partners 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).

*In-House Asset Servicing Team.* Servicing with respect to certain assets is performed in-house by BBAM personnel. Although BBAM seeks to recruit and retain talented and skilled personnel, there can be no assurance that BBAM currently has, or will in the future be able to attract, train, develop, integrate or retain, suitable personnel with the skills required to provide such servicing, and, as a result, the Funds could be adversely affected thereby. Qualified personnel, in particular aviation servicing professionals, technical consultants and engine experts, are in great demand throughout the aviation industry. Competitors and other entities could attempt to recruit BBAM's personnel. The loss of such personnel, the inability to identify, attract or retain qualified personnel in the future or delays in hiring qualified personnel, particularly aviation servicing professionals, technical consultants, and engine experts, may make it difficult to manage the Funds and its assets.

Although the Advisers believe that their in-house servicing team, technical consultants, and engine experts differentiate BBAM from most other financial aviation sponsors, one or more of its competitors may establish a dedicated servicing platform which may, now or in the future, be able to replicate BBAM's model, partially or entirely, on a more efficient and effective basis. Competitors seeking to develop similar in-house services could also hire BBAM's key personnel. Such third parties may compete with the Funds for investment opportunities.

BBAM relies on trade secret and other similar laws and confidentiality agreements with personnel and third parties to protect its proprietary aircraft and portfolio modeling approach, all of which offer only limited protection. BBAM's intellectual property rights may be invalidated, or competitors may develop a similar aircraft and portfolio modeling approach independently. Legal proceedings to enforce BBAM's intellectual property rights or the contractual or other rights of the Funds or other BBAM managed or serviced vehicles may be unsuccessful and could also be expensive and divert BBAM management's attention.

*Co-Investments.* The Funds are permitted to co-invest with third parties (including in certain instances co-investing with Limited Partners or entities formed for them) through partnerships, joint ventures or other entities or arrangements. There are risks in connection with such third-party involvement, including the possibility that a third-party co-investor may have at any time financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In addition, the Funds could in certain circumstances be liable for the actions of its third-party co-investor or partner. In those circumstances where such third parties involve a management group, such third parties are expected to receive compensation arrangements relating to such investments, including incentive compensation arrangements, regardless of the investment results of the Funds as a whole.

Potential conflicts of interest are expected to arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities could be made to one or more persons

for any number of reasons, which may not be in the best interests of the Funds or any individual investor. The allocation of co-investment opportunities will in many or all cases coincide with a benefit to the Advisers and/or its affiliates including, without limitation, fees (e.g., management fees, advisory fees, priority profit share, servicing fees and one-time funding fees) or carried interest from the co-investment opportunity, capital commitments to the Funds, other BBAM managed or serviced vehicles or pending, expected or future potential capital commitments to other BBAM managed or serviced vehicles, or the facilitation of other business opportunities for BBAM. The actual number of co-investment opportunities made available to any Limited Partner could be higher or lower than those made available in connection with such investor's investment in any other BBAM managed or serviced vehicle. The performance of co-investments will not be aggregated with that of the Funds, including for purposes of determining the Special Limited Partners' carried interest or the Management Fees paid to the Advisers. Moreover, there can be no assurance that the Funds' return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction. Co-investors generally will not share in broken-deal expenses, and such expenses attributable to co-investments will be borne by the Funds.

*Illiquidity of Investments.* The Funds will invest in assets for which no (or only a limited) market exists. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in the aviation industry, and the financing condition of the obligors on the Funds' assets. In the absence of a readily available market for the Funds' investments, most of the Funds' investments will be difficult to value. In addition, the Funds may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Since the Funds are permitted to make a limited number of investments, and many of the Funds' investments are expected to involve a high degree of risk, poor performance by a few of the investments can have a significant negative impact on the Funds' performance. In addition, in connection with the restructuring of its leases to distressed airlines, a Fund may receive securities in those airlines for which there is no liquid market. No assurance can be given that Funds' investments can be acquired, converted, leased, or disposed of at favorable prices or that the market for such assets will either remain stable or, as applicable, recover or improve, because this will depend upon events and factors outside the control of the General Partners or the Advisers.

*No Guarantee of Current Distributions.* Investment in the Funds requires a long-term commitment, with no certainty of return. Although the Funds' investments generally are expected to generate rental income and/or coupon payments from applicable aviation loans on a current basis there can be no guarantee that there will be any near-term cash flow available to the Limited Partners, and, in addition, the General Partners are permitted to retain or otherwise recall certain distributions made to the Limited Partners, which can further reduce cash flow to the Limited Partners (see "Recycling; Reinvestment" below). Many of the Funds' investments will be highly illiquid and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Limited Partners. The Funds may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.



*Projections.* The Funds will make investments relying upon projections developed by the Advisers concerning future performance of the relevant assets and cash flow. In all cases, projections are only estimates of future results that are based upon information received by third parties and assumptions made at the time the projections are developed. Projections are inherently uncertain and subject to factors beyond the control of the General Partners and the Advisers and the investment in question. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could materially impair the ability of the Funds to realize projected values and/or cash flow. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Investments.* Generally, the Funds do not contract to acquire any of the particular investments they will make. Accordingly, a Limited Partner must rely upon the ability of the General Partners and the Advisers to identify, structure and make investments consistent with the Funds' investment objectives and policies. The Funds may be unable to find a sufficient number of attractive opportunities to invest its commitments or meet its investment objectives.

*Exit Risk.* There is risk that a Fund will be unable to realize its investment objective through the sale or disposition of investments at an attractive price, within any given period of time, or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from the absence of an established market for an investment, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which an aircraft is based.

*Investments Longer than Term.* The Funds may make investments which may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that the Funds will be terminated, either by expiration of the Funds' term or otherwise. For example, the Funds may invest in aircraft on an operating lease for a term longer than the Funds' term. Although the General Partners expect that investments will be disposed of prior to winding up and termination or be suitable for in-kind distribution at the winding up and termination and the General Partners have a limited ability to extend the term of the Funds, the Funds may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of the winding up and termination. In addition, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Limited Partners will occur. The Governing Documents permit Limited Partners to vote to dissolve the Funds prior to its stated term; in such event, the risk of loss from early liquidation of investments would be greatly magnified.

*Recycling; Reinvestment.* The General Partners have the right to recall certain capital returned or distributed to the Limited Partners. Accordingly, during the term of the Funds, a Limited Partner may be required to make capital contributions in excess of its commitment (with certain limitations), or amounts may be deemed distributed but be reinvested, and to the extent such recalled or retained amounts are reinvested in investments, a Limited Partner will remain subject to investment and other risks associated with such investments. Delays in receiving distributions or realizing investments due to market or other conditions may result in a lack of available capital for recycling which could affect the Funds.

*Distributions in Kind.* Although it is not the Funds' intention to distribute investments in-kind to the Limited Partners, it is possible that the Funds do so, and that it may be difficult to liquidate such investments at a price or within a time period that is determined to be ideal by such Limited Partners. After a distribution in-kind is made to the Limited Partners, many Limited Partners may decide to liquidate such investment within a short period of time, which could have an adverse impact on the price of such investment. The price at which such investments may be sold by such Limited Partners may be lower than the value of such investment determined pursuant to the Funds agreements, including the value used to determine the amount of carried interest distributed to the Special Limited Partners with respect to such investment.

*U.S. Dollar Denomination of Interests.* Interests in the Funds are, and the Limited Partners' capital accounts will be, denominated in U.S. dollars. Prospective Limited Partners subscribing for interests in any country in which U.S. dollars are not the local currency should note that changes in the rate of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions. Each prospective investor should consult with its, his or her own counsel and advisors as to all legal, regulatory, ERISA, tax, investment, financial and related matters concerning an investment in the interests.

*Non-U.S. Investments and Currencies.* The Funds are permitted to make investments on a global basis and reserve the right to invest a portion of its capital in non-U.S. investments. Foreign investments may be restricted or controlled to varying degrees. Such investments require consideration of certain additional risks typically not associated with U.S. investments, among other things, trade balances and imbalances and related economic policies, potential price volatility in, and relative illiquidity of, some non-U.S. markets, unfavorable currency exchange rate fluctuations, potentially unsettled points of applicable governing law, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), imposition of exchange control regulation by the United States or foreign governments, U.S. and non-U.S. withholding taxes, the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the Limited Partners with respect to the Funds' income and possible non-U.S. tax return filing requirements for the Funds and/or the investors, limitations on the removal of funds or other assets from other jurisdictions, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations. Laws and regulations of foreign countries may impose restrictions that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States.

Additional risks of non-U.S. investments include: (i) social, economic and political dislocations in the host country, including significant fluctuations in gross domestic product; (ii) less publicly available information about certain non-U.S. companies and assets than would be the case for comparable companies in the United States; (iii) less well-developed and/or less predictable, less expedient and/or less transparent and/or more restrictive laws, regulations, judicial systems and regulatory institutions; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; (vii) nationalization and expropriation of private assets or confiscatory taxation; (viii) restrictions on imports/exports (including, without limitation, issuance or acceptance of certificates of airworthiness for export, or ferry permits); (ix) restrictions

on deregistration of aircraft (including, without limitation, use and enforceability of deregistration powers of attorney and similar instruments); and (x) foreign aircraft regulations (including airworthiness standards and import restrictions). Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to, or as uniform as, those that apply to U.S. companies. The financial statements of a Fund will be prepared using U.S. generally accepted accounting principles as in effect from time to time (“U.S. GAAP”). The General Partners may permit deviations from U.S. GAAP where it considers it to be appropriate, acting always in accordance with applicable, laws, regulations and rules applicable to the Funds.

Certain countries require governmental approval prior to investments by foreign persons or limit the amount of investment by foreign persons in a particular company, or limit investment by foreign persons to a specific class of assets of a company that may have less advantageous terms than the classes available for purchase by nationals. Some countries require governmental approval for the repatriation of investment income, capital, or the proceeds of sales of assets by foreign investors. The Funds could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as by the application to the Funds of restrictions on investments.

In addition, any restrictions imposed to prevent outflows of capital may make it difficult or impossible to exchange or repatriate foreign currency. Banks and other counterparties in emerging markets may impose restrictions or require certain approvals that would not exist in the United States and may require extensive diligence (including in respect of anti-money laundering and know-your-customer or similar laws) that differ significantly from those in place in the United States. No assurance can be given that particular legal or regulatory risks, including changes in regulations regarding repatriation of funds, will not adversely affect the Funds, the investors or a Fund’s investments.

*Interest Rate Risk.* The nature of the Funds’ business exposes it to market risk arising from changes in interest rates. Changes, both increases and decreases, in the Funds’ cost of borrowing directly impact its net income and cash flows. The Funds’ lease rental stream generally will be fixed over the life of its leases, whereas the Funds may use floating rate debt to finance a portion of its investments. As the Funds incur fixed-rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence of such debt would increase its interest expense. The Funds also may have interest rate risk associated with forward lease placements. This would be caused by the Funds setting a fixed lease rate at the time the lease is executed, which is generally in advance of the delivery date of the aircraft subject to such lease. The delivery date is when a majority of the financing for an aircraft typically is arranged. The Funds may not be able to effectively mitigate the risk of an increasing interest rate environment between the lease signing date and the delivery date of the aircraft.

*Disclosure of Information.* Certain Limited Partners will be subject to U.S. state public records or similar U.S. and non-U.S. freedom of information laws, which may compel public disclosure of confidential information regarding the Funds, its investments, and its investors. The amount of information about their investments that is required to be disclosed has increased in recent years, and that trend may continue. To the extent that disclosure of confidential information relating to the Funds or their investments results from interests being held by public investors, the Funds may be adversely affected. The General Partners reserve the right, in order to prevent any such potential

disclosure, to withhold information otherwise to be provided to such public investors. Conversely, potential future regulatory changes applicable to investment advisers and/or the accounts they advise could result in the General Partners, the Advisers and/or the Funds becoming subject to additional disclosure requirements, the specific nature of which is as yet uncertain.

*Electronic Delivery of Certain Documents.* Pursuant to the Governing Documents entered into by an investor, as well as the Governing Documents, such Limited Partner will (a) consent to the electronic delivery of communications, reports, proposed amendments or waivers, privacy notices and any other documents or information to be provided to such Limited Partner that relate to the Funds or an investment therein (collectively, the “Investment Documents”) and (b) agree that such electronic delivery will be in place of delivery of such documents in paper form. The term of this consent will be indefinite, but none of the General Partners, the Advisers or their affiliates will be obligated to deliver communications, reports, or other documents electronically. This consent to electronic delivery will extend to delivery of Investment Documents now and in the future, whether such delivery is (now or in the future) required by law or is not required but is made by the Funds to provide a Limited Partner with additional information. Investment Documents may be delivered via (i) one or more designated websites (access information for which is provided investors) or (ii) e-mail to the address provided by such Limited Partner in its Subscription Agreement. There are certain costs (e.g., internet access) and possible risks (e.g., slow downloading time and system outages) associated with electronic delivery. Moreover, neither the General Partners nor the Advisers can provide any assurance that these communication methods are secure, and neither the Advisers nor their affiliates will be responsible for any computer viruses, problems or malfunctions resulting from any computer viruses or related problems that may be associated with the use of an internet-based system. See “Cyber Security Breaches and Identity Theft” above.

