

# **INVESTMENT ADVISER BROCHURE**

## **AE INDUSTRIAL PARTNERS, LP**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of AE Industrial Partners, LP. If you have any questions about the contents of this Brochure, please contact us at (561) 372-7820. 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.**

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

**Additional information regarding AE Industrial Partners, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Material Changes**

AE Industrial Partners, LP (the “**Adviser**”) filed its most recent Form ADV Part 2A on March 29, 2020. This annual amendment includes, without limitation, updates to: (i) “Advisory Business,” including the list of affiliated advisers of and funds managed by the Adviser; (ii) “Fees and Compensation,” including information related to the business and fee practices of the Adviser and its affiliates; and (iii) “Methods of Analysis, Investment Strategies and Risk of Loss,” including additional information regarding investment risks and conflicts of interest.

In addition, other non-material editing changes, clarifications and updates have been made. In the future, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

## Advisory Business

The Adviser, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in 2014.

The Adviser's clients include the following (each, a "**Fund**" and, collectively, together with any future private investment funds to which the Adviser and/or its affiliates provide investment advisory services, the "**Funds**"):

- AE Industrial Partners Fund I, LP ("**Fund I**");
- AE Industrial Partners Fund I-A, LP ("**Parallel Fund I-A**");
- AE Industrial Partners Fund I-B, LP ("**Parallel Fund I-B**" and, together with Parallel Fund I-A, "**Parallel Fund I**");
- Stepstone CH Co-Investor, L.P.;
- Kellstrom Co-Investment Partners, LP;
- Belcan AE Co-Investment Partners, LP;
- Enercon AE Co-Investment Partners, LP
- Moeller AE Co-Investment Partners, LP (together with Stepstone CH Co-Investor, L.P., Kellstrom Co-Investment Partners, LP, Belcan AE Co-Investment Partners, LP, and Enercon AE Co-Investment Partners, LP, the "**Co-Invest Partnerships**");
- AE Industrial Partners Fund II, LP;
- AE Industrial Partners Fund II-A, LP;
- AE Industrial Partners Fund II-B, LP;
- AE Industrial Partners Fund II US AIV, LP;
- AE Industrial Partners Fund II OUS AIV, LP (together with AE Industrial Partners Fund II, LP, AE Industrial Partners Fund II-A, LP, AE Industrial Partners Fund II-B, LP and AE Industrial Partners Fund II US AIV, LP, "**Fund II**" and, together with Fund I, Parallel Fund I and the Co-Invest Partnerships, the "**Equity Funds**");
- AE-GJC Funding, LP ("**AE-GJC Funding**");
- AE Industrial Partners Structured Solutions I, LP ("**Structured Solutions Fund I**"); and
- AE Industrial Partners Aerospace Opportunities, LP (the "**Opportunities Fund**").

The following general partner entities are affiliated with the Adviser:

- AE Industrial Partners Fund I GP, LP (“**Fund I General Partner**”);
- AE-GJC Co-Invest Funding GP, LLC;
- AE Industrial Partners Fund II GP, LP (“**Fund II General Partner**”);
- AE Industrial Partners Structured Solutions I GP, LP (“**Structured Solutions Fund I General Partner**”); and
- AE Industrial Partners Aerospace Opportunities GP, LP (“**Opportunities Fund General Partner**”).

Each general partner above (each, a “**General Partner**,” collectively, the “**General Partners**” and, together with the Adviser, “**AE Industrial**”) is subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser.

The Adviser specializes in investing in middle market companies in the aerospace, defense and government services, power generation and specialty industrial markets (the “**Target Markets**”). The Funds pursue various investment strategies. For example, the Equity Funds generally focus on making control-oriented buyout investments in Target Market businesses, generally referred to herein as “**portfolio companies**.” Structured Solutions Fund I seeks to offer financing solutions and make non-control investments in a diversified portfolio of instruments (including, without limitation, minority common and preferred equity, second lien and subordinated debt with an equity component and other structured investments in middle market companies in the Target Markets) typically in situations where AE Industrial has determined a control-oriented equity investment is not an option. The Opportunities Fund generally focuses on making investments in the following asset classes in the Target Markets: (i) whole commercial aircraft leases, (ii) commercial aircraft engine lease pools, (iii) general aviation whole aircraft leases, (iv) structured credit solutions and (v) equity co-investments alongside other funds managed by AE Industrial. AE Industrial’s investment advisory services to the Funds generally 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. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of AE Industrial or its affiliates generally expect to serve on portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

AE Industrial’s advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements or governing documents of the Funds (each, a “**Partnership Agreement**” and, together with any relevant Memorandum, the “**Governing Documents**”) 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 in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances

pursuant to the Governing Documents; such arrangements generally do not and will not create an adviser relationship between AE Industrial and any investor. The Funds or the General Partners generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Governing Documents, AE Industrial expects to 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, AE Industrial’s personnel and/or certain other persons associated with AE Industrial and/or its affiliates. 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.

As of December 31, 2020, AE Industrial managed approximately \$3,305,200,000 in client assets on a discretionary basis. AE Industrial is controlled by its founding partners, Michael Greene and David H. Rowe.

