

INVESTMENT ADVISER BROCHURE

AEC PARTNERS, L.P.

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This Investment Adviser Brochure (this “Brochure”) provides information about the qualifications and business practices of AEC Partners, L.P., a Delaware limited partnership (“AEC Partners”). If you have any questions about the contents of this Brochure, please contact us at 713-328-1097. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

AEC Partners is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Investment Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding AEC Partners is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This Brochure differs from the prior version in the following material respects:

- The Firm updated its CCO and principles.
- The Firm updated its AUM.

In this Item, AEC Partners will periodically identify and discuss material updates to the Brochure. This is intended to inform current and prospective clients of important developments that may take place in Enlightenment's business practices.

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ADVISORY BUSINESS

AEC Partners, L.P., a Delaware limited partnership (“**AEC Partners**” and, together with its affiliates, “**AEC**” or the “**Advisers**”), is a private investment management firm that manages approximately \$ 115 million in private fund assets.¹

AEC Partners is a registered investment adviser that commenced operations in May 2017. AEC Partners provides investment advisory services to private investment funds. This Brochure describes the business practices of AEC Partners.

AEC Partners serves as the management company for the Funds (as defined below). In its capacity as the management company of the Funds, AEC Partners has the authority to manage the business and affairs of the Funds.

AEC Partners and the General Partner (defined below) are controlled and owned by Jeff Gunst, Gregory Evans, and Steven Webster.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies,” engaged primarily in energy and energy-related businesses. AEC Partners’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted subject to certain limitations set forth in the applicable Fund’s limited partnership agreement or other operating agreement or governing document (each, a “**Limited Partnership Agreement**”). From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of AEC Partners or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Avista Energy Capital GP, L.P., a Delaware limited partnership (the “**General Partner**” and together with any future general partner, the “**General Partners**”), is the general partner of the private funds listed below (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, and any future private investment fund managed by AEC Partners, the “**Funds**”).

- AEC Partners, L.P., a Delaware limited partnership
- AEC Partners (Offshore), L.P., a Bermuda exempted limited partnership

While the substantial majority of the terms of each of the Funds are the same, each of such funds was formed to suit the purposes of certain types of investors (*e.g.*, U.S. tax-exempt investors, non-U.S. investors, etc.) so there are slight variations in structure and investment terms among the funds. Investors should refer to the private fund’s Limited Partnership Agreement for specific terms with respect to that private fund.

¹ As of December 31, 2018.

AEC Partners' advisory services for the Funds are further detailed in the applicable private placement memoranda or other offering documents (each, a "**Private Placement Memorandum**" and collectively, the "**Private Placement Memoranda**"), the applicable management agreements (each, a "**Management Agreement**" and, collectively, the "**Management Agreements**") and the Limited Partnership Agreements of the Funds and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Limited Partnership Agreement. The Funds and the General Partners have entered into side letters or other similar agreements ("**Side Letters**") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Limited Partnership Agreement with respect to such investors.

Additionally, from time to time, the Advisers may provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Advisers' personnel and/or certain other persons associated with the Advisers and/or its affiliates (to the extent not prohibited by the applicable Limited Partnership Agreement). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

As of December, 2019, AEC Partners managed approximately \$ [REDACTED] million in client assets on a discretionary basis. AEC Partners' principal owners are Jeff Gunst, Gregory Evans, , and Steven Webster.

FEES AND COMPENSATION

In general, AEC Partners receives a management fee ("**Management Fee**") from the Funds in connection with advisory services it provides them. AEC Partners or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds (*e.g.*, the General Partners receive carried interest, discussed in detail below) and such additional compensation offsets in whole or in part the Management Fee otherwise payable to AEC Partners. Limited partners in the Funds also bear certain fund expenses.

Management Fees

The Funds pay AEC Partners a Management Fee equal to the sum of (x) 0.75% per annum multiplied by the aggregate capital commitment of each Class A Limited Partner that, together with its affiliated Class A Limited Partners, has been accepted by the General Partner on or prior

to the Effective Date (an “**Early Closer**”) and (y) 1.75% per annum multiplied by the capital commitment of each other Class A Limited Partner as determined for the applicable period, payable in advance on a quarterly basis and prorated in the event of any partial year. Limited Partners of the Fund bear their *pro rata* share of the Management Fee computed after giving effect to any new or increased commitments.

Upon the earlier to occur of (i) the date on which the commitment period expires or is terminated and (ii) the date on which the General Partner, AEC Partners, or any affiliate of the General Partner or AEC Partners, or any approved executive officer (for so long as such person continues to be an approved executive officer) commences the operation of a new equity fund with primary investment objectives substantially similar to the Funds (other than any parallel fund), the Management Fee shall be reduced to 1.25% per annum, with respect to each Class A Limited Partner (or, in the case of each Early Closer, 0.75% per annum), of (A) the aggregate amount of investment contributions of such Class A Limited Partner, less (B) the aggregate amount of distributions made as a return of such investment contributions to such Class A Limited Partner, less (C) the aggregate amount of investment contributions of such Class A Limited Partner used to fund investments that have been completely written off, but only to the extent such written off amount has not been returned to such Class A Limited Partner, less (D) the aggregate amount of investment contributions of such Class A Limited Partner used to fund investments that have been permanently written down, but only to the extent such written down amount has not been returned to such Class A Limited Partner, in each case, determined as of the first day of the period with respect to which a determination is being made; *provided, that*, for purposes of clarity, distributions made to each Class A Limited Partner with respect to investments in a portfolio company shall be treated as having been distributed for purposes of clause (B) only to the extent the aggregate value of all remaining investments in such portfolio company is less than the aggregate investment contributions with respect to all existing and former investments in such portfolio company, as determined on the first day of the period with respect to which a determination is being made.

The Management Fee is payable until all portfolio investments are distributed or until AEC Partners’ relationship with the Funds is terminated for other reasons (as described in the Funds’ Limited Partnership Agreements). Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on a *pro rata* basis according to the actual number of days in such period.

In addition, the Management Fee is reduced by each limited partner’s share (as determined by applying a fraction, the numerator of which is such limited partner’s commitment, and the denominator of which is the commitments of all limited partners) of (i) any private placement agent fees, (ii) organizational expenses in excess of \$2.0 million, and (iii) 100% of all closing fees, commitment fees, monitoring fees, directors’ fees, break-up fees, consulting fees, advisory fees, managing fees, investment banking fees or any other similar fees (subject to certain exceptions detailed in the relevant Fund’s Private Placement Memorandum, the “**Portfolio Company Fees**”), net of unreimbursed expenses (collectively, the “**Offset Amount**”) to reduce the Management Fee for the quarterly period immediately succeeding the quarterly period in which such placement agent fee or such organizational expense was paid by the Funds or such Portfolio Company Fee was received by the General Partner, AEC Partners, any of their respective partners, managers, members, officers, directors or employees or any of their respective Affiliates (including, in the case of an individual, such individual’s spouse and dependent children) (“**GP Related Persons**”),

as applicable. In the event that the Offset Amount to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding quarterly period, such excess shall be carried forward to reduce the Management Fee payable in following quarterly periods. Any such excess Offset Amount that is attributable to Portfolio Company Fees that remains unapplied as of the dissolution of the Partnership shall be retained by the General Partner, AEC Partners, and GP Related Persons. As of the final distribution of the Fund's assets, the General Partner shall rebate directly to any limited partner that has elected, in writing in the subscription agreement executed by such limited partner in connection with such person's commitment thereunder, to receive its *pro rata* share of such excess Offset Amount an amount of Management Fees equal to the lesser of (i) the product of (x) such excess Offset Amount, multiplied by (y) a fraction, the numerator of which is such limited partner's commitment, and the denominator of which is the commitments of all limited partners and (ii) the aggregate Management Fees previously paid by (and not previously returned to) such limited partner. Notwithstanding the foregoing, and as more fully described below, compensation paid to Operating Partners (as defined below) will not result in an offset to any Management Fees.

The Funds pay or reimburse the General Partner for all out-of-pocket expenses incurred in connection with organizing and raising capital for the Funds; *provided*, that any such organizational expenses in excess of \$2.0 million shall be borne by the General Partner through an offset against the Management Fee. Any placement agent fees are paid by the applicable Fund but applied as an offset against the Management Fee as noted above.

The Management Fee payable by AEC Partners, L.P. is reduced by an amount up to \$20 million (as determined pursuant to the Fund's Private Placement Memorandum and Limited Partnership Agreement) which is applied against installments of the Management Fee payable with respect to each Class A Limited Partner. Such reduction in the Management Fee shall increase capital contributions of each Class A Limited Partner of AEC Partners L.P. to AEC Partners, L.P.

Other Information

AEC Partners is permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or Carried Interest (as defined below), including an Adviser and any other person designated by an Adviser. Any such exemption from Management Fees and/or Carried Interest may be made by a direct exemption, a rebate by the Advisers and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an AEC professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and Carried Interest with respect to such Fund. Additionally, to the extent permitted by the relevant Limited Partnership Agreement, certain Advisers may have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or Carried Interest. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees may be significant. Due to waived or reduced Management Fees by AEC and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to AEC.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Limited Partnership Agreements, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of AEC may receive a portion of the Management Fee, Carried Interest or other compensation received by AEC or its affiliates.