*Side Letters.* The General Partners and/or the Funds reserve the right to enter into other written agreements (“Side Letters”) with one or more investors. These Side Letters are expected to establish rights or entitle a Limited Partner to make an investment in the Funds on terms other than those described herein. Such rights or terms could include, without limitation, (i) more favorable management fee, carried interest, general partner “catch-up” and other economic arrangements (including discounts and terms applicable in exchange for closing by a specified deadline, making a certain size capital commitment or other parameters) with respect to such investors; (ii) excuse or exclusion rights applicable to particular investments or withdrawal rights (with the consent of the General Partners) from the Funds, including without limitation, as a result of an investor’s specific policies or certain violations of U.S. federal, state or non-U.S. laws, rules or regulations, such as so-called “pay-to-play” rules with respect to public pension plan Limited Partners (which may materially increase another investor’s pro rata interest in that particular investment (in the case of an opt-out) or all future investments (in the case of a withdrawal) and may reduce the overall size of the Funds); (iii) the General Partners’ agreement to extend certain information rights or additional or modified reporting (including customized reports) to such investor, including, without limitation, to accommodate special regulatory or other circumstances of such investor, which will be time-consuming, divert the attention of personnel and the management teams of the General Partners, the Advisers and their respective affiliates and the costs of which will be borne by the Funds and are likely to be material, including on a cumulative basis over the life of the Funds; (iv) prior consent of the General Partners to certain transfers by such Limited Partner or other exercises by the General Partners of their discretionary authority under the Governing Documents for the benefit of such investor; (v) special priorities, rights and economic and other terms with respect to co-investment allocation and participation; (vi) waiver of certain

confidentiality obligations; (vii) consent rights to certain amendments to the Governing Documents; (viii) certain obligations or restrictions on the General Partners with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms; (ix) restrictions on, or special rights of such Limited Partner with respect to the activities of the General Partners; (x) rights or terms necessary in light of particular legal, regulatory or policy characteristics of an Limited Partner (including with respect to limitations on the ability to provide indemnification); (xi) certain other adjustments with respect to economic provisions (including potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors); (xii) additional obligations and restrictions of the General Partners and the Funds with respect to the structuring of any particular investment in light of the legal, tax and regulatory considerations of particular Limited Partners (including with respect to separate investment entities); (xiii) agreements to assist with the taking or defending of tax positions; (xiv) the right of the General Partners to waive any requirements of Limited Partners to execute acknowledgements or other documents in connection with any subscription line or other credit facility; (xv) agreement to various sovereign immunity, jurisdiction and venue provisions applicable to certain governmental, sovereign, or other types of Limited Partners on behalf of the General Partners and/or the Funds (which could limit the ability to initiate or maintain legal proceedings against certain Limited Partners in certain jurisdictions); (xvi) agreements to withhold certain distributions from or otherwise delay the making of certain distributions to one or more Limited Partners (for the avoidance of doubt, with such investors' consent) such that distributions to the Limited Partners may not be made at the same time or on the same terms; or (xvii) any other matters determined appropriate by the General Partners, which may be more favorable than those offered to any other investors.

The General Partners are likely to have their own economic and/or other business incentives to provide certain terms to certain investors (e.g., based on commitment amount to the Funds or the timing thereof, the ability of an investor to provide sourcing or other services to the General Partners, their affiliates and personnel or the other Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partners, their affiliates and personnel, or the other Funds). Further, side letters also are expected to relate to strategic relationships under which an investor agrees to make capital commitments to multiple BBAM funds. Except in the circumstances and on the timing required by the relevant Governing Documents 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 the Funds, the General Partners 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. Side letters subject the General Partners to potential conflicts of interest, including in circumstances where an investor's right to serve on the Board of Advisors results in the investor receiving additional information relative to other investors. To the extent an Investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other side letter rights are likely to confer benefits on the relevant Investor at the expense of the Funds or of investors as a whole, including in the event that a side letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the Funds.

As a consequence of one or more investors being excused or excluded from, or for regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain

liabilities or obligations, the aggregate returns realized by participating or non-participating investors could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event an Investor defaults on a drawdown in respect of an investment. Although the General Partners believe it to be unlikely, excuse or other rights requested or received by one or more investors (or such regulatory, tax or other factors applicable to such investors) representing a substantial percentage of the Funds have the potential to create significant variations in Investor investment returns or exposure to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partners on behalf of the Funds as a whole. An investor's voting rights for regulatory or other reasons can be limited in circumstances specified in the relevant Governing Documents; conversely, a limitation on one or more investors' voting rights generally will increase the voting rights percentage of other investors in the Funds. Further, investors with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below the Funds.

*Public Health Emergencies.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity, including passenger air travel and air cargo, in ways that are impossible to predict, all of which may result in significant losses to the Funds.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their portfolio investments' operational and financial performance of its portfolio investments will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect a Fund's ability to fulfill its investment objectives. They may also impair the ability of portfolio 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 the Funds, their portfolio investments, the General Partners and BBAM may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential impact on the health of the Advisers' 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.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence is expected to be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social, or economic unrest (including COVID-19 and other global health crises). Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners, and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally, on air travel in particular, and on the ability of a Fund to execute its strategy and to receive an attractive multiple of earnings on the disposition of investment. This may slow the rate of future investments by the Funds and result in longer holding periods for the Funds' investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon investments in which the Funds invests. Other factors, such as changes in U.S. federal or state tax laws, U.S. federal or state securities laws, bank regulatory policies or accounting standards, may make asset acquisitions less desirable or has the potential to make securities arbitrage less effective. Similarly, legislative acts, rulemaking, adjudicatory or other activities of the United States Congress, the SEC, the Federal Reserve Board, the New York Stock Exchange, FINRA (as defined below) or other governmental or quasi-governmental bodies, agencies and regulatory organizations may make the business of the Funds less attractive. In addition, negative public sentiment could lead to heightened scrutiny and criticisms of a Fund and its aviation asset investments.

*Effect of War or Armed Hostilities and Terrorist Attacks.* War or armed hostilities, or the fear of such events, could reasonably be expected to exacerbate many of the economic problems experienced by the airline industry. In addition, terrorist attacks and attempts have negatively affected the airline industry and fears about future terrorist attacks or other substantial events could continue to negatively affect the airline industry in a variety of ways, including, without limitation: (i) higher costs to the airlines due to the increased security measures and other compliance with new regulatory enactments; (ii) losses in passenger revenue due to terrorism concerns and the inconvenience of additional security measures; (iii) significantly higher costs of insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and uncertainty as to the extent to which such insurance will continue to be available; and (iv) possible lost revenue stemming from aircraft grounded as a result of terrorists attacks, the economic slowdown, forced shutdowns due to government actions and airline reorganizations. Additional potential problems include increased security restrictions on air travel within the U.S. and elsewhere, increased airline costs for and restricted availability of aircraft insurance and fuel, enhanced security measures, a decline in passenger demand for air travel, increased difficulties in acquiring war risk and other insurance at reasonable costs, and additional lessee restructurings. Should these risks come to pass, there can be no guarantee that the government of the U.S. or any other country will take action to assist the aviation industry.

There is currently an ongoing military conflict between Russia and the Ukraine which has caused disruption to global financial systems, trade and transport, among other things. In addition, there is currently an ongoing armed conflict between Palestinian militant groups led by Hamas, and Israel. A further expansion of either of these conflicts could have significant international ramifications. Although the Funds have no direct exposure to Russia, Ukraine, or Israel, the ultimate impact of these conflicts on global economic and commercial activity and conditions, and

on the operations, financial condition and performance of a Fund or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict. The Funds anticipate that the exposure of aviation insurers to losses arising from the Russia-Ukraine conflict may lead to significantly higher costs for aviation insurance coverage, as well as uncertainty as to the extent to which such insurance will continue to be available on commercially reasonable terms, or at all.

*Asset-Backed Debt Vehicles.* A Fund reserves the right to structure partial exit transactions through establishing asset backed debt vehicles to which some or all of the aircraft assets will be transferred potentially including ABS-like transactions, lessor-sponsored enhanced equipment trust certificates (“EETCs”) transactions and other, similar transactions. A Fund expects to retain all or a portion of the most junior interests in some or all of such asset backed debt vehicles, which are typically treated as equity for U.S. federal income tax purposes and are generally unrated or rated below investment grade. Such tranches are subordinated to payments of interest and principal on higher-rated interests in the asset backed debt vehicle and will be directly affected by any losses or delays in payment on the related collateral. Interests in asset backed debt vehicles can be considered a levered investment in the underlying collateral of the vehicle because the amount of the investment is significantly below the principal value of the vehicle’s equity and below investment grade debt’s pro rata portion of the underlying collateral. However, an asset backed debt vehicle’s equity and below investment grade debt tranches, due to their subordinated nature, are the first and second tranche, respectively, to absorb trading losses and defaults in the underlying collateral. Therefore, while the levered nature of an asset backed debt vehicle’s equity and below investment grade debt tranches increases the cash flow that may be available for distribution, it also increases the exposure to trading losses and defaults, and accordingly, causes returns to be more volatile. Payments on asset backed debt vehicle equity and below investment grade debt tranches may be deferred or eliminated depending on the amount of cash flow generated by the collateral. It is expected that BBAM or its respective affiliates will act as servicer with respect to any such vehicles and will receive fees for their services to such vehicles. Other advisory clients of BBAM may participate in such transactions alongside a Fund, and also may be issued interests in such asset backed debt vehicles.

*Epidemic Diseases May Hinder Air Travel.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, Avian Flu, Ebola, Zika, Measles and the current outbreak of COVID-19, have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

*United States Government Shutdown Risk.* The United States federal government historically has undergone various shutdowns. There can be no assurance that future funding impasses will not occur again. A government shutdown could give rise to various risks and uncertainties that could negatively impact the performance of the Funds, which is beyond the control of the General Partners and the Advisers. To the extent the U.S. Federal Aviation Administration (the “FAA”) reduces staffing of air traffic controllers during a shutdown, or, to the extent the U.S. Transportation Security Administration (the “TSA”) reduces staffing of security agents or other airport-related workers, such actions could result in increased delays, reduced arrival rates and increased flight cancellations, which could, in turn, reduce the demand for aviation. Further, portions of the federal government deemed nonessential may be shut down, including the FAA



and/or the TSA. Because aircraft operations are regulated by governmental agencies, a government shutdown may have an adverse impact on the Funds' operations. A prolonged government shutdown also could impact inspections, regulatory review and certifications or cause other situations that could impede the Funds' ability to effectively register and/or lease aircraft. For example, a government shutdown could delay the Funds' efforts to seek certifications of aircraft from governmental agencies, which could have a material adverse effect on the Funds' financial condition.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of the Fund's (or any investment's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, BBAM, any General Partner, the Funds and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. 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, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of BBAM to manage the Funds and their investments, and on the ability of BBAM, any Fund or any investment to maintain operations, which in each case could result in operational burdens, significant losses and un consummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event a Fund is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Fund to access capital contributions or otherwise); the inability of the Fund to acquire or dispose of investments, including at prices that the relevant General Partner believes reflect the fair value of such investments; and/or the inability of BBAM or portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that BBAM will experience operational burdens and expenses, and a Fund or an investment will incur additional expenses and/or delays in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). There can be no assurance that BBAM will be able to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses, delays or other negative impacts. The Funds and their portfolio companies are subject to additional risks in the event a Financial Institution utilized by investors of a Fund or suppliers, vendors, service providers or other counterparties of an investment become subject to Distress

Events, which could have a material adverse effect on a Fund, its investors or such portfolio companies, including the risk of investor defaults.

Many Financial Institutions require, as a condition to using their services (including lending services), that BBAM and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although BBAM seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, BBAM is under no obligation to use a minimum number of Financial Institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

*Adverse Changes to Credit Markets Affect Ability to Finance and Consummate Investments.* Adverse changes in the global banking system or the global financial markets may have a material adverse effect on the Funds. Instability and volatility in interest rates and the securities markets, including volatility recently seen in response to inflation and questions surrounding the health of regional, national and international banks, could increase the risks inherent in a Fund's investments. A deterioration of the global credit markets, any possible future failures of financial services institutions or a significant rise in market perception of counterparty default risk will likely significantly reduce investor demand and liquidity for debt instruments, which in turn is likely to lead some banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer financing for investments on less favorable terms than had been prevailing in the past. A Fund's ability to generate attractive investment returns will be adversely affected to the extent a Fund is unable to obtain favorable financing terms for its investments. If a Fund is unable to obtain debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, a Fund will have difficulty completing otherwise profitable investments or will generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned. In addition, a Fund may be exposed to risk by the restructuring or insolvency of its deposit banks.

In addition, any of a Fund's lessees have expanded their airline operations through borrowings and some are highly leveraged. These lessees depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. Global financial markets can be highly volatile and the availability of credit from financial markets and financial institutions can vary substantially. Events that adversely impact capital markets could lead to the imposition of stricter capital requirements on borrowers, reduce the general availability of credit or otherwise result in higher borrowing costs, limiting the lessees' abilities to finance their operations, which could affect their ability to meet payment obligations.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) have had and may in the future have negative effects on market conditions. General fluctuations in the market prices of securities and economic conditions generally could reduce the availability of attractive investment opportunities for the Funds and affect the Funds' ability to make investments. Instability in regional, national or international banking systems, the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in fuel prices, interest rates or foreign exchange rates) will also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or

valuation of the aviation assets. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as a lack of available credit, thereby making it difficult for certain prospective purchasers to compete for a Fund's aircraft at the time of sale, further impacting liquidation values of the Fund's aviation assets investments. In addition, movements in foreign exchange rates may adversely affect the value of aviation assets and the Fund's performance by making it difficult for certain prospective purchasers to compete for the Fund's aviation assets at the time of sale. Moreover, increases in fuel prices will likely adversely affect the value of aviation assets and the Fund's performance because such increases reduce capacity which can, in turn, cause aircraft prices to fall or remain low.

In addition, inflation in the U.S. and elsewhere is at an elevated level versus the period prior to February 2022. Further, heightened competition for workers, supply chain issues and rising energy and commodity prices have contributed to increasing wages and other inputs. Higher inflation and rising input costs put pressure on the Fund's aviation assets' performance. To the extent that the Fund derives income from leases with fixed rates of payment or fixed rate loans, high rates of inflation generally cause a greater decrease in the value of those payments than had the rates of inflation remained lower. Because the Fund's aviation assets are generally leased for multi-year periods, there could be a lag in the Fund's ability to adjust the lease rates and/or interest rates for a particular aviation asset(s) accordingly.

Measures taken by the government to control inflation potentially include maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and hindering economic growth. Inflation, measures to combat inflation and public speculation about possible additional actions have contributed materially to economic uncertainty in many countries, including the United States, and recently caused instability in the banking system. Inflation could significantly increase the Fund's costs of operations, adversely impact the availability of suitable investments or the performance thereof and otherwise impact the Fund's financial condition.