### **Fees and Compensation**

In general, AE Industrial receives a management fee and a carried interest in connection with advisory services. AE Industrial also receives additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to AE Industrial, as further described in the Governing Documents. Investors in a Fund also bear certain expenses.

#### **Management Fees**

Fund I pays AE Industrial, semi-annually and partially in advance and partially in arrears, a management fee (the “**Management Fee**”) equal to 2.0% on an annual basis of aggregate investor capital commitments (“**Commitments**”). Upon the earlier to occur of certain events specified in the Fund I Partnership Agreement, the Management Fee will be reduced and will equal 2.0% of (a) the aggregate funded Commitments in respect of investments, as reduced by (b) permanent write downs and distributions constituting returns of capital. The Management Fee will be payable until the final distribution of Fund I’s assets pursuant to the relevant Governing Documents.

Fund II pays AE Industrial, quarterly in advance, a Management Fee equal to 2.0% on an annual basis of Commitments. Commencing with the first Management Fee due date after the expiration of Fund II’s investment period or earlier upon the occurrence of certain events as set forth in the Fund II Partnership Agreement, the Management Fee will be reduced and will equal 2.0% of (a) the aggregate funded Commitments in respect of investments, less (b) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or permanently written down. The Management Fee will be payable until the final distribution of Fund II’s assets pursuant to the Governing Documents.

Structured Solutions Fund I pays AE Industrial, quarterly in advance, an annual Management Fee equal to 1.65% of Commitments. An investor participating in a closing after the initial closing date bears the Management Fee retroactive to the initial closing date plus interest in the amount specified in the Governing Documents.

The Opportunities Fund pays AE Industrial, quarterly in advance, an annual Management Fee equal to (i) 0.75% of aggregate Commitments to the applicable series, plus (ii) 0.75% of the invested capital, as specified in the Governing Documents, of such series. Commencing with the first Management Fee due date after the expiration of a series' investment period, the Management Fee will equal 1.5% of invested capital, as specified in the Governing Documents.

Typically, in each case, an investor participating in a closing after the initial closing date bears the Management Fee retroactive to the initial closing date plus interest in the amount specified in the Governing Documents. Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a *pro rata* basis according to the actual number of days in such period. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

Parallel Fund I, AE-GJC Funding and the Co-Invest Partnerships pay reduced or zero Management Fees in respect of their Commitments, as set forth in each entity's respective Governing Documents.

To the extent specified in a Fund's Governing Documents, the Management Fee for any applicable Fund will be reduced by all of such Fund's share of certain fees received by AE Industrial in connection with services provided to each Fund's portfolio companies, including, but not limited to, transaction, breakup, commitment, financing, investment banking, closing, placement, advisory, consulting, management, directors', monitoring and other similar fees (collectively, "**Supplemental Fees**"). To the extent that any offset credit would reduce a Fund's Management Fee for a given period below zero, the credit will be carried forward for future application against payable Management Fees and if a credit remains upon liquidation a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (*e.g.*, where an adverse tax consequence potentially will result).

As a matter of practice, AE Industrial typically is paid Supplemental Fees referred to in the preceding paragraph from, on behalf of, or with respect to, co-investors in an investment. With respect to Fund II, as further described in the Governing Documents, the receipt of such fees will not reduce the Management Fee payable by any Fund that has also invested in such investment, and, as a result, Fund II will, in most cases, only benefit with respect to its allocable portion on a fully diluted basis of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by AE Industrial, third parties, portfolio company management or employees and/or others), which have the potential to be significant. With respect to Fund I, as further described in the Governing Documents, a portion of such Supplemental Fees allocable to any co-investment vehicle formed by the Fund I General Partner that is offered to a third party generally will further reduce the Management Fee payable by Fund I to AE Industrial. Unless otherwise agreed with investors, Supplemental Fees generally will be payable during term extensions, even if Management Fees are reduced or eliminated during the extended term.

Additionally, as further described below and in the Governing Documents of each Fund, AE Industrial is permitted to retain certain operating partners to provide services to (or with respect to) certain portfolio companies and investments in which one or more Funds invest. Such operating partners typically receive compensation in connection with the services provided to portfolio companies, and such amounts will not result in additional offsets to the Management Fee.

## **Carried Interest**

The Fund I General Partner, Fund II General Partner, Structured Solutions Fund I General Partner and Opportunities Fund General Partner each will receive a carried interest with respect to Fund I, Fund II, Structured Solutions Fund I and the Opportunities Fund, respectively, equal to 20% of all realized profits, subject to, in the case of Fund I, Fund II and the Opportunities Fund, an 8% compound preferred return and, in the case of Structured Solutions Fund I, a 7% compound preferred return, as more fully described in the Governing Documents. The carried interest distributed to each General Partner is subject to a potential giveback at the end of life of the relevant Fund (and, with respect to Fund II, Structured Solutions Fund I and the Opportunities Fund, certain interim givebacks) if the General Partner has received excess cumulative distributions.