In addition to the Management Fee and Carried Interest, the Funds bear certain expenses. As set forth in their Limited Partnership Agreements, the Funds bear all expenses to the extent not paid by portfolio companies (or potential portfolio companies), including legal, accounting, administration, custodian, depository, auditing, consulting, financing, appraisal, filing, travel (including but not limited to airfare, which may include first class airfare and occasional chartered and private airplanes), printing, real estate title and survey fees, brokerage, finder's fees, transfer, registration expenses, insurance, reverse breakup, termination, advisory board, interest, taxes, tax returns and other similar reports, other expenses associated with a fund (including extraordinary expenses such as litigation and indemnification, if any), and other similar fees and expenses, including such fees and expenses, or other liabilities or obligations, incurred for transactions not consummated ("**Broken Deal Expenses**"), including Broken Deal Expenses relating to transactions that have been offered to co-investors (collectively, "**Fund Expenses**"). Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to AEC Partners' related policies and the relevant Limited Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. If a proposed transaction in which a co-investment was planned is not consummated, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, no such co-investment vehicle generally will have been formed, and the full amount of any Broken Deal Expenses would therefore be borne by the Fund or Funds that were to have participated in such proposed transaction, and not by any prospective co-investors. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle may bear its share of such Broken Deal Expenses. The appropriate allocation between the Funds of any Broken Deal Expenses will be determined by AEC Partners in good faith.

In certain circumstances, one Fund may pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. AEC may also advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described more fully in the applicable Private Placement Memorandum, AEC has relationships with certain senior professionals who provide certain key value-added services to the

portfolio companies of the Funds (the “**Operating Partners**”). These Operating Partners are not employees of AEC, although in some cases are members or limited partners of the Advisers. Such Operating Partners receive compensation from AEC portfolio companies and such compensation will not result in offsets to the Management Fee. The Management Fee is further reduced in the circumstances and by the amounts described in the Limited Partnership Agreements. The Operating Partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Compensation payable to Operating Partners includes, but is not limited to, cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or General Partners, remuneration from AEC and/or its Funds or affiliates or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating Partners also generally will be reimbursed for certain travel and other costs in connection with their services. Operating Partners are not subject to the restrictions on AEC persons such as conflicts of interest, priority of transaction opportunities, and formation of other vehicles. The use of Operating Partners subjects AEC to conflicts of interest, as discussed under “Conflicts of Interest” below.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The General Partner receives a carried interest allocation (“**Carried Interest**”) equal to 20% of all aggregate realized profits from the Funds, as more fully described in the applicable Fund’s Limited Partnership Agreement. If any General Partner receives Carried Interest distributions during the life of the applicable Fund which are, in the aggregate, in excess of 20% of such Fund’s cumulative net profits, then such excess Carried Interest distributions will be subject to repayment by such General Partner. The General Partners may waive Carried Interest with respect to certain affiliated limited partners in the applicable Fund, as described under “Fees and Compensation.”

TYPES OF CLIENTS

AEC Partners provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of AEC Partners and its affiliates and members of their families, Operating Partners or other service providers retained by AEC Partners.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

AEC Partners intends to primarily focus on making investments in portfolio companies engaged primarily in energy and energy-related businesses. AEC Partners' investment strategy in the energy sector focuses on providing equity capital for businesses that it believes have strong growth prospects driven by sustainable competitive advantages, such as a strong management team, high-quality assets, superior technology or exceptional operations. AEC focuses on platform companies that it believes have ongoing capital requirements to pursue growth and acquisition opportunities. The Funds seek to generate significant long-term capital appreciation primarily through investments in companies in a variety of transactions, including, leveraged and unleveraged acquisitions, recapitalizations, restructurings, workouts, structured financings, growth equity and other related transactions. The Funds may make investments with a controlling equity interest or a minority investment in portfolio companies.

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

Investment and Operating Strategy

Leveraged Acquisitions. Due to the cyclicity of many energy businesses, AEC will focus its efforts on behalf of the Funds on differentiated businesses with strong growth prospects, relying on operational value creation, not leverage or commodity price improvement, in the pursuit of return thresholds. In its leveraged exploration and production investments, AEC will employ hedging as it deems appropriate to mitigate capital structure risk.

Structured Equity. To capitalize on investment opportunities that arise when companies have limited access to the financial markets, AEC will seek to structure private securities that provide an appropriate balance between downside protection and the potential for significant equity appreciation. AEC believes that these opportunities typically result from market dislocations and/or financial distress. When reviewing structured equity investments, AEC professionals generally analyze the stability and defensibility of the cash flows to ensure appropriate credit coverage, while also considering the ability to seek equity returns through organic growth, strategic acquisitions and operational improvements.

Partnership and Minority Investments. AEC may selectively consider entering into partnership and minority equity opportunities in situations where it considers the economic returns compelling. In such cases, AEC will typically negotiate certain limited control rights, including board seat representation, tag-along rights upon sale of the company, registration rights, supermajority vote approval for major corporate events, put rights upon change of control and preemptive rights. Typically, AEC professionals will take an active role in the portfolio companies to seek to create value post investment including negotiating for the right to designate a member to the board of the portfolio company.

Working Interest Investments. In certain instances, AEC may pursue exploration and production opportunities at the project level by acquiring working interests in partnership with

experienced operators. This flexibility is intended to provide AEC the ability to capture certain opportunities generally not available to other capital providers. The working interest structure also allows AEC Partners to directly align the Funds' interests with the operator, as these investments are often structured on a "heads-up" basis with limited or no management promote.

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's Private Placement Memoranda for information regarding risks specific to each Fund. In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include, but are not limited to:

Lack of Operating History. The Funds are recently formed entities that have not commenced operations and, accordingly, have no operating history upon which prospective investors may evaluate their likely performance. There can be no assurance that the Funds will achieve their investment objective or avoid substantial losses. Each Fund's investment program should be evaluated on the basis that there can be no assurance that it will be successful.

Business and Market Risks. The Funds' investment portfolio will include securities and/or other interests issued by privately-held companies, and operating results in a specified period will be difficult to predict. In addition, it is expected that the Funds' investment portfolios will include companies in an early stage of development, which may not have a proven operating history, may face competition from companies with greater resources and may require substantial additional capital to support their operations or to finance expansion. It is expected that the Funds' investment portfolios might also include securities issued by public companies, including formerly privately-held portfolio companies that have consummated IPOs during the Funds' holding period. Public companies may be subject to public reporting requirements or other public market dynamics that could have a significant impact on the valuation of their shares on any given trading day. See "*Investments in Public Companies*" below. The foregoing investments involve a high degree of business and financial risk that can result in substantial losses or total loss of investment. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war, revolutions and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

Risks Associated with Unspecified Transactions. The Funds' investors will be relying on the ability of the General Partners and AEC Partners to source and evaluate the investments to be made by the Funds. Such investors do not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the particular investments to be made by any Fund. In addition, the activity of identifying, completing and realizing private equity investments is highly competitive, involves a high degree of uncertainty, and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that AEC will be able to source, or any Fund will be able to complete, portfolio investments that satisfy such Fund's rate of return objectives or, if completed, realize such investments for fair or attractive values or that such Fund will be able fully to invest its committed

capital. Even if the investments of a Fund are successful, they may not produce a realized return to such Fund's investors for a number of years.

Lack of Sufficient Investment Opportunities. The business of identifying, completing, structuring and realizing energy and energy-related transactions is highly competitive and involves a high degree of uncertainty. It is possible that one or more Funds will never be fully invested if enough sufficiently attractive investments are not identified. However, investors in any such Funds will be required to pay Management Fees for an extended period of time based partially on the entire amount of their respective commitments, even if such Fund is never fully invested. The availability of investments generally will be subject to market conditions, including perceptions of AEC Partners' ability to consummate transactions. In particular, in light of changes in such conditions certain types of investments may not be available to one or more Funds on terms that are as attractive as the terms on which opportunities were available to previous investment programs sponsored by AEC Partners. Moreover, AEC Partners expects competition among private equity firms to potentially increase. The Funds may be competing for investments with many other private equity investors, as well as companies, governments, public equity market participants, individuals, financial institutions and other investors. Additional investment funds with similar objectives as one or more Funds may be formed in the future by other unrelated parties. Further, there continues to be a significant amount of equity capital available for investment by such other investors. In such an environment, the sourcing and execution of transactions for the Funds, whether on a proprietary basis or otherwise, becomes more challenging. To the extent that one or more Funds encounters competition for investments, returns to the Funds' investors may decrease. Additionally, the Funds will incur bid, due diligence or other costs on investments that may not be successful. As a result, the Funds may not recover all of its costs, which would adversely affect returns.

Lack of Diversification. Subject to any applicable restrictions contained in the provisions of a Fund's Limited Partnership Agreement, while AEC has historically sought to balance investments across its core energy industry subsectors, there is no assurance as to the degree of diversification that ultimately will be achieved among a Fund's investments.

Limited Number of Investments; Impact of Excuse or Exclusion. One or more Funds may ultimately make only a limited number of investments. In addition, investors' participation in any Fund's investments may be limited by virtue of its General Partner's right to exclude an investor from, or an investor's right to be excused from, participating in certain of such Fund's investments as set forth in the Limited Partnership Agreement, thereby increasing the participation of other investors. As a consequence of one or more investors being excused or other factors limiting investments, the aggregate returns realized by the participating investors could be adversely affected in a material manner by the unfavorable performance of even one investment by a Fund. The performance of one or more substantial investments may have a significant impact on the overall performance of any given Fund.

Insufficient Capital for Follow-On Investments. Following its initial investment in a portfolio company, a Fund may have the opportunity to increase its investment or may be asked to provide additional funds to such portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will make follow-on investments or that any Fund will have

sufficient available capital or capacity under any credit agreements to, or be permitted to, make such investments. Any decision not to make follow-on investments, or a Fund's inability to make them, may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure is permitted to be made, but cannot be made by the Fund due to insufficient capital), may result in missed opportunities for any such Fund, or may result in dilution of such Fund's investment or partial or total loss of the Fund's investment.