*Financial Markets and Regulatory Change.* The laws and regulations affecting businesses continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment, and trade, applicable to the Funds' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the interests of the Funds. The Funds, the General Partners, the Advisers and their respective affiliates may be or may become subject to unduly burdensome and restrictive regulation. In particular, the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") significantly increased regulation of U.S. and non-U.S. private fund advisers and contains the framework for sweeping reforms in other market areas (e.g., enhanced regulation of swaps). Similar regulatory reforms to address the financial crisis have been implemented in foreign countries. New regulations could adversely affect the way the Funds conducts its operations and profitability of its investment activities and will result in increased regulatory compliance expenses borne by the Funds. The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act.

*Increased Political and Regulatory Scrutiny.* As alternative asset managers become more influential participants in the United States and global financial markets and economy generally, the private funds industry has been subject to criticism by some politicians, regulators, and market commentators. For instance, various federal, state, and local agencies have examined the role of

placement agents, finders and other similar alternative asset service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Moreover, as a result of highly publicized financial scandals, certain market participants have expressed concerns over the integrity of the U.S. financial markets. There has been an active debate both nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. Any changes in the regulatory framework applicable to the Funds may impose additional expenses, require the attention of senior management or result in limitations in the manner in which the Funds' business is conducted.

This increased political and regulatory scrutiny of the private fund industry has been particularly acute following the global financial crisis. For example, in addition to the U.S. legislation described above, other jurisdictions, including many European jurisdictions, have amended or proposed amending financial regulations and have called for, among other things, increased regulation of and disclosure with respect to, and registration of, private funds and their managers. There is therefore a material risk that regulatory agencies in Europe, the United States or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the alternative asset industry, or other changes that could adversely affect alternative asset firms and the funds they sponsor, including the Funds.

Regulation generally as well as regulation more specifically addressed to the private fund industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting investments, the profitability of enterprises and the cost of operating the Funds. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Funds exposes the Funds, the General Partners, BBAM and each of their respective affiliates generally to the risks of third-party litigation.

The SEC has proposed and enacted significant rules that will impact the business of BBAM and the Fund. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact BBAM and its affiliates, the Funds and/or their investments. In addition, the Funds are expected to bear increased and significant costs as a result of such enacted and proposed rules, including costs related to Investor reporting and disclosures to investors. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to the Funds. In addition, following the applicable compliance date, such regulations will require the General Partners to disclose to prospective investors and/or current investors certain preferential terms negotiated by investors in connection with their investment in the Funds, which could result in the General Partners being less willing to agree to any such preferential terms with any potential investor. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

*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 BBAM, the Funds or one or more portfolio investments could have a material and adverse effect on the value of the Funds.

*Data Privacy and Protection.* The General Partners, BBAM, the Funds and their portfolio investments, and each of their affiliates may be subject to laws and regulations related to privacy, data protection and information security in the jurisdictions in which they do business (collectively, the “Privacy Laws”). Compliance with the applicable Privacy Laws may require adhering to stringent legal and operational obligations and therefore the dedication of substantial time and resources, which may increase over time. A failure to comply with the applicable Privacy Laws could result in fines, sanctions, enforcement action or reputational damage. For example, failure to comply with the General Data Protection Regulation (EU 2016/679) (the “GDPR”), including the UK’s implementation of the GDPR, could (in the worst case) attract regulatory penalties up to the greater of: (i) €20 million / £17.5 million (as applicable); and (ii) 4% of an entire group’s total annual worldwide turnover, as well as the possibility of other enforcement actions (such as suspension of processing activities and audits), and liabilities from third-party claims.

The U.S. operations of a Fund and its portfolio investments in particular will be impacted by a growing movement to adopt comprehensive privacy and data protection laws similar to the GDPR, where such laws focus on privacy as an individual right in general. For example, California has passed the California Consumer Privacy Act of 2018 (“CCPA”), which took effect on January 1, 2020. The CCPA is enforceable by the California Attorney General and generally applies to businesses that collect personal information about California consumers and meet certain thresholds with respect to revenue or buying and/or selling consumers’ personal information. The CCPA imposes stringent legal and operational obligations on such businesses as well as certain affiliated entities that share common branding. Additionally, if unauthorized access, theft or disclosure of a consumer’s personal information occurs, and the business did not maintain reasonable security practices, consumers could file a civil action (including a class action) without having to prove actual damages. Statutory damages range from \$100 to \$750 per consumer per incident, or actual damages (whichever is higher). The Attorney General also may impose civil penalties ranging from \$2,500 to \$7,500 per violation. Further, California passed the California Privacy Rights Act of 2020 (the “CPRA”) to amend and extend the protections of the CCPA. Under the CPRA, which became effective on January 1, 2023, California established a new state agency focused on the enforcement of its privacy laws, likely leading to greater levels of enforcement and greater costs related to compliance with the CCPA and CPRA.

The Cayman Islands Data Protection Act (“Cayman Islands DPA”), which came into force on September 30, 2019, imposes similar data protection requirements as the GDPR. The Cayman Islands DPA applies to ‘establishments’ in the Cayman Islands (including companies, partnerships, offices or branches), as well as service providers that process personal data there. The Cayman Islands DPA imposes a maximum penalty of CI\$250,000 for breaches of the regime. Directors can also be held criminally liable, and subject to punishments of up to 5 years imprisonment or CI\$100,000 penalties (or both), where an offence has been committed with their consent or is attributable to their neglect.

Other jurisdictions, including other states in the U.S., have either passed, proposed or are considering similar law and regulations to the CCPA, CPRA, and GDPR, which could impose similarly significant costs, potential liabilities and operational and legal obligations. Such laws and

regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens and the potential for significant liability on regulated entities, which could include the General Partners, BBAM, the Funds and/or their portfolio investments.

*Fair Processing Information.* Limited Partners should be aware that, in considering and/or making an investment in the Funds, and interacting with the Funds, its affiliates, agents, advisers and/or delegates by: (i) submitting the Subscription Agreement and related documents, (ii) communicating through telephone calls, written correspondence and emails (all of which may be recorded); or (iii) providing personal data concerning individuals connected with the Limited Partner (such as directors, officers, trustees, personnel, representatives, shareholders, investors, clients, beneficial owners, advisers and/or agents), they will be providing the Funds, its affiliates, agents, advisers and/or delegates with personal data. The General Partners have prepared privacy notices, which provide further information regarding the personal data collected and used by them including in relation to the Funds, and the purposes for which such personal data is processed. The privacy notices will be made available to investors. Prospective Limited Partners should read the privacy notices carefully before sharing any personal data in accordance with the steps described above. If you have any questions or concerns regarding the processing of personal data by the Funds, please contact the General Partners.

*Foreign Investment Clearance Considerations.* Certain investments by the Funds involving the acquisition of a business or assets with a nexus to U.S. interstate commerce may be subject to review and approval from the Committee on Foreign Investment in the United States (“CFIUS”), an inter-agency committee authorized to review transactions involving U.S. businesses and a foreign person. Significant CFIUS reform legislation and regulations, which became effective on February 13, 2020, among other things, expand the scope of CFIUS’ jurisdiction to cover more types of transactions and empowers CFIUS to scrutinize more closely investments in U.S. “critical technology” and “critical infrastructure” companies, as well as companies that collect “sensitive personal data” of U.S. citizens, including investments involving foreign limited partners that may be deemed “non-passive.” Moreover, other countries outside of the United States are increasingly taking action to strengthen their national security review regimes, and as a result, certain investments in foreign countries may likewise be subject to similar foreign investment clearance and national security review regimes if the investments are perceived to implicate national security policy priorities. The Funds’ failure to notify CFIUS of a transaction where such notification was required or otherwise warranted based on the national security considerations would expose the Funds to potential legal penalties, costs, and/or other adverse reputational and financial effects. In the event that CFIUS reviews one or more of the Funds’ investments, CFIUS may recommend that the President block transactions, or CFIUS may impose conditions on transactions, certain of which may materially and adversely affect the Funds’ ability to execute its investment strategy. In addition, CFIUS may seek to impose limitations on one or more such investments that may prevent the Funds from maintaining or pursuing investment opportunities that the Funds otherwise would have maintained or pursued, which could adversely affect the performance of the Funds’ investments and thus the performance of the Funds. However, there can be no assurance that any restrictions implemented on any such limited partner(s) will allow the Funds to maintain, or proceed with, any investment. Legislative and regulatory changes, including changes to agency practice, in the future may negatively impact the ability of the Funds to realize value from certain existing and future investments, including by limiting exit opportunities or causing the Funds to favor buyers that it believes are less likely to require CFIUS review, even in circumstances where other buyers may offer better terms or more consideration.

*Compliance with Anti-Money Laundering Requirements.* In response to increased legal and regulatory concerns with respect to the sources of funds used in investments and other activities, the General Partners will request Limited Partners to provide additional documentation verifying, among other things, such investors' identity, the identity of their beneficial owners/controllers (where applicable) and source of funds used to purchase the interests. The General Partners may decline to accept a subscription on the basis of the information that is provided or if such information is not provided. Requests for documentation and additional information may be made at any time during which a Limited Partner holds an interest. The General Partners may be required to provide this information or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the Limited Partners that the information has been provided. The General Partners will take such steps as it determines in its sole discretion are necessary, advisable, desirable, or incidental thereto in order to comply with applicable law, regulations, rules, orders, guidance, directives or special measures. These steps may include prohibiting a Limited Partner from making further contributions of capital to the Funds, depositing distributions or other funds or assets to which a Limited Partner would otherwise be entitled to in an escrow account or causing the withdrawal of a Limited Partner from the Funds. Limited Partners should be aware that the failure to provide such information in a timely manner (or at all) may have a negative effect on the Limited Partners as a whole.

*Economic Sanctions Laws.* Economic and trade sanctions laws in the United States and other jurisdictions, including the EU and the United Kingdom, may prohibit BBAM, the General Partners, the Advisers, the BBAM Principals and the Funds from transacting with or in certain countries and with certain individuals and companies. Additionally, BBAM may be obligated to comply with certain anti-boycott laws and regulations, which prevent BBAM and the Funds from engaging in certain discriminatory practices that may be allowed or required in certain jurisdictions. BBAM's failure to discriminate in this manner could make it more difficult for the Funds to pursue certain investments and engage in certain business activities.

*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 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,

*Pay-to-Play Laws.* The SEC, a number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. If BBAM, the General Partners, any of their respective personnel, affiliates or any service provider acting on their behalf, fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on the Funds. Limited Partners may also seek to pursue individual remedies, including withdrawal rights, which may be included in Side Letters or otherwise imposed by law.

*Alternative Investment Funds Managers.* The AIFMD regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to Limited

Partners within the EEA or the United Kingdom (the “UK”). To the extent the Funds are actively marketed to Limited Partners domiciled or having their registered office in the EEA or the UK: (a) the Funds and the General Partners will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Funds incurring additional costs and expenses, (b) the Funds and the General Partners may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions or the UK, which would result in the Funds incurring additional costs and expenses or may otherwise affect the management and operation of the Funds, (c) the General Partners will be required to make detailed information relating to the Funds and its investments available to regulators and third parties, and (d) the AIFMD will also restrict certain activities of the Funds in relation to EEA or UK investments including, in some circumstances, the Funds’ ability to recapitalize, refinance or potentially restructure an asset-owning company within the first two years of ownership, which may in turn affect operations of the Funds generally.

*EEA Risks* In addition to specific national concerns, the EEA is subject to continuing instability in the aftermath of a collective debt crisis. Ongoing concerns regarding the sovereign debt of various EEA countries, including the potential for Limited Partners to incur substantial write-downs, reductions in the face value of sovereign debt and/or sovereign defaults, as well as the possibility that additional countries may leave the EU, or the EEA create risks that could materially and adversely affect the Funds’ investments. The consequences of any sovereign default would likely be severe and wide-reaching, including significant exchange rate volatility or even an abolition of the Euro. This could have a severe negative impact on the financial and other markets, not only within Europe but globally and could result in the Funds’ inability to successfully carry out its investment program, especially with respect to European investments. The EEA is also subject to severe geopolitical pressures in light of the ongoing refugee resettlement crisis. Investor confidence in certain EU member states has been impacted, threatening capital markets throughout the EEA.

*United Kingdom Exit from the EU.* The legal, political, and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both EU and UK-based businesses. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States. Furthermore, as a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership with the EU. It is difficult to predict what the economic, tax, fiscal, legal, regulatory, and other implications will be for the asset management industry, the broader European and global financial markets generally and for private pooled investment vehicles such as the Funds and their investments. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having services or other significant relationships in, the UK or the EU, including companies or assets held or considered for prospective investment by the Funds. Brexit may also have an adverse effect on the tax treatment of the Funds and their investments.

*Systems and Operations Risk.* The Advisers rely on certain financial, accounting, data processing and other operational systems and services that are employed by the Advisers and by third-party service providers, including prime brokers, third-party administrators, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems could be subject to certain defects, failures or interruptions. For example, the



Advisers and the Funds could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by the Advisers and third-party service providers to safeguard information in these systems, the Advisers, the Funds and their third-party service providers are subject to risks associated with a breach in cybersecurity that could result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions could lead to financial losses, liability under applicable law, regulatory intervention or reputational damage.

## **Aviation Industry Risks**

*Investments in Undervalued and Distressed Assets.* The Funds expect to invest in undervalued and distressed aviation assets, including distressed aviation debt or other securities, aircraft on lease to, or securities issued by, airlines or air cargo carriers that are experiencing or are expected to experience severe financial difficulties which may never be overcome, and in aviation assets involved in bankruptcy or other reorganization and liquidation proceedings. The identification of investment opportunities in such assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued or distressed assets offer the opportunity for attractive capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' undervalued investments may not adequately compensate Limited Partners for the business and financial risks assumed. The Funds may incur a substantial loss if the assets which the Advisers believe are undervalued are not in fact undervalued and may be forced to sell such assets at a substantial loss. In addition, the Funds may be required to hold such assets for a substantial period of time before realizing their anticipated value. Once purchased, these assets will often require additional ongoing maintenance capital from the Funds. During this period, a portion of the Funds' funds would be committed to the assets purchased, thus possibly preventing the Funds from investing in other opportunities. There can be no assurances that exits with respect to any distressed or undervalued assets would be successful.