Investors in Parallel Fund I-B and AE-GJC Funding also bear a carried interest, as set forth in each entity's respective Governing Documents. Investors in Parallel Fund I-A and the Co-Invest Partnerships do not bear a carried interest.

It is expected that any future Funds will have a similar fee structure.

## **Other Information**

AE Industrial is permitted to exempt certain investors in the Funds (*e.g.*, “affiliated partners”) from payment of all or a portion of Management Fees and/or carried interest, including AE Industrial and any other person designated by AE Industrial. AE Industrial reserves the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, a rebate by AE Industrial and/or its affiliates, or through other Funds that invest in parallel with or co-invest with a Fund. For example, in instances where an AE Industrial professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) 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 Governing Documents, AE Industrial has the right to permit investors, affiliated AE Industrial or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees and/or carried interest.

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 Governing Documents, 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 AE Industrial generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by AE Industrial or its affiliates.

In addition to the Management Fee and carried interest payable to AE Industrial and its affiliates, each Fund bears certain expenses according to the terms of the applicable Governing Documents, which can differ among the Funds. As set forth more fully in the Governing Documents of each Fund, a Fund typically bears all fees, costs, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries' and intermediate subsidiaries') activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce Management Fees, including some or all of the following fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to originating, structuring, organizing, negotiating,



consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, a Fund's portfolio investments, any holding or financing subsidiary of a Fund, and a Fund's actual and potential investments (including follow-on investments), including the costs and expenses related to the organization and maintenance of any intermediate entity used to acquire, hold or dispose of any actual or potential investment or otherwise facilitating a Fund's investment activities, or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party due diligence and deal sourcing software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful ("**Broken Deal Expenses**"); (ii) indebtedness of, or guarantees made by, a Fund (and any financing or holding subsidiary of such Fund), AE Industrial, a General Partner or any "affiliated partner" on behalf of such Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive (the "**AIFMD**")), Swiss representative and paying agent appointed pursuant to the Swiss Collective Investment Schemes Act, trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with any third-party administrator (including loan administrators) and administration, tracking or reporting software, if any, and any costs or expenses associated with a Fund (and any financing or holding subsidiary of a Fund) maintaining substance in applicable jurisdictions), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting, advisory and retainer fees, salary, expense reimbursement and other compensation paid and benefits provided to any group of operating partners or any of its members, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) insurance (including directors and officers liability, fidelity bond, management liability, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and any consultants or other advisors utilized in the procurement, review and analysis of insurance policies; (ix) filing, title, transfer, survey, registration and other similar fees and expenses; (x) printing, communications, mailing, courier, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedules K-1 or similar forms or other communications with partners, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports (other than the initial registrations, filings and compliance) contemplated by the AIFMD or any similar law, rule or regulation and Bureau of Economic Analysis Reports) or other information, including fees, costs and expenses of any third-party service providers and professionals related to the foregoing; (xii) compliance with any financial account reporting regime, including the United States Foreign Account Tax Compliance Act (FATCA), the OECD Standard for Automatic Exchange of Financial

Account Information - Common Reporting Standard and any similar laws, rules and regulations, and any fees, costs and expenses of any third-party service providers and professionals related to the foregoing; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting and ledger systems) or other administrative, valuation, information gathering or reporting tools (including subscription-based services); (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs and expenses incurred in connection with European data protection legislation or freedom of information law requests); (xv) to the extent provided in the Governing Documents, or otherwise approved by the applicable General Partner in its sole discretion, activities or proceedings of the advisory committee (including any reasonable out-of-pocket costs and expenses incurred by representatives of the applicable General Partner, the advisory committee members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory committee); (xvi) indemnification (including legal and any other fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Governing Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Governing Documents), except as otherwise set forth in the Governing Documents; (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xviii) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any limited partner(s); (xix) except as otherwise determined by the applicable General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio investments or actual or potential investments (to the extent not borne or reimbursed by a portfolio investment of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with a Fund, any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of a Fund and any feeder vehicles related to such Fund to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of a Fund and its related entities and subsidiaries; (xx) the termination, liquidation, winding up or dissolution of a Fund and any legal entities owned directly or indirectly by such Fund, including any portfolio companies or investments and related entities; (xxi) defaults by partners (other than the applicable General Partner or its affiliates) in the payment of any capital contributions; (xxii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of a Fund, the applicable General Partner and related entities, any entities owned directly or indirectly by a Fund and any alternative investment vehicle of a Fund, including the preparation, distribution and implementation thereof; provided that, with respect to amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the applicable General Partner, any parallel fund general partner, the general partner of such General Partner and AE Industrial, such amendments, waivers, consents or approvals relate to the affairs of a Fund, any parallel fund or any alternative investment vehicle thereof; (xxiii) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions, anti-terrorism or environmental, social or governance considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto and any regulatory expenses of the applicable General Partner incurred in connection with the operation of a Fund; (xxiv) any litigation or governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the