Dynamic Investment Strategy. The Fund is not restricted in terms of the percentage of its capital that can be invested in a particular energy industry subsector and is only generally restricted as to geographic concentration. Many factors may contribute to changes in emphasis in the construction of any Fund's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. The Funds may modify the implementation of its investment strategies, investment process and/or investment techniques based on market conditions, changes in personnel or as the General Partners otherwise determine appropriate subject to the terms of the Limited Partnership Agreements.

Reliance on Portfolio Company Management. The day-to-day operations of each portfolio company will be the responsibility of such portfolio company's management team. Although AEC Partners will be responsible for monitoring the performance of each investment and the Funds will seek to invest in companies operated by (or else put in place) strong management, there can be no assurance that a portfolio company's existing management team, or any successor team, will be able to operate such company in accordance with the Funds' expectations. In addition, the Funds may not always be the controlling shareholder in a portfolio company or represent a majority of its board of directors, and thus may exert less influence than a controlling shareholder.

Investment Company Act Considerations. While the Funds may be considered similar in some ways to investment companies, they are not registered and do not intend to register as investment companies under the Investment Company Act, as amended, and, accordingly, investors will not be accorded the protections of the Investment Company Act. The Funds are generally expected to be operated so that Fund assets are not "plan assets" for purposes of ERISA, so that neither the General Partner nor the Advisers would be expected to be subject to the heightened fiduciary standards and regulations imposed by ERISA. In addition, interests in the Funds have not been and will not be registered under the laws of any jurisdiction (including the Securities Act, the laws of any state of the United States, or the laws of any non-U.S. jurisdiction), and are being offered in reliance upon an exemption from such laws. These limited partner interests have not been recommended by any U.S. federal or state, or any non-U.S., securities commission or regulatory authority.

Risks in Effecting Operating Improvements. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of such Fund or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that any Fund will be able to successfully identify and implement such restructuring programs and improvements.

Reliance on AEC Investment Professionals. The success of the Funds will depend in large part upon the skill and expertise of AEC professionals. Limited Partners will have no right to participate in the day-to-day operation of the Funds, including investment, structuring and disposition decisions and decisions regarding the operation of portfolio companies. Although AEC Partners believes the success of the Funds is not dependent upon any individual, there can be no assurance that any individual professional will continue to be associated with the Funds. There can be no assurance that AEC personnel will not be solicited by and join competitors or other firms or that AEC will be able to hire and retain any new personnel or add to its roster of investment professionals. In the event of the death, disability or departure of any of such individuals, the business and the performance of the Fund may be adversely affected.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies. Before making investments, the General Partners and AEC Partners will typically conduct such due diligence as they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partners and AEC Partners may rely on the advice received from such third parties. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return of invested capital.

Uncertainty of Financial Projections. The Funds may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments, with adjustments to such projections made by the General Partners in their respective discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

Expedited Transactions. Investment analyses and decisions by the General Partners and AEC Partners may often 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 AEC Partners at the time of an investment decision may be limited, and the General Partners and AEC Partners may not have access to the detailed information necessary for a full evaluation of the investment opportunity which could adversely impact the investment or returns.

Lack of Liquidity of Investments. Most of the investments to be made by the Funds are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on the transfer, sale or disposition of investments made by the Funds. Dispositions of investments by the Funds may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any

disposition thereof. Investments in publicly-traded companies held by the Funds may also be subject to legal, contractual, practical or applicable company policy restrictions on transfers or sales, including the possibility that the Funds will be in possession of material non-public information about the company and statutory volume limitations. In addition, the ability to exit an investment through the public markets (and the terms of such exit) will depend on market conditions, and particularly the market for public offerings.

The Funds' investment program should be considered speculative, as there can be no assurance that the General Partner and/or AEC Partners' assessments of the short-term or long-term prospects of investments will generate a profit for the Funds' investors. In view of the fact that the Funds are only obligated to make distributions to the extent of distributable cash, if any, after taking into account reserves for future obligations, and may, subject to certain limitations set forth in the Limited Partnership Agreements, reinvest, rather than distribute, or otherwise recall certain proceeds from investments, if any, an investment in any Fund is not suitable for investors seeking current income for financial or tax planning purposes. In addition, there can be no assurance that the Funds will have sufficient cash flow to permit them to make annual distributions in the amount necessary for the limited partners to pay all tax liabilities resulting from the limited partners' ownership of the Interests.

No Market for Interests in the Fund. Interests in the Fund may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the Internal Revenue Code of 1986, as amended. Because interests in the Funds will not be registered under Federal or state securities laws they cannot be resold unless an exemption from registration is available. There is no public market for interests in the Funds and none is expected to develop. Therefore, each investor must consider its investment in the Funds to be illiquid and must be prepared to bear the risks of owning an interest for an extended period of time.

Dilution from Subsequent Closings. Investors subscribing for interests in any Fund at subsequent closings or that increase their respective capital commitments to any Fund will participate in existing investments of the Fund, diluting the interest of existing limited partners therein (as described more fully in each Fund's Private Placement Memorandum). Although such investors generally will contribute their pro rata share of capital previously called by the applicable Fund, there can be no assurance that this payment will reflect the fair value of such Fund's existing investments at the time such investors subscribe for interests in such Fund or increase their respective capital commitments to such Fund.

Recycling/Reinvestment. In addition to having the right to recall distributions previously made to the Funds' investors (subject to certain limitations set forth in each Fund's Limited Partnership Agreement), as described in such Fund's Private Placement Memorandum, certain Funds' General Partners may also during such Funds' commitment period generally recall capital in certain circumstances. Accordingly, during the term of any such Fund, such Fund's investors may be required to make capital contributions in excess of their respective capital commitments and, to the extent such recalled or retained amounts are reinvested in investments, any such investor will remain subject to investment and other risks associated with such investments.

Borrowing; Portfolio Company Leverage. The Funds may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry. In the event that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, the value of the applicable Fund's investment in such portfolio company could be significantly reduced or even eliminated. Additionally, lenders would typically have a claim that has priority over any claim by any Fund to the assets of such portfolio company in an insolvency event or proceeding. The use of leverage will result in costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments.

The Funds generally are authorized to borrow funds, from time to time, for investment or other specific business purposes and to provide guarantees of or other credit support for the obligations of third parties, subject to certain limitations provided in the applicable Limited Partnership Agreements. Such borrowing may be used, for among other purposes, to purchase portfolio investments as they become available in advance of the receipt of anticipated funds from capital contributions or otherwise when capital contributions are not available. As security for such borrowing, guarantees or other credit support, such Funds may grant liens on any of the Funds' respective assets to the lender or other counterparty, which assets may not necessarily be limited to a single portfolio investment. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by such Fund's investors to such assets in an insolvency event or proceeding. In addition, to support borrowing, each of such Fund and its General Partner, as applicable, will have the right, at its option, to pledge all or a portion of uncalled capital commitments, the right of such General Partner to deliver notices to such investors demanding capital contributions and to enforce all remedies pursuant to the applicable Limited Partnership Agreement in accordance with the terms thereof against defaulting investors, and any account into which such capital contributions are made; provided, that no such investor will be obligated to pledge its interest in such Fund. Although borrowings by a Fund may enhance overall returns, they may further diminish returns (or increase losses) to the extent overall returns are less than the Fund's cost of funds. The Funds may incur leverage on a joint and several basis with one or more other parallel Funds and may have a right of contribution, subrogation or reimbursement from or against such entities.

Monetary Policy and Governmental Intervention. In response to the global financial crisis in 2008, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") and global central banks, including the European Central Bank, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. These and other actions by the Federal Reserve and other central bankers, including changes in policies, may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the Funds' investments on an absolute and/or relative basis. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases and therefore the ultimate effects thereof are difficult to predict or measure with certainty. More recently, in response to interagency guidance on leveraged lending by the Federal Reserve,

the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation intended to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities, private equity funds may need to finance portfolio investments with a greater proportion of equity relative to prior periods and the terms of debt financing may be less flexible for borrowers compared to prior periods. These developments may impair the Funds' ability to consummate transactions and/or cause the Funds to enter into transactions on less favorable terms, including exits and other dispositions as certain loan terms may no longer be available to potential buyers.

Non-U.S. Investments Generally. The Funds may invest in the securities of issuers located outside of the U.S., including up to 20% of the aggregate capital commitments in portfolio companies that conduct substantially all of their operations outside of the U.S. and Canada. Non-U.S. securities, including certain securities issued in Canada, involve certain factors not typically associated with investing in U.S. securities, including, but not limited to, risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Funds' non-U.S. investments are denominated, and costs associated with conversion of investment capital and income from one currency into another and/or the repatriation of capital from such jurisdictions (see "*Non-U.S. Currency Risks*" below); (ii) inflation matters, including rapid fluctuations in inflation rates; (iii) differences between the U.S. and many non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and the potential of less government supervision and regulation; (iv) economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities. In addition, laws and regulations of non-U.S. countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Non-U.S. countries also may impose taxes on the Funds and/or the Funds' investors. The General Partners intend to analyze risks in the applicable non-U.S. countries before making such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks, including changes in regulations regarding non-U.S. ownership of assets or repatriation of funds or changes in taxation, will not adversely affect the Funds, the Funds' investors or an investment by the Funds.