*Concentration of Investments.* The Funds anticipate participation in a limited number of investments. As a result, a Fund's investment portfolios could become highly concentrated in certain types of assets. To the extent the Funds concentrate investments in a particular aircraft, the value of a Fund's investments and, therefore, the value of the Limited Partners' interests in the Funds, could be negatively affected if the market demand for the aircraft acquired by the Funds declines in the future, or if any of them is redesigned or replaced by its manufacturer. To the extent the Funds concentrate investments in aircraft on lease to a particular airline or airlines, or in securities issued by a particular airline or airlines, the risks described under "Lessee Credit Risk" below will be exacerbated. And, to the extent the Funds concentrate investments in a particular geographic region or other sector, their investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. Over time, the risks associated with asset, lessee and country or geographic concentration may be exacerbated as the Funds purchase, sell and release aircraft or engines, or purchase and sell securities. Furthermore, if a Fund co-invests with other alternative asset funds or if Investors otherwise co-invest alongside a Fund, an Investor may have exposure to one or more portfolio investments through more than one fund.

*Aircraft Leasing Risks.* The aircraft leasing market is affected by various cyclical factors that are not within the control of the Advisers such as: (i) interest rates; (ii) the availability of credit; (iii) fuel costs and general economic conditions affecting lessee operations; (iv) manufacturer production level; (v) passenger demand; (vi) retirement and obsolescence of aircraft models; (vii) manufacturers merging or exiting the industry or ceasing to produce aircraft types; (viii) re-introduction into service of aircraft previously in storage; (ix) governmental regulation; (x) air traffic control infrastructure constraints; (xi) the particular maintenance and operating history of specific aircraft; (xii) the number of operators using a type of aircraft; (xiii) import restrictions; and (xiv) existing supply of parked aircraft. The availability of aircraft for lease or sale has periodically experienced cycles of oversupply and undersupply, producing sharp decreases and increases in aircraft values and lease rates.

In addition to general industry factors that may affect aircraft asset values and lease rates, the value of a specific aircraft asset will depend on a number of other factors that are not within the control of the Advisers, such as the particular maintenance and operating history of the aircraft asset, the number of operators using the type of aircraft asset and the supply of such type of aircraft asset, whether the aircraft asset is subject to a lease and any regulatory and legal requirements that must be satisfied before the aircraft asset can be sold. Values of an aircraft asset may be adversely affected by changes in the competitive and financial position of the relevant commercial aircraft asset manufacturer, by the withdrawal of such manufacturer from that market or by unexpected manufacturing defects that may surface subsequently.

Potential threats to used aircraft asset values and lease rates are the supply effects of the number of new aircraft delivered by Boeing and Airbus; significant numbers of used aircraft potentially entering the market as a result of airline reorganizations and insolvencies; and potential reductions to market lease rates for new and used freighter aircraft. Decreases in the values and rental rates achievable on new and used aircraft as a result of the above factors may have a material adverse effect on a Fund's operations and cash flows, as well as a Fund's investment returns. In addition, the profitability of leased aircraft assets will depend on the condition in which the aircraft asset is returned to the owner or lessor (e.g., the Fund). Accordingly, the compliance of operators and airlines with re-delivery conditions will determine the value and marketability of the aircraft. If any lessee fails to deliver complete and accurate records of leased aircraft assets upon re-delivery of such aircraft assets, a Fund may be unable to remarket such aircraft assets for lease to operators and airlines because airworthiness requirements could prohibit the use of aircraft containing such aircraft assets that do not have complete documentation. In some cases, the lessee will pay a security deposit that is refundable upon the expiration of the lease; provided that all re-delivery conditions are met and that the lessee has not defaulted under the lease. Also, certain lessees may be required to make periodic maintenance reserve payments to the lessor based on the number of hours or cycles the aircraft or engine has accrued. The lessee may, generally after maintenance is performed on the leased asset and the lessee is reimbursed for expenses incurred in connection with such maintenance, then draw upon such reserves to cover the cost of scheduled maintenance. Upon the expiration of the lease, unused reserves are typically retained by the lessor. In any event, there is the risk that these reserves will not be sufficient to cover costs and expenses incurred by a Fund once the aircraft asset is returned and that a Fund, and its investors' investment in such Fund, will be adversely affected thereby.

*Effects of Industry Geopolitical and Economic Risks and Airline Reorganizations.* The aviation industry as a whole has been negatively impacted by altered international political and economic

conditions, including those arising from conflicts in Russia/Ukraine, the Middle East, and elsewhere, inflation, supply chain issues, and higher fuel prices, labor costs, and interest rates, as well as the lingering effects of the COVID-19 pandemic and may be so affected in the future. Reorganizations or liquidations by airlines often lead to the rejection of aircraft leases or the abandonment of aircraft by airlines which would then exacerbate the already depressed aircraft values. If a Fund repossesses aircraft or engines on lease to an airline in connection with an airline default, or if the leases are rejected in a reorganization or liquidation, such Fund may not be able to profitably redeploy or dispose of such assets. Such events could result in significant expenses and loss of revenues, which may materially and adversely affect a Fund's investment returns.

*Effects of Fuel Costs.* Fuel costs represent a major expense to aircraft operators, including lessees. Fuel prices fluctuate widely depending primarily on international market conditions, conflicts, war, geopolitical and environmental events and regulation and currency/exchange rates. Although having declined from historical peaks, fuel prices tend to fluctuate. For instance, geopolitical disruption in certain regions or countries can generate uncertainty regarding the world's future fuel supply and lead to significant increases in fuel costs. Other events can also significantly affect fuel availability and prices, including natural disasters, decisions by the Organization of the Petroleum Exporting Countries regarding its members' oil output, and changes in global demand for fuel from key countries. As a result of all these factors, fuel costs are not within the control of lessees and significant changes in fuel prices could materially and adversely affect their operating results and profitability of the airlines. Long or short-term fluctuations may (i) affect the ability of operators and airlines to make rental and other lease payments; (ii) result in lease restructurings and repossessions; (iii) impair a Fund's ability to re-market or otherwise dispose of freighter aircraft on a timely basis and/or at favorable terms; and (iv) reduce the value received for its freighter aircraft upon any disposition.

*Changes in Aircraft Supply and Demand.* The aviation leasing and sales market is cyclical and, in the case of the Funds, is tied to the larger aviation market which itself is cyclical. Fluctuations in the demand for and supply of aircraft and engines available for purchase or lease (and for specific types of aircraft and engines) are likely to influence lease rates and prices of all or some types of aircraft and engines. For example, the oversupply of a specific type of aircraft or engine could depress lease rates and values for that type of aircraft and engines. In contrast, undersupply of a specific type of aircraft or engine could have the opposite impact on lease rates and values, making it more expensive for airlines to support leases and for lessors to acquire. Such fluctuations may occur for a variety of reasons including changes in the following: (i) the volume and structure of cargo transportation; (ii) the number of manufacturers and their pricing and supply strategies; (iii) the number of operators of certain types of aircraft and the operational efficiency and durability of certain types of aircraft; (iv) the lessees' demand for certain types of aircraft such as widebody, standardbody and regional; (v) fuel costs and general economic conditions affecting the operations of operators of aircraft; (vi) government regulation, including airworthiness directives and operating restrictions; (vii) financing interest rates; (viii) the availability of credit; (ix) manufacturer production levels; (x) the retirement and obsolescence of aircraft and engine models; (xi) the re-introduction into service of aircraft or engines previously in storage; (xii) air traffic control infrastructure constraints; (xiii) cancellations of orders for aircraft and engines; (xiv) accuracy of estimates relating to future supply and demand made by manufacturers and lessees; and (xv) availability and cost of credit. The ability to sell aircraft will depend on market conditions, and a Fund's ability to sell aircraft may be adversely affected by some of the risks described herein, including fluctuations in aircraft and engine supply and demand. These cycles may produce

decreases or increases in aircraft values and lease rates. Further, when aircraft or engine leases expire, industry conditions may prevent the aircraft from being remarketed or sold on satisfactory terms. As a result, any decreases or increases in the values of and lease rates for aircraft that may result from various industry or other unanticipated factors may have an adverse effect on a Fund's operations and cash flow and may impair its investments and the limited partners' respective investments in a Fund.

*Air Cargo Risks.* A portion of certain Funds' lessees are expected to be comprised of airlines and other air cargo companies that lease freighter aircraft and/or engines from these Funds. Demand from these customers may be impacted by a number of factors, including (1) cyclicalities of supply and demand for shipment of air cargo, (2) general economic conditions affecting consumers and businesses, including demand for goods, manufacturer order and production levels and the availability of capital and the cost of such capital, (3) demand for consumer products and the productivity of the consumer products industry in general, and (4) risks facing the air cargo industry, the profitability and solvency of which is tied directly to the purchase and production of goods, and the level of global trade. Air cargo companies are also subject to other risks and uncertainties that affect their businesses, including, but not limited to, (i) increases in operating costs, including the availability and cost of fuel and labor costs; (ii) competition; (iii) labor disputes; (iv) lawsuits and other administrative proceedings; (v) governmental regulation of, or affecting, the air transportation business, including noise and emissions regulations, climate change initiatives and age limitations; (vi) geopolitical and other events, including war, acts of terrorism, civil unrest, outbreaks of epidemic diseases and natural disasters; (vii) changes in interest and foreign exchange rates; (viii) dependence on reputation; and (ix) potential disruptions in technology networks. Because certain Funds will depend, in part, on air cargo companies as lessees, adverse developments in their operations or in the air cargo industry could have a material adverse effect on the returns of these Funds. A broad downturn in the air cargo industry may cause an oversupply of potential aircraft thereof which may drive lease rates downward or delay a Fund's leasing or retaining of such aircraft.

The air cargo industry also is affected by the risk of competition from other methods of cargo shipping, such as by road (truck), sea and rail. Lower transportation costs and higher cargo capacity of other methods of cargo shipping may reduce the demand for air cargo shipments. In particular, the North American air cargo market has diminished over the last decade in favor of trucking. Additionally, the completion of the widening of the Panama Canal in early-2016, and the advent of the "fast ship" has led to additional cargo traffic flow by sea for certain types of goods. Accordingly, the air cargo industry may be negatively affected by competition from other methods of cargo shipping which can reduce the need for air cargo shipments and may materially adversely affect the business operations and prospects of cargo operators and freighters and, therefore, may negatively affect a Fund and its returns.

*Issues with Used Aircraft.* Unlike new aircraft, used aircraft typically do not carry warranties as to their condition. As a result, the Funds may not be able to claim any warranty-related expenses on used aircraft asset. Although the General Partners may inspect an existing aircraft and its documented maintenance, usage, lease and other records prior to acquisition, it may not discover all defects during an inspection. Repairs and maintenance costs for existing aircraft are difficult to predict and generally increase as aircraft age and can be adversely affected by prior use. These costs could decrease a Fund's cash flow and reduce its returns.

Aircraft are long-lived assets, requiring long lead times to develop and manufacture, with particular types and models becoming obsolete and less in demand over time when newer, more advanced aircraft are manufactured. By acquiring existing aircraft, the Funds have greater exposure to more rapid obsolescence of the Funds' fleet, particularly if there are unanticipated events shortening the life cycle of such aircraft, such as government regulation or changes in the Funds' customers' preferences. This may result in a shorter life cycle for the Funds' fleet and, accordingly, declining lease rates, impairment charges or increased depreciation expense.

In general, the costs of operating an aircraft, including maintenance expenses, increase with the age of the aircraft. Further, variable expenses like fuel, crew size or aging aircraft corrosion control or modification programs and related airworthiness directives could make the operation of older aircraft more costly to the Funds' lessees and may result in increased lessee defaults or renegotiation of lease terms. The Funds also may incur some of these increased maintenance expenses and regulatory costs upon acquisition or re-marketing of its aircraft for lease. Any of these expenses or costs would have a negative impact on a Fund's returns.

*Risk of Decline in Aircraft Value, Rental Rates and Part Prices.* In addition to factors linked to the aviation industry, other factors that may affect the value of aircraft and lease rates, as the case may be, include, without limitation: (i) manufacturers merging or exiting the industry or ceasing to produce certain aircraft models; (ii) the particular age, maintenance, damage, records and operating history of the aircraft; (iii) the number of operators using a type of aircraft and the compatibility of the aircraft configurations or specifications with other aircraft operated by operators of that type of aircraft; (iv) whether the aircraft is subject to a lease, and, if so, whether the lease terms are favorable to the lessor; (v) any regulatory and legal requirements that must be satisfied before the aircraft asset can be converted and operated, sold or remarketed for lease, including airworthiness directives; (vi) compatibility of aircraft parts and layout of the aircraft among operators of particular aircraft; (vii) any renegotiation of a lease on less favorable terms; (viii) manufacturing production levels and technological innovation; (ix) import restrictions; (x) retirement and obsolescence of aircraft models; (xi) traffic growth; (xii) fuel prices; (xiii) airline profitability; (xiv) existing supply of parked aircraft; (xv) reintroduction into service of aircraft previously in storage; (xvi) technological innovation, including introduction of new generation aircraft (xvii) regulatory changes impacting the used parts market; and (xviii) nationalization of leased aircraft. Any decrease in values of and lease rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on the Funds' operations and cash flow and may adversely affect its investments and, therefore, the value of the investors' interests in the Funds.