Governing Documents; (xxv) any third-party experts, including independent appraisers, engaged by a General Partner in connection with a Fund considering, making or holding an investment in the same entity as one or more other investment funds sponsored by AE Industrial; (xxvi) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner or any limited partner's name change, internal restructuring or change in registered agent; (xxvii) any taxes, fees and other governmental charges levied against a Fund and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review of a Fund (except to the extent that such Fund is reimbursed therefor by a partner) and any costs and expenses of or related to the "partnership representative" of a Fund; (xxviii) distributions to the partners and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxix) unreimbursed expenses and unpaid fees of any group of operating partners or its members, employees or other persons engaged by such group of operating partners; (xxx) compliance or regulatory matters, except as set forth in the Governing Documents, including compliance with such Governing Documents and/or any letter agreement; (xxxi) any travel (including the cost of using private aircraft or other private air travel at a cost not to exceed the cost of the first-class equivalent commercial airfare), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxii) any organizational expenses of a Fund; (xxxiii) any private placement or finders' fees paid by a Fund to placement agents, finders or other third parties performing similar services in connection with the organization or funding of a Fund; and (xxxiv) any other fees, costs, expenses, liabilities or obligations approved by the advisory committee. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

As described above, in certain circumstances, AE Industrial is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to AE Industrial's related policies and practices and the Governing Documents and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. 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 is expected to bear its share of such Broken Deal Expenses. To the extent a Fund makes use of a credit

facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility (unless otherwise agreed).

AE Industrial generally has discretion over whether to charge Supplemental Fees to a portfolio company and, if so, the rate, timing and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and AE Industrial, on the other hand.

## **Operating Partners**

Additionally, as further described herein and in the Governing Documents of the Funds, AE Industrial is permitted to use or retain certain operating partners to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such operating partners generally provide services in relation to the identification, acquisition (including due diligence), 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. Operating partners receive compensation, including, but not limited to, cash fees (including retainer fees), discretionary compensation (whether or not based on predetermined milestones), a profits, participation or equity interest in a portfolio company or holding company, incentive equity or other stock awards in relevant portfolio companies and/or profits or equity interests in one or more Funds or General Partners, the amounts of 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, amounts believed to be charged by other providers for comparable services and/or other relevant methods as determined by AE Industrial from time to time. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services.

Compensation paid to an operating partner by a Fund portfolio company does not offset the Management Fee. In addition to any amounts paid by a portfolio company, an operating partner typically is paid a retainer (or other similar compensation) by AE Industrial and/or a Fund. With respect to Fund I, any such compensation generally is borne by AE Industrial. With respect to Fund II and the Opportunities Fund, such compensation is borne by such Funds (up to the amount of any cap on such compensation, as specified in Fund II's and the Opportunities Fund's Governing Documents). Any compensation in excess of such cap that is paid to operating partners generally will be borne by AE Industrial, as described in Fund II's and the Opportunities Fund's Governing Documents. With respect to Structured Solutions Fund I, any such compensation generally is borne by the Fund. The use of operating partners subjects AE Industrial to potential conflicts of interest, as discussed under "Conflicts of Interest," below.

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

As described under "Fees and Compensation," each General Partner generally receives a carried interest allocation on certain realized profits in the relevant Fund. AE Industrial also manages Funds that are not charged performance-based compensation, or are charged performance-based compensation in lower percentages. This practice could present a conflict of interest because AE Industrial has an incentive to favor accounts for which it receives the highest performance-based compensation. AE Industrial seeks to address the potential for conflicts of interest in this area with allocation practices that provide that transactions and investment opportunities will be allocated to

the Funds in accordance with each Funds' investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received. Additionally, to the extent that AE Industrial has Funds with varying carried interest terms and/or AE Industrial personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

AE Industrial seeks to address the potential for conflicts of interest in these matters with allocation policies and procedures that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by AE Industrial or any personnel.

The existence of performance-based compensation has the potential to create an incentive for AE Industrial to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although AE Industrial generally considers performance-based compensation to better align its interests with those of its investors.

### **Types of Clients**

AE Industrial provides investment advice solely to its Fund clients, and references throughout this Brochure to "clients" and to AE Industrial's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds generally 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 investors participating in the Funds generally 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 from time to time include, directly or indirectly, principals or other employees of AE Industrial and its affiliates and members of their families, operating partners or other service providers retained by AE Industrial, as well as executives of portfolio companies.

The Funds generally have a minimum investment amount of \$10 million for third-party investors (except for Structured Solutions Fund I, which has a minimum investment amount of \$25 million), and Fund interests are offered and sold solely to qualified purchasers (or qualified knowledgeable AE Industrial personnel). AE Industrial generally is permitted to waive such minimum investment amount.