Non-U.S. Currency Risks. Although most of the Funds' investments are expected to be U.S. dollar denominated, the Funds' investments that are denominated in non-U.S. currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies, including the U.S. dollar, the currency in which the books of the Funds are kept and contributions and distributions generally will be made. Among the factors that may affect currency values are trade balances between nations, the level of short-term interest rates, differences in relative value of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Funds may incur costs in converting investment proceeds from one currency to another. AEC Partners may, but it is under no obligation to, employ hedging techniques to manage exposure, although there can be no assurance that such strategies will be effective (see "*Hedging Policies/Risks*" below). Non-U.S.

prospective investors should note that interests in the Funds are denominated in U.S. dollars. Fund investors in any country in which U.S. dollars are not the local currency should note that changes in value of foreign exchange between the U.S. and such currency may have an adverse effect on the value, price or income of the investment to such prospective investors. There may be foreign exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions.

Hedging Policies/Risks. In connection with certain portfolio investments, the Funds may employ hedging techniques designed to reduce the risks of adverse movements in commodity prices, interest rates and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and costs. Therefore, while the a Fund may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates or currency exchange rates may result in a weaker overall performance for such Fund than if it had not entered into such hedging transactions. Further, there may be circumstances where a Fund elects not to employ hedging techniques. In such circumstances, the lack of a hedge may permit such Fund to take advantage of favorable movements in commodity prices, interest rates and currency exchange rates but may expose such Fund to risks of adverse commodity price, interest rate or currency exchange rate movements. The Funds may incur costs related to hedging arrangements, which may be undertaken in exchange-traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for a General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

Investments in Public Companies. The Funds may invest in public companies (subject to restrictions set forth in the Limited Partnership Agreements) or take private portfolio companies. Investments in public companies may subject such Funds to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, movements in the stock market and trends in the overall economy, greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limitations on the ability of such Funds to dispose of such securities at certain times (including due to the possession by the Fund of material non-public information, as discussed below under “*Material Non-Public Information*”), increased likelihood of shareholder litigation against such companies’ board members, which may include AEC personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

Delayed Schedule K-1s. The Fund may not be able to provide final Schedule K-1s to limited partners for any given fiscal year until after April 15 of the following year. The General Partner will endeavor to provide limited partners with final Schedule K-1s on or before such date, but final Schedule K-1s may not be available until the Fund has received from its portfolio companies tax-reporting information necessary to prepare final Schedule K-1s. limited partners may be required

to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

Material Non-Public Information. From time to time, AEC and its personnel may come into possession of material non-public information concerning specific companies, including as a result of certain AEC professionals serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit the General Partners' or AEC Partners' flexibility to buy or sell securities issued by such companies. The Fund's investment flexibility may be constrained as a consequence of the General Partners' or AEC Partners' inability to use such information for investment purposes. AEC Partners has policies and procedures in place that are intended to prevent the misuse of material non-public information by AEC personnel, although there can be no assurance that such misuse will never take place.

Debt Investments in Portfolio Companies. Certain Funds may, in certain circumstances, make investments in debt instruments or convertible debt securities, including in connection with investments in equity or equity-related securities and debt investments that have an expected return comparable to equity or equity-related securities. Such debt may be unsecured or structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions.

Regulation and Enforcement; Litigation. The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. The portfolio companies of the Funds are subject to the antitrust and competition rules that apply in those countries or regions in which they do business. Failure to comply with those rules could expose the infringing company to sanctions or penalties including fines and civil damage actions. In some situations, private equity sponsors could be held jointly and severally liable for any sanctions or penalties imposed on a current or previously-owned portfolio company for breach of the applicable antitrust rules. In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from the large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target companies and be subject to U.S. Department of Justice investigation and civil and criminal prosecution resulting in fines. The Antitrust Division of the U.S. Department of Justice has previously issued information requests relating to private equity transactions among multiple fund sponsors and in 2014, several fund sponsors settled claims that they had conspired to not bid against each other on eight large "take-private"

buyouts that occurred prior to the global financial crisis. There can be no assurance that the Funds will not be subject to third-party litigation and/or investigations involving consortium bids.

Additional regulation could also increase the risks of third-party litigation. The transactional nature of the business of the Fund exposes the Funds, the General Partners and AEC Partners generally to this risk of third-party litigation. Under the Limited Partnership Agreements, the Funds will generally be responsible for indemnifying the General Partners, AEC Partners and related parties for costs they may incur with respect to such litigation not covered by insurance.

Control Person Liability. The Funds may not always be the controlling shareholder in a portfolio company. However, it is expected that the Funds will have controlling interests in certain of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the portfolio company's facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, certain Funds might suffer significant losses. While the General Partners intend to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Funds and its affiliates cannot be precluded. In addition, it is expected that professionals of AEC will serve as directors of certain of the portfolio companies, including public companies, and as such, may have duties to persons other than the Fund.

Unfunded Pension Liabilities of 80%-Owned Portfolio Companies. Recent court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Funds intend to manage their investments in a manner that will minimize any such exposure, certain Funds may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If a Fund (or other 80%-owned portfolio companies of a Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which such Fund invests 80% or more of the equity.

Lack of Unilateral Control. Even if it is the majority investor or the controlling shareholder in certain circumstances, a Fund may not have unilateral control of all of its portfolio companies. In addition, the Funds may make minority equity investments in portfolio companies where there is the possibility that the portfolio companies may be controlled or influenced by persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of the Funds or their investors or may be in a position to take action contrary to the Funds' business, tax or other interests, and the Funds may not be in a position to limit such contrary actions or otherwise protect the value of the Funds' investment. When taking non-control positions, the Funds will generally seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that the Funds will be able to control the timing or occurrence of an exit for such portfolio companies in a manner that maximizes or protects value.

Adequacy and Availability of Insurance. While the Funds may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars, earthquakes and other natural disasters, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Funds' profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of the Funds' investments will be insured against damages attributable to acts of terrorism.

Possibility of Fraud or Other Misconduct of Employees and Service Providers. Misconduct by employees of the General Partners, AEC Partners, portfolio company officers or employees, service providers to the foregoing and/or their respective affiliates could cause significant losses to the Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Funds, the improper use or disclosure of confidential or material non-public information, fraud or misappropriation of funds, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to the Funds. No assurances can be given that the General Partners or AEC Partners will be able to identify or prevent such misconduct.

Indemnification. The Funds will be required to indemnify, among others, the General Partners, AEC Partners and AEC and their respective officers, directors, employees, members, shareholders and partners, Operating Partners, each member of the Funds' advisory committees and such member's respective related investors. Additionally, such parties shall be entitled to exculpation by the Funds. Such liabilities may be material and have an adverse effect on the returns to the Funds' investors. For example, in their capacity as directors of portfolio companies, certain professionals of AEC may be subject to derivative or other similar claims brought by security holders of such companies or claims brought by counterparties to transactions. The indemnification obligation of the applicable Fund would be payable from the assets of such Fund, including the unpaid capital commitments of such Fund's investors. Additionally, the General Partners may recall distributions previously made to the Funds' investors, subject to certain limitations set forth in the applicable Limited Partnership Agreements. Furthermore, as a result of the exculpation provisions contained in the Limited Partnership Agreements, the Funds' investors may have a more limited right of action in certain cases than they would in the absence of such limitations. The General Partners may determine that the Funds will purchase insurance for the Funds, the General Partners, AEC Partners and their respective employees, professionals, agents

and representatives with respect to claims against them in connection with the Funds, including as a result of serving on the board of directors of portfolio companies, although there can be no assurance that any such insurance will be sufficient, available to satisfy the specific claims that may arise or generally available on commercially reasonable terms.

Recourse to the Funds' Assets. The Funds' assets, including all investments made by the Funds and any capital held by the Funds, are available to satisfy all liabilities and other obligations of the Funds including indemnification of the General Partners, AEC Partners, Operating Partners, and others as provided in the Limited Partnership Agreements or certain other contractual counterparty arrangements. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to such Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. Accordingly, a Fund's investors could find their interests in such Fund's assets adversely affected by a liability arising out of an investment in which they did not participate in the event that, for example, they were excluded or excused from such investment by such Fund's General Partner.

Risks Arising From Dispositions of Investments. In connection with the disposition of an investment in a portfolio company, a Fund and its General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, for example, about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, or may be responsible as a selling stockholder for certain contents of disclosure documents under applicable securities laws. Such Fund and its General Partner may also be required to indemnify the purchasers of such investments or underwriters of any offering to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. Such Fund's investors may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in such Fund's Limited Partnership Agreement.

Distributions in-Kind. Generally, there will be no readily available market for the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Although, under normal circumstances, prior to termination of a Fund, such Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of such Fund), distributions of securities for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind. It may be difficult for such Fund's investors to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to investors in a Fund, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to such Fund's Limited Partnership Agreement, including the value used to determine the amount of carried interest available to such Fund's General Partner with respect to such investment.

Investments Longer than Term. A Fund may make investments that may not be advantageously disposed of prior to the date such Fund is dissolved, either by expiration of such

Fund's term or otherwise, or such Fund's term may be extended to facilitate the wind-down of such Fund. The General Partners have a limited ability to extend the term of any Fund and the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to such Fund's investors will occur.

Disclosure of Information. The Funds' investors are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including the Funds' Limited Partnership Agreements, subscription agreements and any Side Letters) that investors in private equity funds that are subject to such laws have in place with such private equity funds. The Funds may incur expenses in connection with responding to any such disclosure requests, even if the Funds ultimately succeed in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Funds' investors will have pursuant to the Funds' Limited Partnership Agreement to maintain the confidentiality of the Funds' information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. In addition, there can be no assurance that such information will not be disclosed by the Funds, the General Partners, AEC Partners, their affiliates and personnel, Operating Partners, portfolio companies or services providers to any of them including, without limitation, to comply with laws, regulations or policies to which they are or may become subject. In addition, under the Dodd-Frank Act (as defined below), the SEC has authority to require private equity fund advisers, such as AEC Partners, to file additional reports with the SEC regarding their funds and investment activities. See "*The Dodd-Frank Act; Enhanced Scrutiny and Potential Regulation of the Private Equity Industry*" below. Any public disclosure of the Funds' information could have an adverse effect on the Funds and their investors.