*Effects of Technological Change.* As manufacturers introduce technological innovations and new types of aircraft and engines, current generation aircraft and engines may become less desirable to potential lessees, manufacturers or purchasers. Such technological innovations may increase the rate of obsolescence of current generation aircraft and engines faster than currently anticipated by the Funds or accounted for in its accounting policy. For example, the Boeing 787 and the Airbus A350 provide improved fuel consumption and operating economics as compared to earlier aircraft types. In addition, Airbus has launched the A320neo family, and Boeing has launched the 737 MAX family of aircraft. These "next generation" narrow-body aircraft are expected to improve fuel consumption and to reduce noise, emissions and maintenance costs as compared to current models. In addition, Embraer, Bombardier Inc., Commercial Aircraft Corporation of China Ltd and PJSC United Aircraft Corporation in Russia could develop aircraft models that will compete

with existing Airbus and Boeing aircraft. It is not certain how these new aircraft offerings will impact the demand and liquidity of existing equipment. In addition, the imposition of more stringent noise or emissions standards and the development of more fuel-efficient engines could make current generation aircraft and engines less attractive for potential lessees and less valuable in the marketplace. Any of these risks could adversely affect the value of the Funds' investments and, therefore, the value of the investors' interests in the Funds.

*Risks Associated with Acquiring and Leasing Engines and Other Components.* The Funds may purchase and lease or sell engines or other component parts with the expectation of including such engines or parts on a Fund's aircraft or, particularly in the case of engines, leasing or selling such equipment independently. Although the General Partners intend to perform appropriate due diligence on the aircraft parts it purchases on behalf of a Fund, there is no guarantee that such parts are not illegal or "bogus" parts lacking proper certifications or other necessary back-up documentation. Although a Fund does not intend to knowingly purchase aircraft or engines with illegal parts, a Fund's purchase of illegal parts may subject such Fund to potential civil or criminal liability. Other risks with purchasing engines and parts include (in addition to the other applicable risks discussed herein regarding aircraft generally), among other things, the possibility that, if such engines or parts are purchased in advance of aircraft in which they are anticipated to be included in, a Fund ultimately does not purchase aircraft suitable for such engines and parts (thereby making such engines and parts effectively worthless unless otherwise disposed of, if possible), the inability to purchase such engines and parts at a Fund's desired prices or, alternatively, purchasing such engines or parts at prevailing market prices at the time of purchase with the market later decreasing such prices at the time that a Fund actually needs such engines or parts each of which may have an impact on the overall performance of a Fund. Engine leases tend to be for materially shorter terms than aircraft leases, sometimes as little as one or two months, and therefore are exposed more frequently to changing market conditions, including fluctuations in lease rates and values.

*Lessee Credit Risk.* The Advisers will evaluate the credit risk associated with each of the prospective operators/lessees, and their respective ability to properly maintain the leased freighter aircraft and comply with the lease. On the basis of such review, the Advisers will assess the credit rating of the operator and weigh that credit evaluation against the asset risk, the lease rate, and the lease structure, in determining whether the operator meets the Funds' investment criteria. Nonetheless, many factors can dramatically and quickly impact an individual lessee's viability. These include fuel prices, pandemics, labor disruptions, air crashes, and new or intensified competition. Should a lessee file for a re-organization under bankruptcy statutes, there is the added risk that the lessor/owner may be at least temporarily prohibited from foreclosing on or repossessing the leased asset. Most developed countries, like the United States (which affords lessors and other secured parties certain protections and certain rights pursuant to Section 1110 of the Bankruptcy Code), have specific laws that determine how and when a secured party or a lessor in a bankruptcy can repossess an aircraft. Although the process is improving due to the approval of, and certain parties joining, the Cape Town Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, the process can be slow, expensive, and in some instances may result in lost revenue and thus negatively impact the proceeds that would otherwise be received by the Funds.

*Lessee Defaults and Other Credit Problems.* The ability of each lessee to perform its obligations under its lease will depend primarily on the lessee's financial condition, which may be affected by

factors beyond the Funds' control, including competition, fare levels, air cargo rates, passenger and air cargo demand, operating costs (including the price and availability of jet fuel and labor costs), labor difficulties, economic conditions in the countries in which the lessee operates and governmental regulation of or affecting the air transportation business. Airlines and air cargo carriers with weaker capital structures, in general, are more likely than well-capitalized airlines and air cargo carriers to seek operating leases, and, at any point in time, a varying number of lessees may experience payment difficulties. In addition, many lessees are exposed to currency risk due to the fact that they earn revenues in their local currencies and certain of their liabilities and expenses are denominated in U.S. dollars, including lease payments to the Funds. As a result of their poor financial condition, a large portion of lessees over time may consistently be significantly in arrears in their rental payments or maintenance payments. The Funds can give no assurances that lessees will be able to perform their financial and other obligations under future lease agreements. A lessee may also experience periodic difficulties that are not financial in nature, which could impair its performance of its maintenance obligations under a lease agreement. These difficulties may include deferring the performance of scheduled freighter aircraft maintenance. The Funds cannot assure that, in the event that a lessee defaults under a lease, the security deposit paid or the letter of credit provided by the lessee, if any, will be sufficient to cover the outstanding or unpaid obligations accrued under the applicable lease agreement or other lessee obligations such as navigational charges and landing and/or airport fees which may give rise to lien rights in favor of applicable creditors. If such amounts are insufficient, the Funds' ability to make distributions to Investors will be adversely impacted. Moreover, the Funds may be unable to profitably redeploy or dispose of aircraft repossessed from defaulting lessees.

*Higher Costs Resulting from Lease Default.* Upon a lessee default, the lessor typically has the right to terminate the lease, repossess the relevant aircraft and to exercise other remedies under the lease and applicable law. Repossession of aircraft after a lessee default may result in the Funds incurring costs in excess of those incurred with respect to freighter aircraft returned at the end of the lease. Those costs include legal and other expenses of court or governmental proceedings (particularly if the lessee is contesting the proceedings or is in bankruptcy) to obtain possession and/or re-registration of the aircraft and flight and export permissions. Delays resulting from any of these proceedings would also increase the period of time during which the relevant aircraft is not generating revenue pursuant to a lease agreement. In addition, the Funds may incur substantial maintenance or repair costs (that a defaulting lessee has failed to pay) and may need to pay off liens, taxes and governmental charges in order to obtain unencumbered possession and to remarket the repossessed freighter aircraft effectively. The Funds may incur costs in connection with the physical repossession of the aircraft. Any of these costs or delays will adversely impact the returns of the Funds. The rights of the Funds upon a lessee default may be subject to limitations of applicable law, including the need to obtain a court order for repossession of aircraft and/or consents for deregistration or re-export of freighter aircraft. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions will give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third-party, or will entitle the lessee or another third-party to retain possession of the aircraft (without performing all or some of the obligations under the relevant lease or consignment, as the case may be). Accordingly, the Funds may be delayed in or prevented from, or may incur additional costs including legal costs, enforcing certain of the Funds' rights under a lease agreement and in selling the affected aircraft. Such delays and costs may adversely impact the returns of the Funds.

*Restructuring of Leases.* Under certain circumstances, including when a lessee is late in making payments or fails to make payments in full under the lease or is subject to an insolvency or reorganization proceeding, the Funds may be requested to restructure a lease. Restructuring may involve anything from a simple rescheduling of payments, a reduction of rental or other payments, or an easing of return conditions upon the termination of a lease, in each case without receiving all or any portion of the past due amounts. If any leases are restructured, the Funds expect that the reduced or deferred rental payments would be payable over all or some part of the remaining term of the lease. The Funds may have no alternative but to agree to such rental reductions in the event no viable substitute lessee is available. The Funds may be unable to agree upon acceptable terms for some or all of the requested restructurings and as a result may exercise its remedies under those leases. If the Funds, in the exercise of their remedies, repossesses the aircraft, the Funds cannot assure that it will be able to remarket the aircraft for lease promptly or at favorable rates. Restructurings with some lessees might occur in the future. The terms and conditions of possible lease restructurings may result in significant reductions of rental payments and adversely impact the returns of the Funds.

*Remarketing Aircraft for Lease.* Upon termination of any lease, the Funds will attempt to remarket the aircraft for lease or sell it. To the extent that the Funds elect to remarket rather than sell aircraft, the follow-on lease terms will be effected by, among other things: (i) the supply and demand for a given aircraft model at any point in time; (ii) the economic condition of the freight carrier industries; (iii) cyclical changes in interest rates and the availability of credit; (iv) fluctuations in the cost of fuel and other materials; (v) the supply of competing aircraft; (vi) the ability to repossess the aircraft from a defaulted lessee; (vii) the ability to export an aircraft from or import the aircraft to a given jurisdiction; (viii) competition from aircraft manufacturers, aircraft leasing companies, financial institutions, aircraft brokers and special purpose leasing vehicles that may have greater financial resources and greater legal and financial flexibility to structure and offer more favorable leasing alternatives; and (ix) a default by the servicer of such aircraft or its inability to perform its obligations under any applicable servicing agreement.

*Lessees in Developing and Emerging Markets.* Certain Funds may lease the aircraft assets to operators and airlines located in countries that have poorly developed economies and legal systems that are more vulnerable to economic and political problems, such as civil disturbances, government instability, nationalization and expropriation of private assets, the imposition of taxes or other charges by governments and significant fluctuations in gross domestic product, interest rates and currency exchange rates. The resulting instability may adversely affect the ability of operators and airlines which operate in these markets to meet their lease obligations, and these operators and airlines may be more likely to default than operators and airlines that operate in developed economies. Further, lessors may have difficulty enforcing their rights under leases in these jurisdictions. These factors may adversely affect a Fund's investments in these jurisdictions and negatively impact such Fund's ability to make distributions to investors.

*Failure to Appropriately Discharge Aircraft Liens.* In the normal course of business, liens that secure the payment of airport fees and taxes, custom duties, fuel liens, air navigation charges (including charges imposed by Eurocontrol), landing charges, crew wages, maintenance charges, salvage or other liens ("Aircraft Liens") are likely, depending on the jurisdiction, to attach to the aircraft. Aircraft Liens may secure substantial sums that may, in certain jurisdictions or for limited types of Aircraft Liens (particularly fleet liens), exceed the value of the particular aircraft to which the Aircraft Liens have attached. In some jurisdictions, Aircraft Liens may give the holder thereof



the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft. In some cases, it may be difficult to obtain “clear title” to the assets acquired (including all aircraft documentation) unless an expensive title search is undertaken prior to acquisition. Such Aircraft Liens or clouded title could, until discharged, impair the Funds’ ability to repossess or sell aircraft. Although the financial obligations relating to these Aircraft Liens are the responsibilities of the lessees, if lessees fail to fulfill their obligations, Aircraft Liens may attach to a Fund’s aircraft and ultimately become such Fund’s responsibility. In some jurisdictions, Aircraft Liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft. In such cases, the Funds may find it necessary to pay the claims secured by such liens in order to repossess the aircraft or to obtain the aircraft or engines from a party holding a lien in respect thereof.

*Maintenance of Aircraft During Lease Term; Funding of Maintenance; Maintenance Reserves.* Under most leases, the lessee is primarily responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft including operational, maintenance, and registration requirements and airworthiness directives. Failure of a lessee to perform required maintenance with respect to an aircraft during the term of a lease could result in a diminution in value of such aircraft’s parts upon termination of such lease. The Funds will not be in possession of any aircraft while such aircraft is subject to lease. A continuous failure by a lessee to meet its maintenance obligations under the relevant lease (i) could result in a grounding or inoperability of the aircraft asset; (ii) in the event of a re-marketing of the aircraft asset for lease, could cause the Funds to incur integration and other costs, which may be substantial, in restoring the aircraft asset to an acceptable maintenance condition; (iii) could result in a lower rental rate or shorter term under any new lease which the Funds might enter into following repossession of the aircraft asset; and (iv) would be likely to adversely affect the value of the aircraft asset. There can be no assurance that the Funds’ operational cash flow and available liquidity reserves will be sufficient to fund maintenance requirements, particularly as aircraft assets age. Actual rental and maintenance payments by lessees and other cash that the Funds receive may be significantly less than projected as a result of numerous factors, including defaults by lessees and the Funds’ possible inability to obtain satisfactory maintenance provisions in lease agreements. In some cases, a lessee may be entitled to substitute a letter of credit for maintenance reserve payments. Some leases do not provide for any maintenance reserve payments or letters of credit to be made or pledged, as the case may be, by lessees as security for their maintenance obligations, and there can be no assurance that future lease agreements will contain such requirements. Maintenance reserves may be insufficient to cover the scheduled maintenance expenses they are intended to fund. In addition, maintenance reserves typically cover only certain scheduled maintenance requirements and do not cover all required maintenance and all scheduled maintenance. Also, there can be no assurance that lessees will meet their obligations to pay maintenance reserves or perform required scheduled maintenance. If lessees fail to meet their obligation to fund reserves or perform required scheduled maintenance, the Funds may be required to make such payments which may adversely affect the Investors’ investment in the Funds.

In addition, for an aircraft to be airworthy and available for service, all records, logs, evidence of serviceability, licenses, and other documentation relating to maintenance and operations of the aircraft (“Records”) must be maintained in accordance with the requirements of the relevant civil aviation authority and manufacturer specifications. Under the leases, the Advisers will seek for the lessee to be responsible for maintaining the Records and complying with such requirements and directives. Failure of a lessee to perform maintain the Records during the term of a lease or deliver the Records (or failure to deliver the Records in the required condition) to the lessor at the expiry

of a lease could result in a diminution in value of such aircraft and an inability to lease such aircraft at market rates, if at all, until the Records are retrieved or recreated. As a result, an aircraft may be off-lease for a significant period of time while the Records are being restored. The cost to recreate the Records prior to sale or re-marketing for lease could be substantial and have an impact on the overall returns for the Funds. Moreover, incorrect Records with respect to aircraft purchased by the Funds can also be problematic. For instance, the Funds may purchase aircraft relying on the accuracy of such aircraft's Records. However, after purchasing the aircraft (including during the conversion process), the Advisers may uncover issues with the aircraft that were not included in the Records. In other words, Records may be inaccurate, incomplete or otherwise unreliable. This in turn could prevent or delay the Funds from executing its investment strategy or otherwise increase the costs in doing so (e.g., conversion costs may be higher than anticipated when based, at least in part, on a review of the Records) which may have an impact on the overall performance of the Funds.

*Liabilities, Loss and Insurance.* Operators and airlines are required under most leases to indemnify the related lessor for, and insure against, liabilities arising out of use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which the Funds may be deemed liable. Operators and airlines are also required to maintain public liability, property damage and aircraft hull insurance on the aircraft at agreed upon levels, including hull war insurance. The operators and airlines may, in some instances, have fleet-wide deductibles for liability insurance.