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

#### **General**

AE Industrial is a private investment firm focused on making investments in Target Market businesses whose operating and financial performance can benefit from AE Industrial's operating expertise and proactive ownership model. As noted above, the Funds pursue various investment strategies. For example, the Equity Funds generally focus on making control-oriented buyout investments in Target Market businesses. Structured Solutions Fund I seeks to offer financing solutions and make non-control investments in a diversified portfolio of instruments (including,

without limitation, minority common and preferred equity, second lien and subordinated debt with an equity component and other structured investments in middle market companies in the Target Markets) typically in situations where AE Industrial has determined a control-oriented equity investment is not an option. The Opportunities Fund generally focuses on making investments in the following asset classes in the Target Markets: (i) whole commercial aircraft leases, (ii) commercial aircraft engine lease pools, (iii) general aviation whole aircraft leases, (iv) structured credit solutions and (v) equity co-investments alongside other funds managed by AE Industrial. AE Industrial intends to focus on companies in the Target Markets where it believes it has significant and successful investing and operating experience. AE Industrial believes the Target Markets are large, global and expected to grow faster than the overall global economy.

AE Industrial's Target Markets have certain characteristics that the Firm believes make them attractive for U.S. middle-market investment opportunities, including, but not limited to, global scale, high value-added products and services that require special expertise, long product development cycles that create measurable market backlogs and a fragmented supply chain. Many of the Target Markets' attributes represent potential significant barriers to entry, and AE Industrial believes its experience and knowledge with respect to such barriers enable it to meet the demanding standards of the large Target Market companies at the top of the supply chain. Within the Target Markets, AE Industrial believes that technology, expertise and relationships matter, and AE Industrial believes its historical experience positions it well to understand and address the characteristics of the Target Markets.

There can be no assurance that AE Industrial will achieve the investment objectives of any Fund and a loss of investment is possible.

### **Investment and Operating Strategy**

AE Industrial maintains a disciplined investment approach in an effort to invest in high quality opportunities in the Target Markets. This process can be summarized by the following attributes:

- Thesis driven;
- Proactive sourcing model;
- Extensive and industry-specific due diligence capabilities built from deep operating experience;
- Thorough Investment Committee approval process; and
- Active portfolio management and risk mitigation from operating experience.

*Thesis Driven.* AE Industrial's partners and operating partners maintain relationships with key decision-makers at many of the relevant suppliers in the Target Markets. This level of connectivity provides AE Industrial potential insights into trends, cycles and innovation within these markets. By virtue of these insights, AE Industrial believes it is better positioned to approach investment opportunities proactively through its thesis driven process rather than simply focus on opportunistic deals or companies "for sale." This approach also helps avoid wasting time on companies AE Industrial believes to be unattractive for investment.

This thesis driven process has two important phases within AE Industrial: (i) first-hand experience with growth opportunities or inefficiencies in the Target Markets that present a sound investment opportunity; and (ii) a comprehensive data-driven due diligence exercise to confirm its thesis. AE Industrial has access to a due diligence team that has decades of experience with investments in the Target Markets and can also leverage the expertise of its existing portfolio investments.

*Proactive Sourcing Model.* AE Industrial has built an extensive network of executives within its Target Markets. It uses these contacts, in addition to company screening tools and internal knowledge, to identify target companies that fit within an investment thesis. AE Industrial then actively approaches owners of target companies to engage with the target company on what AE Industrial believes is the company's market opportunity going forward and how AE Industrial's experience and network can help the company achieve its growth potential. AE Industrial believes it can immediately create credibility with a potential portfolio company's owner and management team by quickly understanding a target's strengths, weaknesses and opportunities. In non-control situations for Structured Solutions Fund I, AE Industrial expects that it will have the opportunity to engage the owner as the lead institutional investor and to position itself as a specialized, industry partner rather than as just another source of capital.

*Industry-Specific Diligence Capabilities Built from Operating Experience.* After a potential investment passes an initial screen, the due diligence process generally entails a multi-pronged effort, including:

- Company positioning, product and process capability and market acceptance;
- Management assessment, both internal and market feedback;
- Financial, accounting and tax due diligence;
- Legal and environmental;
- Financing structures; and
- Third-party management background checks.

*Investment Committee Approval Process.* The Equity Funds, Structured Solutions Fund I and the Opportunities Fund have separate Investment Committees. At multiple stages of the investment underwriting process, the relevant Investment Committee is presented with investment memos that are regularly updated as the transaction evolves. Before a final offer is made, or an investment is closed, the relevant Investment Committee will hold a vote to approve the transaction based on the work done by the investment team. A majority of the relevant Investment Committee members must approve an investment for AE Industrial to go forward with the transaction, and AE Industrial's founding partners each have veto power on every investment.

*Active Portfolio Management and Risk Mitigation.* For the Equity Funds, AE Industrial generally monitors its portfolio companies through significant ongoing interactions with the management teams and control of the board of directors. In particular, AE Industrial aims to appoint to its portfolio company board of directors connected industry managers who possess the knowledge and relationships to position its portfolio companies to be acquired by a larger company within the

supply chain. Because scale is generally an important characteristic within the Target Market supply chains, AE Industrial is focused on accretive, strategic add-on acquisitions to build businesses that can benefit from scale and make them more attractive from an exit perspective.

For Structured Solutions Fund I, AE Industrial believes its sector focus, proprietary investment ideas and sourcing model have the potential to provide the following benefits: (i) establish a relationship with a founder/owner to educate him on the Firm's value proposition before he has sought broader inputs; (ii) limit the amount of potential competition from other, third-party, sources of capital who are not industry specialists; (iii) enable informed due diligence assessments that are more difficult for generalist competing sources of capital; and (iv) provide for operational-based assessments to address financial underperformance, management gaps or customer issues in order to limit the risk of loss in an investment. AE Industrial has substantial resources both internally and through an external expert network to manage its portfolio and mitigate risk from under-performance.