Capital Calls. The failure of any Fund's investor to contribute any portion of its commitment on a timely basis may adversely affect such Fund's access to capital and, among other things, the ability of such Fund to structure or consummate investments. The General Partner of any such Fund may, in addition to other actions, call additional capital contributions from other investors in order to cover the shortfall.

Default; Penalty for Failure to Make Capital Contribution. Any Fund investor that fails to make its capital contributions in a timely manner may suffer substantial penalties with respect to its interest in such Fund, including, without limitation, a forfeiture of such interest, reductions in its capital account balance and preclusion from further investment in such Fund. Such Fund's General Partner retains sole discretion in whether to exercise the remedies against a defaulting investor and which remedy to pursue, and such General Partner may require the non-defaulting investors to contribute capital to make up for the shortfall created by such defaulting investor.

Use of Alternative Investment Vehicles. To the extent necessary to address legal, tax, regulatory, accounting or other similar considerations, the General Partners generally have the authority to structure the making of or restructure a portfolio investment or any portion thereof (or

the holding thereof if after the initial consummation of such portfolio investment) outside of the Funds by requiring any or all of the Funds' investors to make such investment directly or indirectly through one or more alternative investment vehicles. While the economic and other substantive provisions governing any alternative investment vehicles are intended to be materially the same as those of any such Fund taking into consideration the legal, tax, regulatory, accounting or other result intended to be achieved, the rights of the investors in, and the obligations and duties of such General Partner as manager of, the alternative investment vehicles may differ from those applicable to such Fund by virtue of the specific terms, or jurisdiction of establishment, of the alternative investment vehicles. In addition, the structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain investors. For example, a General Partner may elect to structure an alternative investment vehicle that may result in favorable tax treatment for one set of investors but less favorable tax attributes for another.

Side Letters. A Fund's General Partner may enter into a Side Letter with a particular investor in connection with its admission to such Fund without the approval of any other investors, which would have the effect of establishing rights under or supplementing the terms of such Fund's Limited Partnership Agreement with respect to such investor in a manner more favorable to such investor than those applicable to other investors and such rights may be significant. Such rights or terms in any such Side Letter may include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or investors (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, certain investments); (ii) reporting obligations of such General Partner; (iii) waiver of certain confidentiality obligations; (iv) consent of such General Partner to certain transfers by such investor; (v) different or preferential fee structures, information rights, co-investment rights, and liquidity or transfer rights; or (vi) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor. Investors may request to see such side letters and to obtain certain rights applicable to them under such letters subject to certain exceptions provided in such Fund's Limited Partnership Agreement.

CFTC Position Limits. Under the CFTC rules on position limits with respect to futures, swaps and certain other contracts on or linked to certain physical commodities, the positions in such contracts held by all portfolio companies in which AEC owns a 10% or more equity interest will be aggregated in applying such position limits. The CFTC issued a proposed rule to increase the equity ownership percentage from 10% or more to more than 50% for unconditional aggregation and, if trading information barrier and other requirements were met, to permit disaggregation by an equity owner of such positions held by a company in which such equity owner owns 10% or more but no more than 50% of equity interests. It is not clear whether such proposed rule will be adopted in the form proposed. Even if such proposed rule were to be adopted, AEC may be required to aggregate all such positions held by almost all of its portfolio companies under the CFTC rules. Position limits will not apply with respect to such positions held by a portfolio company that are bona fide hedging transactions defined under the CFTC rules. However, the definition of bona fide hedging transaction for this purpose is very narrow and, therefore, all or some of such positions held by portfolio companies for hedging reasons may not be treated as bona fide hedging transactions for purposes of the position limit calculation. In the event that the aggregate positions in a particular physical commodity were to exceed the level prescribed under the CFTC rules, one or more portfolio companies holding the relevant positions may be required to use other contracts or instruments for hedging purposes and such other contracts or instruments

may be less efficient or more costly than the relevant futures or swap contracts. It is also possible that one or more such portfolio companies may not be able to hedge the relevant price volatility and other risk arising from the relevant physical commodity at all and may accordingly be exposed to such risk in its business operation.

Cyber Security Breaches and Identity Theft. AEC and its portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, AEC and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in AEC and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm AEC's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims or otherwise affect their business and financial performance.

Economic Sanction Laws. Economic sanction laws in the United States and other jurisdictions may prohibit AEC and its professionals from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at www.treas.gov/ofac. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may significantly restrict AEC's investment activities in certain emerging market countries.

Energy. Investments in the energy and energy-related sectors may be subject to a variety of risks including, but not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iii) environmental liability risks related to energy properties and projects; (iv) risks of equipment failures, loss of sale and supply contracts, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage (if any), inability to obtain desirable amounts of insurance at economic rates and acts of God or other catastrophes; and (v) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy commodities and products (prices and supplies of energy commodities and products can fluctuate significantly over a short period of time due to changes in international politics, political instability, armed conflicts, energy

conservation, the success of exploration projects, the tax and other regulatory policies of various governments, and the economic growth of countries that are large consumers of energy, as well as other factors). Additionally, investments in the energy and energy services sectors are subject to force majeure and other catastrophic events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

Commodity Price Risk. The investments of the Fund may be subject to commodity price risk, including, without limitation, the price of oil and the price of natural gas. The operation and cash flows of the Fund's portfolio investments will depend, in substantial part, upon prevailing market prices for power, oil, gas and other natural resources. These market prices may fluctuate materially depending upon a wide variety of factors, including, without limitation, weather conditions, market supply and demand, force majeure events, changes in law and a variety of additional factors that are beyond the control of the General Partner, the Adviser, or the Fund.

Exploration and Production. Exploration and production companies ("**E&P Companies**") are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. Reductions in prices for crude oil and natural gas can cause continued production from a given reservoir to cease being economical earlier than it would if prices were higher, resulting in the plugging and abandonment of, and cessation of production from, that reservoir. In addition, lower commodity prices not only reduce revenues but also can result in substantial downward adjustments in reserve estimates. The accuracy of any reserve estimate is a function of the quality of available data, the accuracy of assumptions regarding future commodity prices and future exploration and development costs and engineering and geological interpretations and judgments. Different reserve engineers may make different estimates of reserve quantities and related revenue based on the same data. Actual oil and gas prices, development expenditures and operating expenses will vary from those assumed in reserve estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. In addition, results from drilling, testing and production and changes in prices after the date of reserve estimates may result in downward revisions to such reserve estimates. Substantial downward adjustments in reserve estimates could have a material adverse effect on a given E&P Company's financial position and results of operations and could result in acceleration of result-based loans or defaults thereunder. Actual amounts produced from such reserves may similarly vary. In addition, due to natural declines in reserves and production, E&P Companies must economically find or acquire and develop additional reserves in order to maintain or grow their revenues and distributions.

Drilling, Exploration and Development Risks. The Funds are expected to invest in companies or projects that engage in oil and gas exploration and development, a speculative business involving a high degree of risk. Oil and gas drilling may involve unprofitable and unsuccessful efforts. Companies engaged in oil and gas exploration and development may expend significant amount of capital drilling in wells that do not produce oil or gas, or in wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Additionally, if multiple rounds of drilling are undertaken before oil or gas is located or produced, the investment may be carried at little or no value, may face increased borrowing

costs or trigger lending covenants, and may produce lower returns on an aggregate or an IRR basis. Acquiring, developing and exploring for oil and natural gas involve many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failure and other accidents in completing wells and otherwise, cratering, sour gas releases, pipeline failures, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, release of toxic or otherwise hazardous substances, fires, explosions, spills and other environmental, health and safety risks.

The risks and hazards inherent in the oil and gas industries, some of which are enumerated above, have the potential of causing widespread and catastrophic environmental disasters. Such disasters could materially and adversely harm the Fund and any portfolio company of a Fund that is directly or indirectly responsible for causing or exacerbating such disasters. In addition to the economic costs resulting from such disasters that a Fund and/or a portfolio company of the Fund may have to bear through liability for third-party losses or the cessation or suspension of operations (which amounts could be greater than aggregate commitments, with respect to such Fund), such disasters could cause severe reputational damage to such portfolio company, the Fund, and, potentially, the limited partners.

Midstream Energy Investment Risks. Investments in companies owning, controlling or investing in midstream energy assets, including oil and gas pipelines and terminals, are subject to a variety of risks not necessarily associated with other types of energy investments. Such risks may include: (i) the risk that the market for the commodities gathered by, transported on and stored in the midstream assets held by companies in which a Fund invests may decline due to a reduction in downstream customer base or end-user demand; (ii) the risk that the land on which midstream assets held by companies in which a Fund invests are located will not be owned by such portfolio company or its affiliates, and therefore will be subject to risks associated with obtaining and maintaining necessary land use rights, contracts and permits from unrelated third parties; (iii) the risk that Federal Energy Regulatory Commission (“**FERC**”) may regulate tariff rates for interstate movements of oil and gas on the pipeline systems held by companies in which a Fund invests in a manner that adversely affects the profitability of such Fund’s investments in such companies; (iv) the risk that, even if FERC permits an increase in tariff rates charged on the pipeline systems held by companies in which the Fund invests, competition from other pipeline systems may prevent such companies from doing so; (v) the risk that any reduction in the capacity of interconnecting third-party pipelines due to testing, line repair, reduced operating pressures or other causes may result in a reduction of oil and gas volumes transported on pipelines or stored in terminals held by portfolio companies in which a Fund invests, thereby potentially adversely affecting the profitability of such Fund’s investments in such portfolio companies; (vi) the risk that oil and gas products and other hydrocarbons transported on and stored in the midstream assets held by companies in which a Fund invests may be released into the environment, which could cause such companies to be required to make substantial expenditures for responsive action or government-imposed penalties, to be liable to government agencies or private parties for natural resources damages, personal injury or property damages, and to be subjected to significant business interruption; and (vii) the risk that, as a result of their ownership or control of or investment in regulated assets such as pipelines, companies in which the Fund invests may be subject to unfavorable rulings imposed by regulatory authorities.