Any hull insurance in respect of such claims will generally be paid to the lessee (in some circumstances up to a cap with the balance going to the lessor), in the event of a partial loss of or damage to the aircraft asset, to effect repairs, unless there is a total loss with respect to aircraft assets in which case insurance proceeds are paid to the lessor or, in the case of liability insurance, to each of the insured parties for indemnification of third-party liabilities. In the event of a total loss, the lessor will usually be entitled to receive insurance proceeds equal to an amount agreed to at the commencement of the lease, and subject to the terms of the applicable lease, the balance of any hull insurance proceeds after deduction for all amounts due and payable by the lessee under such lease, are expected to remain with the lessee.

Lessees generally are required to maintain hull war insurance. Hull war insurance generally purports to be subject to unilateral cancellation or modification by the insurers on short notice. Lessees generally are not required to maintain separate political risk insurance.

Following the Russia-Ukraine conflict, aviation insurers have, in some cases, reduced the scope of insurance coverage provided by policies, including war insurance coverage, and increased insurance premiums. Accordingly, the lessees' insurance coverage could be insufficient to cover all claims that could be asserted arising from the operation of the aviation assets. While lessors generally maintain their own aviation insurance policies, such policies are generally subject to the same reductions in scope and increases in cost. Lessors generally do not maintain separate political risk insurance. Inadequate insurance coverage or default by lessees or insurers in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by a Fund. Moreover, the lessees' insurance coverage is dependent on the financial condition of insurance companies, which might not be able to pay claims.

There can be no assurance that insurance obtained by airlines and lessors, including any available

governmental supplemental coverage, will cover all types of claims that will be asserted against the Funds. Inadequate insurance coverage, default by insurers or airlines in fulfilling their contractual obligations, or the absence of political risk insurance may affect the proceeds that would be received by the Funds upon an event of loss or other incident.

*Aircraft Accidents.* A serious incident involving an aircraft, such as the Boeing 737 MAX 8 crashes in 2018 and 2019 and the safety incident involving a Boeing 737 MAX 9 aircraft in 2024, or other serious incidents could expose the Funds to significant liability and reduce the demand for certain of the Funds' Invested Assets. In addition, aircraft operators and/or aviation authorities may ground airline due to safety concerns. As a result, the Funds may be forced to bear substantial losses stemming from an accident. For example, until the first half of 2021, airline operators and aviation authorities in the United States, Europe, China, Canada and other countries had suspended the use of Boeing's 737 MAX 8 aircraft over concerns about its safety, after an Ethiopian Airlines flight of the same model crashed in March 2019 (shortly after another crash by the same model). The Boeing 737 MAX 9, which has nearly identical design features as the Boeing 737 MAX 8, was also grounded across the globe until the beginning of 2021. More recently, Alaska Airlines found loose bolts on several Boeing 737 MAX 9 aircrafts after a door plug blew off mid-flight in January 2024. Accordingly, the Federal Aviation Administration issued an emergency airworthiness directive ground all Boeing 737 MAX 9s pending their inspection. Any crash or serious accident involving aircraft that the Funds are expected to acquire could adversely impact a Fund's business, results of operations and financial condition or create an adverse public perception, which could result in air travelers being reluctant to fly on such aircraft. Accidents and incidents involving aircraft assets are not expected to target may also result in increased competition for the Funds' target assets, which in turn may limit supply and increase costs for the Funds.

*Liability Risk as Lessor.* Aircraft lessors have several legal and contractual protections from liability for damages arising from the operation of their aircraft by lessees. In many, but not all, jurisdictions, relevant laws provide safe harbors shielding aircraft lessors that are not in possession or operational control of an aircraft from liability arising from operational incidents. In the United States, Section 44112 of Title 49 of the United States Code ("Section 44112") provides that lessors of aircraft or engines generally will not be liable for any personal injury or death, or damage to or loss of property (collectively, "Loss" or "Losses"), provided that such lessor is not in actual possession or operational control of the equipment at the time of such Loss. Section 44112 preempts state law and provides a safe harbor that protects lessors from liability under the strict liability laws of most states, under which damage awards can be substantial. However, certain case law interpreting Section 44112 has narrowly construed this safe harbor, providing that lessors of aircraft or engines may be liable for Losses under certain circumstances. Therefore, there can be no assurance that the provisions of Section 44112 would fully protect the lessor and the Funds from all liabilities in connection with any Losses that may be caused by any aircraft or engine it owns. It should be noted that this description is limited to U.S. law, and to the extent that the law in foreign jurisdictions is applicable (e.g., in a jurisdiction where an accident occurs), different rules may apply. For example, some foreign jurisdictions may impose strict liability upon an owner of an aircraft or an engine.

To address this uncertainty, aircraft operating leases typically require lessees to indemnify the lessor and/or its owners for, and to insure the lessor and/or its owners against, claims by third parties arising from operational incidents. Nonetheless, it is possible that a lessee may not agree to such contractual provisions or, having agreed to such contractual provisions may not have financial

resources or insurance sufficient to fulfill its indemnity obligations in the event that Losses arise from an operational incident, resulting in losses to the Funds. In addition, it is possible that the scope and amount of insurance coverage available to airlines for liability to third persons may decrease while the premiums for such third-party risk insurance may simultaneously or otherwise increase. This situation may result in the operators, airlines and/or the Funds not obtaining sufficient insurance coverage to cover all types of claims that may be asserted against the operators and airlines or the Funds. Such insufficient insurance coverage amounts or defaults by operators and airlines in fulfilling their indemnification or insurance obligations or the lack of third-party liability insurance may increase the loss amounts for which the operators and airlines or the Funds are ultimately liable.

The Advisers will typically seek to require lessees to maintain those types of insurance customary and appropriate in the air transportation industry, including liability insurance and aircraft hull insurance. However, there can be no assurance that insurance will cover all types of claims that may be asserted against the Funds. Any inadequate insurance coverage, default by an insurer or default by lessees in fulfilling their indemnification or insurance obligations will negatively affect the proceeds that would be received by the Funds, and ultimately, the Investors, upon an event of loss under the respective leases or upon a claim under the relevant liability insurance.

*Control on Investment Repatriation Limitation.* In the course of sale of the aircraft of the Funds or a restructuring of the aircraft portfolio, it is typically necessary to transfer the aircraft or change the registration of aircraft or transfer substantial amounts of capital from one jurisdiction to another in the context of such events. In some jurisdictions, such transfer, or the transfer or repatriation of capital or the repossession of the aircraft may be or may become legally impaired or may be subject to approval by local authorities.

*Aviation Regulation.* The aviation industry is (i) highly regulated in the United States and internationally and (ii) subject to regulatory change. While the Funds intend to make investments that comply with relevant laws and regulations, certain aspects of the Funds' operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements, could have a material adverse effect on the Funds' investments. The U.S. Congress may introduce legislative proposals that would effect major changes in the U.S. aviation industry. The aviation industry outside of the United States is also subject to significant regulatory changes. It is not clear at this time what changes, if any, will occur and what effect any proposals would have on the aviation industry.

Aircraft manufacturers have come under criminal and civil scrutiny in recent years by regulators such as the FAA due to lapses in adequate quality-control, hazardously designed flight-control systems, and non-compliance with mandatory production rules and safeguards. Increased government regulation and enforcement may limit the supply and/or increase the cost of aircraft assets available to purchase by the Funds. Failure by manufacturers of aircraft assets to comply with applicable law and regulation may result in the grounding of certain aircraft assets or may result in an accident involving aircraft assets.

*Effect of Airworthiness Directives, Services Bulletins and Operating Restrictions.* The maintenance and operation of aircraft and engines are strictly regulated in the United States by the FAA in the U.S. and similar governmental authorities in foreign jurisdictions. These rules and

regulations govern such matters as certification, registration, inspection, operation and maintenance procedures, personnel certification and record keeping. Periodically, the FAA issues airworthiness directives requiring changes to aircraft or engine maintenance programs and procedures. An aircraft may also be subject to mandatory service bulletins issued by aircraft manufacturers, which may require the lessees to make more frequent inspections of the aircraft or particular parts in the aircraft. Future regulatory changes may also increase the cost of operating and/or maintaining aircraft and engines, which may adversely affect their residual value and the profitability of the Funds' investments, as can the failure of a lessee to comply with the maintenance provisions as set forth in the lease. The cost of compliance with such requirements may be significant.

*Requirement for Certain Licenses, Consents and Approvals.* Some lease or sale transactions may require that the Funds and/or the lessee obtain licenses, consents or approvals from governmental or other regulatory authorities with respect to the importing, exporting and deregistration of aircraft. Subsequent changes in applicable law or administrative practice may increase such requirements. In addition, a governmental consent, once given, might be withdrawn, revoked or expire without renewal. The Funds may have difficulty acquiring the licenses, consents or approvals needed in connection with aircraft leasing or sale. Any of these events could adversely affect the Funds' ability to lease or sell aircraft assets and could negatively affect the Funds' ability to make distributions to Investors.

*Registration of Aircraft.* Appropriate registration of aircraft is a material obligation of both the lessee and the holder of title of an aircraft and an indispensable precondition for operating the aircraft. If an aircraft were to be operated without a valid registration, the lessee operator or, in some cases, the owner or lessor (such as the Funds) might be subject to penalties, which could constitute or result in a lien being placed on such aircraft. Lack of registration could also restrict the ability of the owner or lessee to operate the aircraft, negatively affect insurance premiums or cause the loss of insurance. The foregoing adverse effects could cause lessees to incur higher costs and to generate lower net revenues, resulting in an adverse impact on their financial conditions, affecting lessees' ability to make rental and other lease payments to the Funds.

*Manufacturer and Maintenance Issues.* The supply of commercial aircraft is primarily controlled by a limited number of airframe and engine manufacturers. The financial stability of such manufacturers, their ability to produce products and components that meet the demands of airlines and regulatory requirements, and their fulfillment of contractual obligations with the Funds are crucial for a Fund's operations. However, the Funds have little or no control over various factors that influence these manufacturers. These factors include the availability of raw materials and components, changes in performance requirements and product specifications, economic conditions, regulatory changes, and labor relations.

The production of airframes and engines has faced significant challenges due to supply chain issues and labor shortages. If manufacturers fail to meet their contractual obligations, the Funds will face negative consequences. These include missed or delayed aircraft deliveries, which can result in lost or delayed revenues and strained customer relationships. It may also lead to difficulties in acquiring aircraft and engines, resulting in limited growth or even contraction of a Fund's aviation assets. Furthermore, reduced demand for a specific manufacturer's product can lead to lower market lease rates and aircraft residual values, affecting a Fund's ability to remarket or sell aviation assets at a profit, if at all. Additionally, technical issues or other difficulties with aircraft or engines

after delivery can lead to operating restrictions or groundings, causing a decline in the residual value and lease rates of such aircraft.

Furthermore, substantial delays in delivery may result in the possibility of affected lessees terminating their lease agreements. Such cancellations have the potential to strain a Fund's ongoing relationship with these lessees and have a detrimental impact on a Fund's operations. If the severity of delivery delays persists or worsens, or if new delays emerge, a Fund's capacity to expand its fleet and generate earnings will be adversely affected.

Similar supply chain issues and labor shortages have impacted aircraft maintenance and repair organizations, leading to increases in the cost and time required to maintain, repair or modify aircraft. If the severity of these issues persists or worsens, or if new issues emerge, a Fund's capacity to maintain its fleet, remarket aircraft for lease, and generate earnings will be adversely affected.

### **Aviation Debt Instruments Risks**

*Aircraft Mortgage Debt.* Certain of the Funds may invest in various forms of aviation-related debt, such as aviation asset-backed securities, ALRs, EETCs, and private placements or bank loans secured by aircraft or other aviation assets (collectively, "aircraft mortgage debt"). Investing in aircraft mortgage debt carries similar risks to investing directly in aircraft, including the possibility of aircraft repossession, the need for aircraft maintenance, counter-party credit risk, and potential delays in enforcement. However, there are additional risks associated with aircraft mortgage debt, such as the complex structures involved and the fact that the Fund typically does not have a controlling stake over the aircraft, unlike if it were to own the aircraft outright. Aircraft mortgage debt tends to have lower liquidity compared to other types of bonds, and it is generally not actively traded on any exchange. As a result, if the Fund decides to sell its investment in aircraft mortgage debt, it may not be able to promptly obtain a price that accurately reflects the value of the investment, as determined by the General Partners.

*Pre-Delivery Payments.* Certain of the Funds may fund pre-delivery payments ("PDPs"), which are payments made by aircraft buyers to manufacturers during the construction of new aircraft. These PDP payments are commonly utilized by manufacturers as working capital. However, financing PDPs carries the risk that the aircraft may not be constructed, such aircraft may be delayed, or the buyer may not take delivery. Additionally, these transactions can create conflicts of interest.

*Aircraft Lease Receivables ("ALRs").* Certain of the Funds may allocate its investments in aviation assets, specifically in ALRs. ALRs are asset-backed securities that are typically organized as pass-through trusts. The trust acquires the aircraft and then leases it to airline companies. Nevertheless, unlike receivables that are backed by loans or interest rates, ALRs carry a greater level of risk due to the nature of the underlying assets. These assets are costly to maintain and operate, and their sale can be challenging. Furthermore, aircraft are subject to various laws in different jurisdictions, making the repossession of aircraft from lessees a complex and expensive process.

*EETCs.* Certain of the Funds may invest in EETCs. While EETCs can be issued by any entity, U.S. airlines have been the main issuers so far. An airline EETC is typically backed by aircraft or aircraft engines as collateral, but it can also be secured by spare parts. EETCs generally have lower

liquidity compared to bonds.

*Asset-Backed Debt.* The performance of asset-backed debt is heavily reliant on the management of the underlying asset pools, making it vulnerable to risks stemming from the negligence or misappropriation by servicers. In specific situations, mishandling of documentation will impact the rights of security holders in relation to the collateral. Furthermore, the insolvency of entities responsible for generating receivables or utilizing the assets is expected to lead to increased expenses, delays, and losses due to a decrease in the value of the underlying asset.