In addition to the Equity Funds and the Structured Solutions Fund, AE Industrial manages the Opportunities Fund, which focused on making investments in the following asset classes in the Target Markets: (i) whole commercial aircraft leases, (ii) commercial aircraft engine lease pools, (iii) general aviation whole aircraft leases, (iv) structured credit solutions and (v) equity co-investments alongside other funds managed by AE Industrial. For the Opportunities Fund, several of AE Industrial's senior personnel and operating partners have extensive histories in managing large leasing and credit portfolios. Such senior personnel and operating partners also have experience sourcing and identifying the types of leasing assets to be held in the Opportunities Fund portfolio, which AE Industrial believes brings a holistic understanding of the investment opportunity and risk management necessary to manage the portfolio.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that AE Industrial's investment strategy entails. Please see each Fund's private placement memorandum for a complete description of all risk factors. Set forth below is a summary of relevant risk factors:

*Business Risks.* A Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Concentration of Investments.* A Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, the limited partners will be required to bear Management Fees through such Fund during the investment period based on the entire amount of the limited partners' Commitments and other expenses as set forth in the Governing Documents.



*Dynamic Investment Strategy.* While AE Industrial generally intends to seek attractive returns for a Fund primarily through making control-oriented, operationally-focused investments in industrial-based businesses, AE Industrial is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. AE Industrial also is permitted to pursue investments outside of the industries and sectors in which AE Industrial's principals have previously made investments or have internal operational experience.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which a Fund intends to invest, including various segments of the aerospace and defense, power generation and specialty industrial market, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the aerospace and defense, power generation and specialty industrial market, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund invests.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

*Leveraged Investments.* A Fund is permitted to make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent

with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund is permitted to incur leverage on a joint and several basis with one or more other investment funds and entities managed by the relevant General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by Commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

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

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

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the maintenance, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the applicable Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases such Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the

use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in such Fund or impose concentration or other limits on such Fund's investments. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. Such General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

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

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners 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 partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the relevant General Partner with respect to such investment.

*Operation in Highly Competitive Markets.* The business of acquiring assets in the aerospace and related industries is highly competitive. Market competition for opportunities includes traditional aerospace and power generation companies, strategic acquirers, commercial and investment banks, as well as a growing number of non-traditional participants, such as hedge funds, private equity funds, and other private investors. Some of these competitors may have access to greater amounts of capital and/or to capital that may be committed for longer periods of time or may have different return thresholds than the Funds, and thus these competitors may have certain advantages not shared by a Fund, including synergies with other assets or portfolio companies. In addition, competitors

may have incurred, or may in the future incur, leverage to finance their investments at levels or on terms more favorable than those available to a Fund. Strong competition for investment opportunities could result in fewer such opportunities for a Fund, as certain of these competitors have established and are establishing investment vehicles that target the same types of assets that such Fund intends to purchase.

In addition, some of a Fund's competitors may have longer operating histories, greater financial resources and lower costs of capital than such Fund, and consequently, may be able to compete more effectively in one or more of its target markets. A Fund may not always be able to compete successfully with its competitors and competitive pressures or other factors may also result in significant price competition, particularly during industry downturns, which could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

*Industrial Sector.* Prospective portfolio companies in the industrial sector are subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, the effects of economic slowdowns, adverse changes in fuel prices, labor relations, insurance costs, government regulations, political changes, and other factors.

*Regulations Affecting the Aerospace Industry.* The aerospace industry is highly regulated in the United States by the Federal Aviation Administration and in other countries by similar agencies. Portfolio companies in or servicing the aerospace industry may need to be certified to engineer and service parts and components used in specific aircraft models. The U.S. Department of Defense, the Canadian military and most other military organizations may require compliance with additional government regulations when servicing their equipment and may conduct reviews similar to those conducted by civil regulatory authorities. Such portfolio companies may also be subject to or provide services to others that are subject to a variety of U.S. Commerce, Treasury and State Department regulations and other governmental trade regulations that can increase costs and add to the complexity of doing business.

*Regulatory Changes Affecting the Power Generation Industry.* In response to increasing competitive pressures in the United States occurring as a result of consumer demands, technological advances, greater availability of natural gas and other factors, various U.S. government agencies have implemented or proposed regulatory changes potentially affecting the competition and pricing of power generation projects that are the end-users of the products that companies in a Fund's targeted sectors produce. Such regulatory changes could have an adverse impact on such Fund's portfolio companies servicing these sectors.

*Cyclicalities of the Aerospace Industry.* Demand for new aerospace products and aftermarket services is tied to the worldwide airline industry's ability to finance the purchase of new aircraft, the ability to maintain existing aircraft to rigorous government regulations, and the industry's current and forecasted demand for seats, flights and routes. Demand for aerospace products is also influenced by airline industry profitability, the price of fuel, technological changes and advancements, world trade policies, government-to-government relations, terrorism, disease outbreaks, environmental constraints imposed on aircraft operations, pricing and other competitive factors. A Fund's portfolio companies in or servicing this sector may be adversely affected by demand cycles in the aerospace industry.