Gathering and Processing. A Fund may invest in gathering and processing companies, which are subject to the following risks, among other considerations, (i) natural declines in the production of oil and natural gas fields, which may be marketed through gathering and processing facilities, (ii) prolonged declines in the price of natural gas or crude oil, which may curtail drilling activity and therefore production, and (iii) declines in the prices of liquids rich gas and refined petroleum products, which would cause lower processing margins. In addition, some gathering and processing contracts subject such companies to direct commodities price risk.

Disruptive Technology Risk. Historically, technological changes in the energy sector have resulted in gradual incremental improvements with no disruptive technology impacts. However, there are currently a number of scientific research institutions (supported by governments, universities, and major venture capital firms and corporations) seeking to develop disruptive technologies designed to reduce dependence upon large scale fossil fuel generation. In the event that a disruptive technology in the energy sector is successfully developed and implemented, the Fund's investments might be adversely affected.

Siting Risks. A Fund's investments may be subject to siting requirements. Siting of energy projects is frequently subject to regulation by applicable governmental authorities. Proposals to site drilling or other energy industry activities may be challenged by a number of parties, including non-governmental organizations ("NGOs") and special interest groups, based on alleged security concerns, disturbances to natural habitats for wildlife and adverse aesthetic impacts, including the common "not in my backyard" phenomenon. Concerns may also arise that may require governmental permits or approvals, the receipt of which may depend, in part, on heightened environmental concerns and public opposition in some jurisdictions.

Legal and Regulatory Matters. Energy investments generally, as well as other related industries are extensively regulated; legislative and regulatory requirements may include those related to energy, zoning, environmental, safety and labor. Failure to obtain, or a delay in the receipt of relevant governmental permits or approvals, including regulatory approvals, could hinder operation of an investment and result in fines or additional costs. Permits and approvals may be costly and/or time-consuming to obtain.

Moreover, the adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight of such laws or regulations, could have a material adverse effect upon a portfolio company of a Fund and could necessitate the creation of new business models and the restructuring of investments in order to meet regulatory requirements, which may be costly and/or time-consuming. For example, there is a belief in the United States and globally that emissions of greenhouse gases ("GHGs") are linked to global climate change and this belief may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more international, U.S. national or U.S. regional requirements to reduce or mitigate the effects of GHGs. Under the Regional Greenhouse Gas Initiative, states in the Northeast United States, for example, are in the process of implementing rules to stabilize and reduce emissions of GHGs while giving states flexibility in distribution of carbon dioxide allocations.

In addition, the U.S. Supreme Court in *Massachusetts v. Environmental Protection Agency*, ruled that the United States Clean Air Act authorizes regulation of GHGs. Further, in September

2013 the U.S. Environmental Protection Agency proposed regulations to limit GHG emissions from new power plants. Changes in the regulation of GHGs could impact a portfolio company or make future investments undesirable.

U.S. Federal and State Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing / Modern Completion. Modern completion or hydraulic fracturing is a practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations. Certain companies in which a Fund invests may routinely utilize hydraulic fracturing techniques in many of their natural gas well drilling and completion programs. The process involves the injection of water, sand and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production. In the United States, the process is typically regulated by state oil and gas commissions. However, the U.S. Environmental Protection Agency (“EPA”) recently asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act’s Underground Injection Control Program. The EPA has since produced new guidelines in connection with this program that may prompt certain states to adopt similar practices into their regulatory framework. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and a committee of the U.S. House of Representatives also conducted an investigation of hydraulic fracturing practices. Legislation has been introduced before the U.S. Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. More recently, legislation has also been introduced before the U.S. Congress that would ban hydraulic fracturing on federally owned, public lands. In March 2015, the U.S. Department of the Interior (“DOI”) adopted regulations covering fracturing activities on federal lands, including rules addressing wastewater disposal, standards for well construction and the required disclosure of the chemicals used in the fracturing process. The DOI’s regulations are currently facing legal challenge but if such regulations remain effective, then the cost of hydraulic fracturing on federal lands could increase, the amount of available investment opportunities could be limited and there could be an adverse effect on investment returns. At the state level, Vermont and, more recently, New York have each banned hydraulic fracturing. In addition, some states have adopted, and other states are considering adopting, regulations that could impose more stringent licensing, disclosure and well construction requirements on hydraulic fracturing operations. For example, Pennsylvania, Colorado, and Wyoming have each adopted a variety of well construction, set back, and disclosure regulations limiting how fracturing can be performed and requiring various degrees of chemical disclosure. Residents of certain California and Colorado municipalities recently voted in favor of (i) extending certain moratoriums banning hydraulic fracturing (Boulder), (ii) banning hydraulic fracturing for a set period of time (although such ban was ultimately overturned in court) (Fort Collins), (iii) an amendment that bans hydraulic fracturing permanently (Lafayette), and (iv) an ordinance that bans hydraulic fracturing permanently (Beverly Hills), in each case as such conduct takes place solely in such municipality. Likewise, in November 2012, voters in Longmont, another Colorado municipality, successfully banned hydraulic fracturing within such municipality’s limits which in turn provoked two lawsuits, both of which were ultimately dropped. More recently, in November 2014, voters in Denton, a Texas municipality, successfully banned hydraulic fracturing within such municipality’s limits which resulted in two separate lawsuits that have yet to be resolved. Although certain of these bans have been challenged and/or remain open to challenges (in light of, among other things, state law preemption considerations), the current effect is the prohibition of or significant uncertainty regarding hydraulic fracturing in such municipalities. If these municipal laws are not overturned (if challenged) or otherwise remain effective and/or if new

laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws could make it more difficult (if not impossible in the case of the municipality-level bans) or costly for companies in which the Funds invest to perform fracturing to stimulate production from tight formations. If such legislation is successfully upheld, it may spur similar efforts in other jurisdictions. In addition, if hydraulic fracturing becomes regulated at the U.S. federal level as a result of U.S. federal legislation or regulatory initiatives by the EPA following a Fund investment, fracturing activities by companies in which a Fund had previously invested could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that portfolio companies are ultimately able to produce from their reserves, which could adversely impact the Fund returns.

The Dodd-Frank Act; Enhanced Scrutiny and Potential Regulation of the Private Equity Industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”), which was enacted on July 21, 2010, significantly revises and expands the rulemaking, supervisory and enforcement authority of federal bank, securities and commodities regulators. It is unclear how these regulators will exercise these revised and expanded powers and the extent to which their rulemaking, supervisory or enforcement actions will adversely affect the Fund.

AEC Partners has registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “**Investment Advisers Act**”), due in part to the requirements of the Dodd-Frank Act. Among other obligations, the Dodd-Frank Act imposes increased recordkeeping and reporting obligations on AEC Partners with respect to the Funds. The recordkeeping and reporting provisions of the Dodd-Frank Act became effective on July 21, 2011. Records and reports relating to the Funds that must be maintained by AEC Partners and that are subject to inspection by the SEC include: (i) assets under management and use of leverage (including off-balance-sheet leverage); (ii) counterparty credit risk exposure; (iii) trading and investment positions; (iv) valuation policies and practices of the Fund; (v) type of assets held; (vi) side arrangements or side letters; (vii) trading practices; and (viii) such other information as the SEC, in consultation with the Financial Stability Oversight Council, determines is necessary and appropriate. While the Dodd-Frank Act subjects such records and reports to certain confidentiality provisions, and an exemption from the Freedom of Information Act is available in respect of such records and reports, no assurance can be given that the mandated disclosure of records or reports to the SEC or other governmental entities will not have a significant negative impact on the Funds, AEC Partners or any Investor. In addition, the new recordkeeping and reporting requirements and enhanced SEC scrutiny and audits may increase the Funds’ compliance, administrative and other operational costs.

The Dodd-Frank Act also establishes a general framework for systemic regulation. The full scope of such regime, and its application to investment advisers to private funds, such as AEC Partners, will remain unclear until all the implementing regulations are developed and enacted. There can be no assurance that future regulatory actions authorized by the Dodd-Frank Act will not adversely affect the Fund.

A key feature of the Dodd-Frank Act is the extension of prudential regulation by the Federal Reserve to financial institutions that are not currently subject to such regulation but that potentially pose risk to the financial system. The Dodd-Frank Act defines a “nonbank financial

company” as a company that is substantially engaged in activities that are financial in nature and provides the Federal Reserve with the authority to determine which of such companies are “significant”. The Financial Stability Oversight Council (an interagency body created to monitor and address systemic risk) has the authority to subject such a company to regulation by the Federal Reserve (including capital, leverage and liquidity regulation) if the Financial Stability Oversight Council determines that material financial distress at the company would pose a threat to the financial stability of the United States. The Dodd-Frank Act does not contain any minimum size requirements for such a designation. While it may be some time until the Dodd-Frank Act reforms are broadly implemented and the direct and indirect impact of this legislation is fully understood, it is clear that most advisors to private equity funds, as well as most hedge funds and other private pools of capital, are affected. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and on AEC or the Fund, specifically.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the “AIFMD”) regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”). If any Fund is actively marketed to investors domiciled or having their registered office in the EEA: (a) such Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (b) the Fund and/or the General Partner or an affiliate may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in such Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (c) the General Partners, AEC Partners or an affiliate may be required to make detailed information relating to the Funds and their respective investments available to regulators and third parties; and (d) the AIFMD may also restrict certain activities of the Funds in relation to EEA portfolio companies including, in some circumstances, the Funds’ ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Funds to raise the targeted amount of commitments.