*Valuations.* Protection for pooled aviation asset-backed deals and EETCs is ensured through overcollateralization. While both asset classes face the risk of declining aircraft values, the structure of pooled aircraft lease transactions is more resilient to short-term shocks and recessions. This is because it relies on cash inflows from multiple obligors. On the other hand, EETCs are more exposed to market value risk, while pooled aircraft lease financing transactions are more exposed to base value risk.

Although both EETCs and ABS are typically structured with liquidity reserves that can cover interest payments for 18 months while an aircraft is being marketed for sale, the current risk lies in the possibility of aircraft values remaining below base values for an extended period. However, for EETCs, this risk is partially mitigated by newer collateral and lower loan-to-value ratios.

*Aviation Debt.* Certain of the Funds may provide financing to airlines and other participants in the aviation finance and lease markets (each, a “Borrower” and collectively, the “Borrowers”). These investments could include mezzanine, senior, and/or other debt instruments, as well as interests in pools of securities and/or other instruments that are subordinated or expected to be subordinated in terms of payment priority. Such investments may be made at different levels of the Borrower’s capital structure, which could increase the risk of adverse changes in the Borrower’s financial condition or general economic conditions impacting their ability to make principal and interest payments. Some Borrowers may have high levels of debt compared to equity, which raises the risk that their operations may not generate enough cash flow to meet their obligations. While subordinated debt is higher in priority than common stock and other equity securities, it is still expected to be subordinate to significant amounts of senior debt and is often unsecured.

Additionally, certain of the Funds may provide financing to Borrowers where the underlying collateral does not consist of aviation assets. In such cases, BBAM would typically seek an airline guarantee or similar credit support from a participant in the aviation finance or lease markets. However, there is no guarantee that such guarantee or credit support will be obtained.

The influence of subordinated debt holders on a Borrower’s affairs is significantly lower compared to senior creditors, especially during times of financial distress or after insolvency. This is due to the terms of subordination agreements, which allow senior creditors to prevent the acceleration of debt or other actions by subordinated creditors. As a result, a Fund may not have the ability to safeguard its investments in a timely manner or at all. Additionally, the unsecured debt that the Fund is expected to invest in may lack financial covenants or restrictions on additional debt, have limited liquidity, and may not receive a credit rating.

*Credit Risk.* Lending and acquiring debt carry a significant credit risk in terms of the borrower’s ability to make timely interest and principal payments. In the case of a Fund, which seeks to

increase its exposure to aviation assets through lending or acquiring debt from leasing companies or airlines, there is a possibility that a Fund's income will be reduced if the borrower fails to pay interest. Additionally, if the borrower fails to repay the principal, both the investment value and the value of the Fund may be diminished. It is important to note that the Fund's interests in loans or debt of leasing companies or airlines are exposed to default risks. In the event of a reorganization or liquidation proceeding involving a leasing company or airline to which the Fund has provided loans, there is a chance that a Fund will lose some or all of the amounts advanced to such entities. A Fund cannot guarantee the level of protection for its interests, including the validity or enforceability of the loan. Moreover, there is a possibility that other claims may arise, which could hinder the enforcement of a Fund's rights. If a default occurs, a Fund or one of its affiliates would be expected to directly assume ownership of the underlying assets of the leasing company or airline. However, the proceeds from the liquidation sale of these assets may not be sufficient to cover the entire outstanding balance of principal and interest on the loan, resulting in a loss for the Fund. Any costs or delays associated with a default or liquidation of the underlying asset would further decrease the proceeds and consequently increase the loss.

Lending and acquiring debt pose significant liquidity and market value risks. Unlike publicly traded assets, loans are traded privately by banks and institutional investors involved in loan syndications. This private nature of loans, along with their customized terms and offering restrictions, makes them less easily bought or sold compared to other investments. Consequently, a Fund may face challenges in disposing of its loan interests in leasing companies or airlines in a timely manner and at a fair price due to their illiquid nature. Such inability to sell a loan could result in losses, potentially leading to the Fund losing its entire investment. Moreover, if the debt of a leasing company or airline is in default or highly leveraged, it becomes even less liquid. In the event that a Fund decides to sell its interests in these types of debt instruments, it may not receive the expected full value. These risks can be triggered by various factors, including changes in the financial condition or prospects of the leasing companies or airlines underlying the Fund's investments, shifts in national or international economic or political conditions (such as war, terrorism, or crises), adverse conditions in financial or capital markets, or alterations in laws and regulations impacting the aviation industry, fiscal policies, or political conditions of countries where investments are made.

## **Conflicts of Interest**

*Investment in BBAM.* In addition to owning an interest in BBAM, the Strategic Partners are Limited Partners in the Funds. The Strategic Partners are operationally independent from BBAM and do not participate in the day-to-day control of BBAM. However, the Strategic Partners generally are entitled to vote on all matters in which an investor vote is solicited, one or more representatives of the Strategic Partners may sit on the board of advisors and, in addition, may have certain informational and other rights that are not available to Limited Partners with respect to their investments in the Funds. The Strategic Partners have extensive worldwide holdings which may include enterprises that provide services or engage in transactions with the Funds and their investments, which BBAM conducts at an arms-length basis. For example, Onex and its managed investment vehicles own WestJet, a Canadian airline, which leases certain aircraft from the Funds. In addition, BBAM reserves the right to offer co-investment opportunities to the Strategic Partners and third parties that may invest in BBAM in the future, subject to and in accordance with its co-investment policies.



*Relationships with Other Accounts.* BBAM provides management, origination, remarketing, disposition, and asset management services to other aircraft assets outside of the Funds, including pursuant to a joint marketing agreement with Nomura Babcock & Brown Co., Ltd. (“NBB”), and pursuant to certain servicing agreement with aviation ABS-like vehicles for entities in which the BBAM Principals have an economic interest, and will continue to do so. The Funds may compete with NBB, the Strategic Partners, and others for such opportunities. A conflict of interest exists when BBAM identifies an aircraft acquisition opportunity that would meet a Fund’s investment objectives as well as those of NBB, Strategic Partners, or others. The Funds may purchase in the future aircraft from NBB, Strategic Partners, or other entities in which the BBAM Principals or a Strategic Partner has an ownership interest, subject to the requirements of the relevant Governing Documents. The pricing and other terms of these transactions are permitted to be less advantageous to the Funds than if they had been the result of transactions among unaffiliated third parties.

*Servicing Agreements.* Various Fund entities and third parties maintain servicing agreements with BBAM or its affiliates to provide asset-level services, whereby BBAM or an affiliate are entitled to receive and retain fees for providing such services. Under these agreements with BBAM, if a conflict of interest arises as to an aircraft owned by the Funds and other aircraft managed by BBAM, BBAM must perform the services in good faith, and, to the extent that the Funds’ aircraft and the other aircraft managed by BBAM have substantially similar characteristics that are relevant for purposes of the particular services to be performed, BBAM will not discriminate among a Fund’s aircraft and any other BBAM-managed aircraft on an unreasonable basis. Nevertheless, despite these undertakings, BBAM as servicer is permitted to favor its own interests and the interests of other managed entities over the interests of the Funds. Potential conflicts may arise when Funds’ aircraft are leased to entities that also lease other aircraft managed by BBAM and decisions affecting some aircraft may have an adverse impact on others. For example, when a lessee in financial distress seeks to return some of its aircraft, BBAM may be required to decide which aircraft to accept for return and may favor its or another managed entity’s interest over those of the Funds. Potential conflicts may arise, for example, when Funds’ aircraft are being marketed for re-lease or sale at a time when other aircraft managed by BBAM are being similarly marketed.

*Allocation of Fees and Expenses.* The General Partners may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses among the Funds. The General Partners, in their sole discretion, will allocate fees and expenses in accordance with the Governing Documents and in a manner that they believe in good faith is fair and equitable to each Fund under the circumstances and considering such factors as they deem relevant. The allocations of such expenses will not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size.

The General Partners will cause the Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for, insurance to insure the Funds, the General Partners, the Advisers, BBAM and/or their respective owners, shareholders, managers, members, directors, officers, personnel, agents, representatives, members of the Board of Advisors and other indemnified parties, against liability in connection with the activities of the Funds. This includes a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Advisers that cover the Funds, the Advisers and/or BBAM (including their respective owners, shareholders, managers, members, directors, officers, personnel, agents, representatives, members of the Board of Advisors and other indemnified parties).

The General Partners will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among the Funds, the Advisers and/or BBAM on a fair and reasonable basis, in its sole discretion, and are permitted to make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Funds bearing less (or more) premiums, fees, costs and expenses for insurance policies.

It is expected that the General Partners will, on behalf of the Funds and itself, utilize in-house legal, tax, financial, administrative and accounting services (collectively, the “In House Services”). The General Partners expect to charge all costs, fees, liabilities and obligations (collectively, “costs”), incurred in connection with the In House Services by a Fund, the General Partners or their respective affiliates to a Fund as described further in the Funds’ Governing Documents. The General Partners will face conflicts of interest in deciding whether to outsource such In House Services (including from a cost, reimbursement and allocation of time and resources) and there can be no guarantee that such conflicts will be determined in a manner which is favorable to a Fund. While the General Partners will make such determination in good faith, there can be no guarantee that by not outsourcing such functions, such costs will be charged at a rate lower than could be produced by a third party. The General Partners will make judgments about the allocation of such costs as between the Funds, the Advisers and/or BBAM on a basis that it believes are fair and equitable, in its sole discretion, and are permitted to make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Funds bearing less (or more) costs for the In House Services described above.

*Investments in Transactions by Multiple Accounts.* Any co-investment by a Fund with any other accounts managed by the Advisers in private transactions is expected to be made through collectively owned special purpose vehicles (“SPVs”) or otherwise as determined by the Advisers in their discretion (provided that the Funds will not effectively bear any additional management fees or incentive compensation in favor of the Adviser in connection with its investment in any such SPVs, it being acknowledged and agreed that all or a portion of the management fees determined with respect to the Funds may be debited at the level of any such SPV and any such amounts shall offset the Management Fees payable by the Funds on a dollar-for-dollar basis). Investment through an SPV with other accounts managed by the Advisers can expose the Funds to the risk of claims involving one or more of the other accounts. The Adviser intends to mitigate such risks as it deems appropriate from time to time, such as through cross-indemnification arrangements among participating clients, but there can be no guarantee that such risks can be mitigated in full. The Adviser will be subject to a potential conflict of interest when acting on behalf of multiple clients with divergent interests.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the assets and securities owned by the Funds. When determining their fair value, the relevant General Partner will apply a methodology it determines to be appropriate based on the General Partner’s valuation policy and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities and other assets, including aircraft 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 securities and may differ from the prices at which such assets and/or securities ultimately may be sold. The exercise of discretion in valuation by the General Partners is expected to give rise to potential

conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees. No third-party administrator, accountant or valuation consultant has been engaged to substantiate or validate the valuations assigned to assets by the relevant General Partner.

The criteria used by the General Partners or their affiliates in valuing an investment have the potential to be subjective, to be influenced by market information and other factors, and to vary over time. Although the General Partners and their affiliates intend to operate in accordance with the Governing Documents of the Funds—as well as valuation and other policies and procedures—in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policies and procedures will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

*Pooled Aviation Asset Purchases.* The General Partners or their respective affiliates reserve the right, in some cases, to have the opportunity to acquire a portfolio of aviation assets from a seller on a pooled basis (i.e., a pool of assets), whether required by the seller or deemed advisable by the General Partners in light of commercial and/or other considerations. Accordingly, there may be circumstances where there is a seller who is seeking to dispose a pool or combination of assets where the Funds and certain other accounts managed by the Advisers participate as a buyer in a single or related transactions with a particular seller where all or certain of such assets are specifically allocated (in whole or in part) to the Funds and/or such other accounts managed by the Advisers as part of the same transaction or related transactions. The allocation of such assets generally would be based on the General Partners' and/or their respective appropriate affiliates' determination and in any such case the asset-specific purchase price paid to a seller would be allocated among the Funds and the other accounts managed by the Advisers based on a determination by, and/or negotiations between or among, the seller and/or the General Partners (or their respective affiliates).

Given that only certain of the assets in the portfolio may be suitable for the Funds, such transactions raise potential conflicts of interest, including where the investment of the Funds is necessary or otherwise being used to support the value (or could support the value) of the Other Account's assets in the portfolio. These conflicts are heightened to the extent the relevant assets do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into, or the price allocated to the assets that the Funds will acquire, represents what would ultimately be the asset's fair value. The foregoing paragraphs also hold true with respect to collective dispositions by the Funds and one or more of the other accounts managed by the Advisers of a pool of assets.

*Transactions with Affiliates.* From time to time, a Fund reserves the right to purchase, sell or lease aircraft parts or other components from or to one or more other accounts managed by the Advisers or other affiliates such as NBB and one or more other entities in which the BBAM Principals have an ownership interest including other accounts managed by the Advisers.

Furthermore, a Fund is permitted to exit or partially exit investments or a series of related investments through contribution of underlying aircraft to an affiliated ABS-like or similar vehicle established by BBAM in which a Fund would, among other investment structures and types of holdings, typically retain a relatively small investment in a junior tranche on a non-recourse basis while the senior tranches would typically be offered to third parties, including banks. Other

accounts managed by the Advisers are also permitted to contribute aircraft to such vehicles alongside a Fund, with the asset-specific disposition price to be received by each seller being determined by BBAM in its discretion. Other accounts managed by the Advisers also sometimes will be issued interests in such vehicles. BBAM is permitted to be engaged by such vehicles as asset manager, servicer or otherwise.

While these transactions with related parties are expected to expand the universe of opportunities that are available to the Funds, the determination as to whether a Fund will derive a benefit from each such transaction will be made by BBAM, the Funds and any other accounts managed by the Advisers that is a party to a particular transaction sometimes will have divergent interests. The pricing and other terms of these transactions (which will be on arms'-length terms) sometimes will be less advantageous to a Fund than if they had been the result of transactions among unaffiliated third parties.