*Cyclicality of the Power Generation Industry.* Demand for new power generating capacity and aftermarket services is tied to both the local and global demand for electric power relative to current installed capacity. The development of new power projects requires significant capital investment, technological expertise, government or environmental approvals and other risks associated with large construction projects. A protracted economic downturn or other macroeconomic event causing a reduction in capital investment could diminish the demand for power generation products and services, which may adversely affect a Fund's portfolio companies servicing this sector.

*Airline Leasing Risks.* The aircraft leasing market is affected by various cyclical factors that are not within the control of AE Industrial such as: (i) interest rates; (ii) the availability of credit; (iii) fuel costs and general economic conditions affecting lessee operations; (iv) manufacturer production level; (v) passenger demand; (vi) retirement and obsolescence of aircraft models; (vii) manufacturers merging or exiting the industry or ceasing to produce aircraft types; (viii) re-introduction into service of aircraft previously in storage; (ix) governmental regulation; (x) air traffic control infrastructure constraints; (xi) the particular maintenance and operating history of aircraft and engines; (xii) the number of operators using a type of aircraft; (xiii) import restrictions; and (xiv) existing supply of parked aircraft. The availability of commercial jet aircraft for lease or sale has periodically experienced cycles of oversupply and undersupply, producing sharp decreases and increases in aircraft values and lease rates. The aircraft leasing market may currently be experiencing a cyclical peak but at the time when aircraft are being marketed for re-lease or sale, there can be no assurance that prevailing industry conditions will allow re-lease or, where applicable, sale, on satisfactory terms.

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

A significant threat to used commercial aircraft values and lease rates is the supply effects of the significant numbers of new aircraft ordered at discounted prices. Despite the cyclically high demand for aircraft experienced over the last few years and the significant consolidation in the aircraft manufacturing industry, competition between Boeing and Airbus has resulted in decreases in the price of new aircraft when adjusted for inflation, which in turn has led airlines and others to order increasing quantities of new aircraft. The displacement effect of new aircraft will depress used aircraft values and lease rates, particularly in geographic regions where there is currently perceived to be a significant excess of commercial aircraft capacity. Decreases in the values and rental rates achievable on used commercial aircraft as a result of the above factors may have a material adverse effect on the relevant Fund's operations and cash flows.

*Liability Risk as Lessor.* U.S.C. 49 §44112 (“**Section 44112**”) provides that lessors of aircraft or engines generally will not be liable for any personal injury or death, or damage to or loss of property (collectively, “**Loss**” or “**Losses**”); provided that such lessor is not in actual possession or control of the equipment at the time of such Loss. Under common law, the owner of an aircraft or engine may be held liable for injuries or damage to passengers or property, and such damage awards

can be substantial. Because certain case law interpreting Section 44112 provides that lessors of aircraft or engines may be liable for Losses, there can be no assurance that the provisions of Section 44112 would fully protect the lessor and the relevant Fund from all liabilities in connection with any Losses that may be caused by any aircraft or engine it owns. Therefore, each lessee typically will be required to indemnify the lessor and/or the relevant Fund for, or insure the lessor and/or such Fund against, such claims by third parties. Nonetheless, in the event that Section 44112 does not apply in a particular action, there is the possibility that the lessee might not have the financial resources or insurance to fulfill its indemnity obligations. It should be noted, however, that this description is limited to U.S. law, and to the extent that the law in foreign jurisdictions is applicable (*e.g.*, in a jurisdiction where an accident occurs), different laws may apply. For example, certain foreign jurisdictions may impose strict liability upon an owner of an aircraft or an engine. Such liability may apply with respect to claims of passengers, employees or third parties for death, injury and/or damages to public or private property (including consequences of terrorist attacks) or environmental damages. As described above, operators and airlines may be unable or unwilling to indemnify the relevant Fund, resulting in losses to such Fund. The scope and amount of insurance coverage available to airlines for liability to third persons may decrease while the premiums for such third-party risk insurance may simultaneously or otherwise increase. This situation may result in the operators and airlines or the relevant Fund not obtaining sufficient insurance coverage to cover all types of claims that may be asserted against the operators and airlines or such Fund. Such insufficient insurance coverage amounts or defaults by operators and airlines in fulfilling their indemnification or insurance obligations or the lack of third-party liability insurance may increase the loss amounts for which the operators and airlines or the relevant Fund are ultimately liable.

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

*Expiring Leases.* In order to continue to generate revenues for a Fund, the relevant General Partner may need to promptly sell aircraft, engines and/or major components, either as a whole or at the piece-part level, as leases expire (to the extent not re-leased). In the event of an early lease termination, for example as a consequence of lessee default, a Fund may be required to repay a term loan facility earlier than its scheduled maturity date. This may lead to break costs and prepayment charges under the respective bank financing arrangement or related hedging agreements. The ability to sell aircraft will depend on general market conditions. Some of the competitors of a Fund may have greater access to financial resources and may have greater operational flexibility.