Pay-to-Play Laws, Regulations and Policies. A number of 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. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If AEC Partners, the General Partners, any of their employees or 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. Investors may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or otherwise imposed by statute.

Risks Arising from Providing Managerial Assistance. As described in more detail in the Funds’ Private Placement Memoranda, the General Partners of certain Funds will use their

reasonable best efforts to conduct the affairs of such Funds so that its assets should not constitute “plan assets” under ERISA, whether by causing the Fund to comply with the “venture capital operating company” exception (the “**VCOC exception**”), or by limiting the total value of each class of interests in the Fund held by “benefit plan investors” (as defined in Section 3(42) of ERISA) to less than 25% or by relying on another available exception. Reliance on the VCOC exception would require that such Funds obtain rights to participate substantially in, and to influence substantially the conduct of, the management of the majority (valued at cost) of such Funds’ portfolio companies. One way such Funds would likely demonstrate these management rights would be to designate directors to serve on the boards of directors of portfolio companies. The designation of directors and other measures contemplated could expose the assets of such Funds to claims by a portfolio company, its security holders and its creditors. In addition, in the event a Fund is operated as a VCOC, such Fund may be restricted or precluded from making certain investments or limited in structuring investments and it may be necessary for such Fund’s General Partner to liquidate such Fund’s investments at a disadvantageous time in order to avoid holding ERISA “plan assets”, resulting in lower proceeds to such Fund than might have been the case had such Fund not been operated as a VCOC.

Anti-Corruption Law Considerations. AEC and the Funds are committed to complying with the aspects of the U.S. Foreign Corrupt Practices Act (“**FCPA**”), the Bribery Act (“**UKBA**”) and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Funds may be adversely affected or miss out on opportunities because of its or AEC’s unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for the Funds to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In particular, U.S. regulators recently have been focused on private equity firms and their compliance with the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. The UK government passed into law the UKBA in 2010. The UKBA criminalizes both the bribery of foreign public officials and commercial bribery. The UKBA also makes provision for a strict liability corporate offense of failing to prevent bribery committed by employees or third parties associated with a company. The corporate offense applies to any organization which carries on business or part of a business in the UK. The corporate offense is subject to an affirmative defense which is engaged if a company can show that it had in place adequate procedures to prevent bribery committed on its behalf.

While AEC has developed and implemented policies and procedures designed to ensure strict compliance by AEC and its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of AEC’s policies and procedures, affiliates of portfolio companies, particularly in cases where the Funds or another AEC sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA and/or UKBA violations. Any determination that AEC has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of

which could adversely affect AEC's business prospects and/or financial position, as well as the Funds' ability to achieve their investment objectives and/or conduct operations.

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. The United States, pursuant to the "Foreign Account Tax Compliance Act" or "**FATCA**" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has proposed a worldwide tax information exchange standard that is likely to be adopted by many countries for years after 2015. One or more of these information exchange regimes are likely to apply to the Funds and/or alternative investment vehicles, and may require the General Partners to collect and share with applicable taxing authorities information concerning investors (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2017, gross proceeds of a disposition of stock, unless an exception applies.

New Rules Regarding U.S. Federal Income Tax Liability Resulting from IRS Audits. For taxable years of the Fund beginning on or after January 1, 2018 (or earlier, if the Fund so elects), U.S. federal income taxes arising from an IRS audit will be paid by the Fund absent an election to the contrary. In addition, a newly-designated "partnership representative" will have the power to act on behalf of the Fund and its Partners in all IRS audits and other proceedings involving the Fund's U.S. federal income, loss, deductions and credits. These new rules may be less favorable than current partnership audit rules for certain Partners in certain cases.

Conflicts of Interest

General. AEC and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account, and providing transaction-related, investment advisory, legal, management and other services to the Funds and portfolio companies. In the ordinary course of AEC conducting its activities, the interests of a Fund may conflict with the interests of AEC, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, AEC will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

Relationship with Future Entities. The General Partners, the Adviser, their respective affiliates and/or members thereof may manage a number of private investment funds in the future (all such entities are hereinafter referred to as the "**Future Entities**"), which may have investment objectives similar to those of the Funds. In addition, following the expiration or termination of the Fund's Commitment Period, AEC's investment personnel may and likely will focus their

investment activities on other opportunities and areas unrelated to the Fund's investments. Subject to any limitations in the definitive agreements relating to the Fund and the Future Entities, allocation of available investment opportunities between the Fund and any Future Entities will be made by the Adviser in its sole discretion. The appropriate allocation between the Fund and any Future Entities of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser in good faith.

In addition, the General Partner, AEC, their respective affiliates and/or members of AEC's investment team may manage a number of, serve on the investment committees of and/or provide business and/or investment advice to Future Entities in the future, which may have investment objectives that are not similar to those of the Fund. In such an event, it is expected that such persons will be required to devote such time and commitment as may be necessary to perform such services diligently and in a professional manner. Such persons may or may not be compensated for such services by such Future Entity. As such, it is possible that such persons' services with respect to such Future Entities may conflict with the activities of the Fund. In such event, any potential conflict will be resolved in a manner consistent with the Fund's fiduciary responsibilities to the limited partners.

Transactions Among Funds. On occasion, AEC may determine that it is in the best interests of the Fund that the Fund should invest in an existing portfolio company of a Future Entity, or such Future Entity should invest in an existing portfolio company of the Fund. Generally, except as provided in the Partnership Agreement, such transactions would be subject to the approval of the relevant Fund's advisory committee. In addition, portfolio companies of the Fund may engage in transactions in the ordinary course of their respective businesses with other portfolio companies of the Fund or Future Entities. Also, it is possible that certain of the acquisitions and investments made by portfolio companies of the Fund may compete with, or otherwise have a conflict of interest with, Future Entities or their portfolio companies.

Where there is a side-by-side investment by the Fund and any Future Entity in a portfolio company, there is a potential risk of using the assets of the Fund to support the position taken by such Future Entity. When and to the extent that AEC and its affiliates make capital investments in or alongside the Fund, AEC and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that the Fund's return from a transaction would be equal to and not less than any Future Entity participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Advisory Committee. Certain limited partners will have the right to appoint members to the advisory committee. Such limited partners may disproportionately represent one or more of the vehicles or categories of limited partners comprising the Fund. To the extent members of the advisory committee or limited partners vote on any matter regarding conflicts or otherwise participate in matters involving a vote or action thereby, any such limited partners may have interests in other funds or other AEC investment vehicles and, as a result, may not vote (and will be exculpated and indemnified from liability for not voting) solely in accordance with their interests related to the Fund. Moreover, such limited partners are unrestricted from voting, and may affirmatively vote, in a manner that is adverse to the interest of other limited partners and the

Fund. No member of the advisory committee shall be deemed to owe any fiduciary duty to the limited partners or the Fund.

Relationship with other Private Investment Funds. One or more of the General Partners and AEC Partners may manage a number of private investment funds, in addition to the Funds, which may have investment objectives similar to those of the Funds. In addition, following the commitment period of any Fund, AEC's investment team may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Subject to any limitations in the definitive agreements relating to the Funds and any other private investment funds, allocation of available investment opportunities between the Funds and any other private investment funds will be made by AEC Partners in its sole discretion. The appropriate allocation between the Funds and any private investment funds of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by AEC in good faith.

From time to time, AEC Partners will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of AEC Partners. In such circumstances, it will allocate such opportunities among such Fund, such other Funds, and other investment vehicles in a manner consistent with the Funds' and such other vehicles respective Limited Partnership Agreements, and on a basis that it reasonably determines in good faith to be fair and reasonable, taking into account such factors as the sourcing of the transaction, the nature of the investment focus of each fund (including, without limitation, the equity size of an investment), the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals, any requirements contained in the governing documents of such other funds and other considerations deemed relevant by AEC Partners in good faith. In determining which investment vehicles should participate in such investment opportunities, AEC Partners and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of AEC Partners in a portfolio company may also raise the risk of using assets of a client of AEC Partners to support positions taken by other clients of AEC Partners.

AEC Partners must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. AEC Partners generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Limited Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Fund's Limited Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life-cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of AEC in the manner set forth in the relevant Limited Partnership Agreements and AEC's policies and procedures. AEC will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with AEC's obligations and may take into consideration factors such as those set forth above. Following such determination of allocation among Funds, AEC Partners will determine if the amount of an

investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Limited Partnership Agreements, Side Letters and AEC Partners' procedures regarding allocation. AEC Partners' procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; AEC Partners' perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair AEC Partners' ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether AEC Partners believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds, and/or AEC. AEC may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Investment opportunities may be appropriate for multiple Funds at the same, different or overlapping levels of a portfolio company's capital structure. In such circumstances, conflicts may arise in determining the terms of each such investment, particularly where certain Funds are intended to invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by AEC Partners in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, AEC Partners may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, AEC Partners may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. AEC Partners intends to mitigate any potential

conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism.