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

*Varying Levels of Capital Structure.* Certain Funds may have conflicting interests when investing in securities or other instruments issued by the same issuer or affiliated group of issuers, or in different classes of an issuer's securities. This can lead to situations where BBAM is faced with decisions that are in conflict with the interests of the Funds. As a result, BBAM's obligations to the Funds is also expected to conflict. To mitigate potential conflicts, BBAM will use its discretion to take measures that reduce the likelihood of adversity between the Funds. These measures may involve actions that the Funds would not normally take in the absence of such conflicts. It is important to note that in some cases, these actions may benefit one or more other Funds, and incidentally, also benefit BBAM or its affiliates, but may not be the most favorable outcome for a

Fund. BBAM will manage any conflicting interests or capital structure conflicts of a Fund's investments in accordance with its internal guidelines and fiduciary duties.

In the event that the issuer becomes insolvent or experiences financial distress, it is possible that a conflict will arise between the interests of the relevant Funds. This conflict arises because the issuer will not be able to fulfill the claims of all its creditors and security holders. In such situations, it may not always be possible for BBAM to resolve the conflicting interests of the Funds in a manner that safeguards a Fund's interests. In certain circumstances, a Fund may be prohibited from exercising its voting or other rights, or BBAM may choose to refrain from doing so, in order to mitigate potential conflicts. This is despite the fact that one of the other Fund's investments may be subject to creditor claims related to the subordination of interests.

Furthermore, other Funds may present potential counterparties with distinct or rival investment proposals in comparison to a Fund. This could result in the Funds vying for investment prospects. It is important to acknowledge that such arrangements will inevitably create conflicts of interest, and it cannot be guaranteed that these conflicts will be resolved in favor of certain Funds.

BBAM may encounter potential conflicts of interest due to the differing legal rights associated with debt and equity of the same issuer. This conflict arises when providing advice and taking actions on behalf of a Fund compared to another Fund. Various factors contribute to this conflict, such as the terms of debt instruments, enforcement of covenants, terms of recapitalizations, and resolution of workouts or bankruptcies. In situations where the equity investment of another Fund is at odds with the debt investment of a Fund, especially during financial distress of the issuer, BBAM may take actions that are adverse to a Fund's interests and that benefit another Fund.

In such situations, BBAM will, to the maximum extent allowed by applicable law, take measures to mitigate potential conflicts between the Funds' interests, which may involve prompting one or more of these Funds to take certain actions that they would not otherwise take in the absence of such conflict. Any such action could potentially benefit certain Funds or BBAM at the expense of other Funds. BBAM intends to handle any conflicting interests or conflicts in the capital structure of a Fund's investments in a manner consistent with BBAM's internal guidelines and fiduciary obligations.

*Aggregate of Trades.* Situations can arise in which one or more Funds seek to acquire or dispose of a position, but it is not possible under prevailing market conditions to fill the entire order for more than one of these accounts at the same price that would be obtainable if an order were placed for only one of the accounts. In such situations, whenever transactions are executed on behalf of a Fund and any one or more of the other Funds, BBAM's policy is to seek an allocation of the trades among the participating accounts in such a manner that, to the extent feasible, no participating account receives less favorable treatment than any other participating account. In order to achieve this objective in situations involving contemporaneous trades, BBAM is authorized to arrange for the placement of orders on a combined basis so that each participating account experiences the same average price for the trade. The combination or coordination of orders as described above will not be deemed to constitute participating accounts acting in concert with respect to the securities purchased or sold or otherwise constituting a group for any other purpose.

*Aggregate Arrangements and Related Parts.* BBAM may enter into, or cause a Fund to enter into, overarching commercial arrangements with third parties (e.g., general terms agreements with airlines, maintenance and repair organizations, conversion facilities, insurers, and other service

providers covering multiple Funds and/or other accounts), or in which potential indirect conflicts of interest may arise (e.g., one Fund or account selling an engine or other aircraft part to an airline, with knowledge that the airline may use the engine or aircraft part on an aircraft owned by another Fund or account). BBAM and/or its affiliates may have direct or indirect economic interests in such transactions through their investment in the Fund or other account, or in BBAM. In addition, from time to time, BBAM may seek to sell or transfer of aircraft parts among the Funds or other accounts when BBAM believes that such transactions may achieve the investment objectives of both Funds or accounts without disadvantaging either one, and may provide additional advantages, such as speed and certainty of execution. It cannot be guaranteed that each Fund or account will be treated identically such arrangements or will reap its proportionate share of the benefits of such arrangements. BBAM intends to handle any conflicting interests or conflicts in such arrangements in a manner consistent with BBAM's internal guidelines and fiduciary obligations.

## **Item 9      Disciplinary Information**

The Advisers and their personnel have not been involved in any legal or disciplinary events that would be material to an investor's evaluation of the company or its personnel.

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

The Advisers provide investment advice to the Funds. The General Partners of the Funds are affiliated with the Advisers by common ownership. The General Partners are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to BBAM US's registration. The General Partners and the Advisers operate together as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, personnel, consultants or persons occupying similar positions. All of these advisers are under common control and subject to BBAM US' code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.

The Advisers are not registered as a broker-dealer and do not have any application pending to register as a broker-dealer or registered representative of a broker-dealer. The Advisers and their management persons are not registered, and do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

There can be no assurance that the Advisers will achieve the investment objectives of the Funds and a loss of investment is possible.

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

The Advisers have adopted a Code of Ethics (the "Code"), which sets forth standards of conduct that are expected of their personnel and addresses conflicts that arise from personal trading.

The Code is based on the principle that the Advisers, and the affiliated General Partners, owe a fiduciary duty to the Funds. The Code establishes that the Advisers' personnel must (i) place the interest of the Funds ahead of their own personal interests, (ii) conduct personal securities

transactions in full compliance with the Code, (iii) not take inappropriate advantage of his or her position with the Adviser, (iv) have a reasonable, independent basis for his or her investment advice, and (v) comply with applicable federal securities laws and regulations. Personnel are required to provide a written acknowledgement of their receipt of the Code and any amendments. Funds may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this Brochure.

The Advisers' personnel are required to pre-clear certain transactions and disclose reportable accounts, holdings, and transactions on a periodic basis.

Shareholders, principals, and personnel of BBAM have in the past, and are expected in the future to, directly or indirectly own an interest in one or more Funds or own interests or shares of securities held by the Funds. Such investments in the Funds or securities held by Funds can help align interests of the shareholders, principals, and personnel of BBAM with the interests of the Funds, encourage prudence and diligence during the investment process, and demonstrate confidence in the Advisers' investment processes. However, these investments could present conflicts of interest if not properly structured and monitored. For example, BBAM and its affiliates are permitted to make different investment decisions than if such parties did not have a financial ownership interest in the Funds or securities. As such, the Code seeks to establish monitoring of personal trading by the Advisers' personnel to mitigate these conflicts.

#### *Co-Investment Opportunities*

Principals and personnel of BBAM have in the past, and expect in the future to, directly or indirectly own an interest in one or more Funds, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles typically invest in one or more of the same asset-owning companies as the Funds. Co-investment opportunities have been and will continue to be presented to certain affiliates of BBAM, including third party investors and other persons. Principal and personnel participation in co-investments can help align interests with those of the Funds, encourage prudence and diligence during the investment process, and demonstrate confidence in BBAM's investment processes. However, co-investments could present conflicts of interest if not properly structured and monitored. As such, the Code seeks to establish monitoring of co-investments and personal trading by the Advisers' principals and personnel. The Advisers are permitted to allocate any co-investment opportunities among interested parties in its sole discretion, on the basis of such factors as it determines appropriate based on the relevant facts and circumstances, which include, but are not limited to: stated desire to participate in co-investments, the ability of a Limited Partner to commit to invest and execute on such investment in a time period acceptable, the economic terms on which an investor may agree to participate, whether an investor provides strategic value in respect of such investment, the size of an investor's commitment to the Funds, whether and to what extent an investor has accepted prior co-investment opportunities, or any other legal, regulatory or tax considerations.

On occasion, the Advisers are permitted to determine that it would be in the best interests of the Funds to transfer an investment from one Funds to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Funds, or to reduce transaction costs that arise in an open market transaction. If an Adviser decides to engage in a Cross Trade, the Adviser is required to determine if the trade is in the best interests of each Funds involved and take steps to ensure that the transaction is consistent

with the duty to obtain best execution for each of those Funds. To the extent any Cross Trade would be deemed a principal transaction, the board of advisors of the relevant Fund or Funds is required to sign off on such trade.

### *Risk of Receiving Confidential Information*

During the course of its business, the Advisers' personnel or affiliates could come into possession of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. The Code requires such persons to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. Restrictions on behalf of the Funds are expected to arise as a result of the Advisers' personnel serving as directors of public companies.

### *Other Conflicts*

Investors should refer to the Governing Documents of the Funds for more detailed descriptions of additional conflicts and risk factors.

The General Partners of each of the Funds has established a board of advisors for each of the Funds to advise them regarding conflicts of interest and other issues.

## **Item 12 Brokerage Practices**

The Advisers have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

In selecting brokers for relevant transactions, the Advisers consider factors such as price, execution capabilities, including efficiency of execution and willingness to execute difficult transactions, financial strength and stability, positioning capabilities, reputation, infrastructure, reliability, quality of research products or services and other value-added services.

The Advisers consider all the services provided by the brokers that are of benefit to the Funds in selecting a broker for trade execution. As a result, selected brokers may charge higher commissions or markups/markdowns than those charged by other brokers who do not offer such services or by the same broker if it only provides execution services. As a result, the Advisers may not solicit competitive bids and may not seek the lowest available commission cost.

The Advisers do not utilize soft dollar arrangements (that is, arrangements under which research and certain other services are acquired in connection with brokerage arrangements).

To the extent that the Advisers may transact in the same security in the same direction for more than one client simultaneously, the Advisers may, but are not obligated to, aggregate the orders on behalf of such clients to reduce transaction costs. When an aggregated order requires multiple



trades to complete, each participating client will receive the average price of the aggregated trades with transaction costs allocated pro rata based on the size of each client's order (or allocation in the event of a partial fill) as determined by the relevant Adviser.

In the event of a partial fill, allocations may be modified as the relevant Adviser deems appropriate. When orders are not aggregated, trades generally will be processed in the order that they are received. As a result, trades in the same security for one client may receive more or less favorable prices or terms than another client. Also, orders received later may not be filled entirely or at all, depending on the prevailing market prices at the time the trade is executed.

The Advisers do not receive client referrals from any broker-dealer. The Advisers also do not take broker direction from a client.

### **Item 13    Review of Accounts**

The Advisers monitor the Funds' investments on a regular basis to ensure investments are made in accordance with Funds objectives and within the terms of agreements and relevant Governing Documents. Members of the investment team generally perform various daily, weekly, monthly, quarterly, and periodic reviews of each client's portfolio. A review of a client account may also be triggered by any unusual activity or unique circumstances.

Reports provided to Limited Partners are set forth in the applicable Governing Documents and generally include quarterly financial reports and annual investment information. Additionally, Limited Partners receive copies of audited annual financial statements of the Funds within 90-120 days of the fiscal year end and Limited Partners in the United States will generally receive annual tax information for US. Federal income tax as promptly as practicable after the end of each fiscal year.

### **Item 14    Client Referrals and Other Compensation**

The Advisers typically engage one or more third-party placement agents who introduce prospective investors to the Funds. The amount paid to a placement agent/solicitor is generally based on a percentage of the capital raised and/or retainer and will generally be borne by the Advisers either directly or, in the case of the Funds, indirectly through a dollar-for-dollar offset against the Management Fee as described in Item 5, "*Fees and Compensation*" above.

Any such placement agents soliciting third-party investors in the U.S. will be registered as broker-dealers with the SEC and placement agents soliciting third-party investors outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

### **Item 15    Custody**

The Advisers use a qualified, unaffiliated third-party custodian to hold the Funds' funds and, to the extent required pursuant to the Advisers Act and SEC guidance, certificated securities. Per Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), the Advisers are deemed to have custody of the assets of the Funds. In accordance with the Custody Rule, the Funds are subject to

an annual audit by an independent public accountant that is registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Limited Partner. The audited financial statements are prepared in accordance with U.S. GAAP and will be distributed to each Limited Partner within 90-120 days of each Funds' fiscal year-end.

## **Item 16 Investment Discretion**

The Advisers provide investment advisory services on a discretionary basis to the Funds. The Advisers have full discretionary authority to manage the Funds' assets, including authority to make decisions with respect to which assets are purchased and sold, the amount and price of those assets, the brokers, or dealers to be used for a particular transaction, and commissions paid. The Advisers' authority is detailed in each of the Funds' Governing Documents.

As a general policy, the Advisers do not allow clients to place limitations on their discretionary authority. Pursuant to the terms of the applicable partnership agreement and as previously described, however, the Advisers have and may in the future enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, to provide for reduced fees or the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Such Side Letter provisions may be provided without obtaining the consent of any other investor in such Funds.

## **Item 17 Voting Funds Securities**

Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over Funds securities to implement proxy voting policies. In accordance with this rule, the Advisers have adopted policies and procedures for voting Funds securities.

The Funds invest primarily in privately held and debt investments but may be required to exercise a vote for such companies. The Advisers may also receive proxies in connection with certain public company investments, as applicable. The Advisers votes proxies in the Funds' best interest when, in the opinion of the Adviser, the cost of doing so does not exceed the expected benefit to the Funds. The Advisers endeavor to enhance the economic value of the voted securities when exercising voting authority. If potential or actual conflicts of interest arise between the best interests of a Funds and those of the Advisers, the determination and resolution of the conflict is addressed by the relevant Adviser in accordance with its policies and procedures and applicable law.

A copy of the Advisers' voting policies and procedures and a record of proxies voted is available upon request to [info@bbam.com](mailto:info@bbam.com).

## **Item 18 Financial Information**

The Advisers do not require or solicit prepayment of more than \$1,200 in fees per investor, six months or more in advance of services rendered. Accordingly, the Advisers are not required to provide a balance sheet in response to this Item 18.

The Advisers have never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. The Advisers have not been the subject of a bankruptcy petition at any time during the past ten years.