In addition, the General Partners, AEC Partners, their respective affiliates and/or members of the AEC team may manage a number of, serve on the investment committees of and/or provide business and/or investment advice to private investment funds, other than the Funds, in the future, which may have investment objectives that are not similar to those of the Funds. In such an event, it is expected that such persons will be required to devote such time and commitment as may be necessary to perform such services diligently and in a professional manner. Such persons may or may not be compensated for such services by such other private investment funds. As such, it is possible that such persons' services with respect to such other private investment funds may conflict with the activities of the Funds. In such event, any potential conflict will be resolved in a manner consistent with the Funds' fiduciary responsibilities to the limited partners.

Investments by more than one client of AEC in a portfolio company may also raise the risk of using assets of a client of AEC to support positions taken by other clients of AEC. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by AEC Partners or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other AEC investors. When and to the extent that employees and related persons of AEC and its affiliates make capital investments in or alongside certain Funds, AEC and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

AEC Partners' allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While AEC Partners will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which AEC Partners may be subject, discussed herein, did not exist.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. AEC Partners and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such

conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Limited Partnership Agreements of the Funds, AEC Partners will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, AEC Partners may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by AEC Partners or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may 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-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

Carried Interest, Management Fees and Portfolio Company Fees. The capital contribution of the General Partners represents only a small portion of the Funds' capital. Each of the General Partner's carried interest is based substantially on the performance of the applicable Funds. This arrangement could be viewed as creating an incentive for the General Partners to select investments that are riskier or more speculative than it would otherwise make in the absence of such performance-based compensation. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when AEC may not otherwise have done so. Since the General Partners are permitted to retain certain Portfolio Company Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions.

AEC and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of compensation generally will give rise to conflicts of interest between the Funds, on the one hand, and AEC and/or its affiliates on the other hand. However, in determining the amount of any such transaction fees, AEC seeks to mitigate the potential for and the impact of any such conflict by seeking to set the amount at a level that it believes is reasonable and customary, by taking into account any similar transactions of which it is aware, as well as a variety of factors relating to the proposed transaction, including, without limitation, the complexity of the transaction, transaction structuring, the need for and the complexity and terms of any financing, the scope and time of services provided and other factors.

Operating Partners. In addition, as described above, portfolio companies typically pay certain fees to Operating Partners and other third party consultants (including consultants introduced or arranged by AEC and/or its affiliates that may regularly provide services to one or

more portfolio companies), and such fees do not offset the Management Fees as described herein. From time to time, Operating Partners make use of AEC resources or otherwise may be associated with AEC. AEC and/or its affiliates have agreed, and expect to agree in the future, to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Although the use of Operating Partners and the allocation of compensation paid to them by the Adviser, its affiliates and/or the portfolio companies subject AEC and/or its affiliates to potential conflicts of interest, AEC believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Funds) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the quality of the services of the Operating Partner makes a greater contribution to the success of the portfolio company. Although AEC seeks to retain Operating Partners with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. AEC also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that AEC believes will align such persons' interests with those of the Funds' limited partners.

Industry Relationships. As with other private equity fund sponsors, as part of AEC's business, AEC and its employees have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, consultants, professional advisors (such as attorneys and accountants), private equity and venture capital investors, investors in the Funds, co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees of AEC. Certain of such third parties may introduce investment opportunities to AEC, arrange for, or facilitate the financing of, the purchase or recapitalization of potential portfolio companies, introduce portfolio companies to potential acquisition or merger candidates, introduce AEC to potential buyers of portfolio company securities, facilitate the disposition of portfolio company securities, provide investment banking, consulting or advisory services to AEC, the Fund or portfolio companies, invest in the Funds, co-invest in portfolio companies, or provide other significant business or investment services to AEC, the Fund, and portfolio companies. Such third parties may receive direct commercial compensation from a portfolio company, the Fund or AEC for providing these services, which compensation and services are intended to be on arm's length terms. Partners of AEC may obtain personal financial and other services on an arm's length basis from banking institutions that also provide services to the funds and portfolio companies.

Conflicts for Operating Executives. The operating executives involved in the management of any operating entity in which a Fund has a controlling interest will devote such time and attention as the General Partners deem necessary to carry out the operations of the Funds. However, the operating executives have other professional obligations including senior executive, supervisory, or board positions which are not related to the Funds or their portfolio companies. Therefore, conflicts of interest may arise in allocating time, services or functions among the Funds and the time required for these other obligations.

Other Conflicts. As a result of the Funds' controlling interests in portfolio companies, AEC and/or its affiliates typically have the right to appoint portfolio company board members to such portfolio companies, or to influence their appointment, and to determine or influence a

determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to AEC and/or its affiliates. Such amounts will be in addition to any Management Fees or Carried Interest paid by a Fund to AEC.

Additionally, a portfolio company typically will reimburse AEC or service providers retained at AEC's discretion for expenses (including without limitation travel expenses of the type that may be borne by the Funds) incurred by AEC or such service providers in connection with its performance of services for such portfolio company. This subjects AEC and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. AEC determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to AEC or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

AEC generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) AEC or a related person of AEC (which may include a portfolio company of such Fund), (ii) an entity with which AEC or its affiliates or current or former members of their personnel has a relationship or from which AEC or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, AEC Partners may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects AEC to conflicts of interest, because although AEC selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, AEC may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that AEC, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or AEC Partners), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not AEC has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

AEC and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by AEC and/or its affiliates; conversely, former personnel or executives of AEC and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by AEC. Similarly, AEC, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services

(including services at reduced rates) to, AEC and/or its affiliates, and/or the Funds or other investment vehicles they advise. AEC may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide AEC information about markets and industries in which AEC operates (or is contemplating operations) or will provide other services that are beneficial to AEC. AEC may have a conflict of interest in making such recommendations, in that AEC has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

AEC, its affiliates, and equity holders, officers, principals and employees of AEC and its affiliates may buy or sell securities or other instruments that AEC has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund. Employees and related persons of AEC Partners have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by AEC, are reimbursed by a Fund and/or its portfolio companies, AEC may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

Any of these situations subjects AEC and/or its affiliates to potential conflicts of interest. AEC attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by AEC's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among Funds and other investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, AEC will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, AEC consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

DISCIPLINARY INFORMATION

AEC Partners and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

AEC Partners and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

AEC Partners and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

The General Partners are affiliates of AEC Partners. As described in Items 5 and 6, carried interest allocations are made to the General Partner of the relevant Fund, while management fees are paid to AEC Partners.

AEC Partners does not recommend or select other investment advisers for its Clients.

The principal owners of AEC Partners also serve on certain management and investment committees of JTS Fund Advisors, LLC (SEC# 802-107812), a federally exempt reporting adviser and exempt private fund adviser in the State of Texas, and certain of its affiliates (together, “JTS”). JTS invests its and its clients’ capital in performing, sub- and non-performing loans across a variety of sectors (including real estate, commercial, consumer and residential), as well as in commercial real estate, securitization residuals and interests in specialty finance companies, bank recapitalizations and special asset servicing companies. The investment opportunities targeted by JTS currently do not, and are not expected to, overlap with the investment opportunities target by the Funds. Any activities engaged in by the principal owners of AEC Partners with respect to JTS will be subject to the provisions of the Funds’ Limited Partnership Agreements.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of AEC principals and employees and addresses conflicts that arise from personal trading. The Code requires certain AEC personnel to report their personal securities transactions, prohibits or requires pre-clearance for AEC personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits AEC personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the AEC Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any limited partner or prospective limited partner upon request to Gregory Evans, the AEC Chief Compliance Officer, at (713) 358-5578. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic 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.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in the Fund or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

AEC Partners seeks to make securities investments for clients in such a manner that the total costs or proceeds in each transaction are the most favorable under the circumstances ("best execution"). AEC Partners' investment strategy generally involves making direct private equity investments in leveraged acquisitions of companies. The terms of such transactions are typically subject to negotiation, and brokerage firms are not usually involved other than in certain situations where, for example, a portfolio company is engaging in an initial public offering or a Fund purchases or receives public securities in connection with a transaction or potential transaction. Therefore, AEC Partners generally does not anticipate using broker dealers to effect securities transactions, except in limited circumstances.

AEC Partners does not receive any soft dollar benefits from broker dealers.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, AEC Partners closely monitors companies in which the Funds invest, and the AEC Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to each of its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited

partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

CLIENT REFERRALS AND OTHER COMPENSATION

AEC Partners and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Funds' Limited Partnership Agreements, this compensation may, in many cases, offset a portion of the Management Fees paid by Funds. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, the Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential limited partner becoming a limited partner in a Fund. Any fees and expenses payable to any such placement agents will borne by AEC Partners indirectly through an offset against the Management Fees.

CUSTODY

AEC Partners currently has not appointed any custodians.

INVESTMENT DISCRETION

AEC Partners has discretionary authority to manage the investments on behalf of each Fund pursuant to the Limited Partnership Agreements and Management Agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the Limited Partnership Agreements, however, the Advisers have entered, and expect in the future to enter, into Side Letters with certain limited partners whereby the terms applicable to such limited partners' investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. AEC Partners assumes this non-discretionary authority pursuant to the terms of the Management Agreements and powers of attorney executed by the limited partners of Funds.

VOTING CLIENT SECURITIES

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of Funds' limited partners, for example, through the principals' beneficial ownership interests in the Funds and therefore will not seek limited partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives

set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by AEC personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Adviser's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Jeff Gunst, AEC's Chief Compliance Officer, at (713) 358-5578 and it will be provided to you at no charge.

FINANCIAL INFORMATION

AEC Partners does not require prepayment of management fees six months or more in advance or have any other events requiring disclosure under this item of the Brochure.