*Non-U.S. Investments.* A Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of such Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on such Fund and/or the partners of such Fund

with respect to such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or its partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Distressed Investments.* A Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the relevant General Partner will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Fund invested.

*Non-controlling Investments.* A Fund may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had such Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of a Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Furthermore, such uncertainty may be compounded by local, regional or global health crises, including, but not limited to, the rapid and/or pandemic spread of novel viruses (e.g., SARS, MERS, coronavirus and/or other similar epidemics). Such health crises could exacerbate the political, social and economic risks previously mentioned, and result in significant breakdowns, delays and other disruptions to important global, local and regional supply chains, with potential corresponding results on the operating performance of affected portfolio companies. A climate of

uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments.

*Public Health Emergencies; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“**COVID-19**”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders) and ordering the closure of large numbers of offices, businesses, schools and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses (certain industries, including, without limitation, the airline industry, have been disproportionately affected by COVID-19), dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 – and any resulting decline in economic and commercial activity – on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19’s impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially



contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds’ ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the General Partner and AE Industrial may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Global Public Health Considerations.* Disease outbreaks and other public health conditions, such as the recent global outbreak of the coronavirus, in markets in which Fund portfolio companies and/or their consumers, customers, suppliers or manufacturers reside and operate, could have a significant negative impact on the operating revenues, profitability and business of certain Fund portfolio companies. The occurrence of these types of events can result, and in the case of the coronavirus has resulted in, disruptions and damage to the business of affected companies, caused by both the negative impact to such companies’ ability to operate normally and the negative impact on consumer purchasing behavior. The coronavirus outbreak continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on affected companies’ future operations. If any portfolio companies experience prolonged exposure to the consequences of disease outbreaks, such as the coronavirus, their business could be substantially harmed, which could result in losses to a Fund in respect of such portfolio companies.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company’s management, with adjustments to such projections made by the relevant General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results

may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

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

*Investment in Junior Securities.* The securities in which a Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

*Public Company Holdings.* A Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the principals of the relevant General Partner, and increased costs associated with each of the aforementioned risks.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the relevant Fund or its limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, the relevant General Partner or AE Industrial generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of AE Industrial's control. Decisions by AE Industrial or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor AE Industrial and its

performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and AE Industrial reserves the right to withhold certain information from investors subject to such laws for reasons relating to AE Industrial's public reputation, business strategy or other reasons.

*Material, Non-Public Information.* As a result of the operations of AE Industrial and its affiliates, AE Industrial frequently comes into possession of confidential or material, non-public information. Therefore, AE Industrial and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or AE Industrial's internal policies and practices. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent AE Industrial or a Fund from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of AE Industrial's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by AE Industrial or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Hedging Arrangements; Related Regulations.* The relevant General Partner is authorized (but not obligated) to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such 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 a 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 the relevant General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (“CFTC”) or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Unfunded Pension Liabilities of Portfolio Companies.* Certain court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) 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 each Fund intends to manage its investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of such 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. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund’s investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund’s investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Fund’s investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may

cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at AE Industrial or one of its service providers holding its financial or investor data, AE Industrial, its affiliates or a Fund may also be at risk of loss.

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

For example, California has passed the California Consumer Privacy Act of 2018, as amended, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for

significant liability for regulated entities, which could include AE Industrial, the General Partners, the Funds and/or their portfolio companies.

*United Kingdom (“UK”) Exit from the European Union (the “EU”):* On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU (“**Brexit**”). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 24 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period.

Although provisionally agreed, the terms of UK’s ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are intended to be ratified and implemented.

There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both EU and UK-based businesses, including AE Industrial and Fund portfolio companies, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

## **Conflicts of Interest**

*General.* AE Industrial and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, management and other services to Funds and portfolio companies. AE Industrial will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on them over time. In the ordinary course of AE Industrial conducting its activities, the interests of a Fund likely will conflict with the interests of AE Industrial, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, AE Industrial will determine all matters relating to structuring transactions and Fund operations using its reasonable 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.

*Investments by AE Industrial Principals and Affiliates.* During the investment period of a Fund, all appropriate investment opportunities will be pursued by AE Industrial principals through such Fund, subject to certain limited exceptions set forth in the Governing Documents and AE Industrial’s Allocation Policy. However, without limitation, AE Industrial principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those other investments. AE Industrial personnel reserve the right to manage their own personal

investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. AE Industrial's principals and AE Industrial's investment staff will continue to manage and monitor such investments until their realization. Such other investments that AE Industrial principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, AE Industrial principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, AE Industrial personnel are permitted to serve on boards or act in other roles unaffiliated with AE Industrial, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

AE Industrial, its affiliates, and equity holders, officers, principals and employees of AE Industrial and its affiliates reserve the right to buy or sell securities or other instruments that AE Industrial has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of AE Industrial 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 expects to have additional potential conflicting interests in connection with these investments.

*Allocation of Investment Opportunities.* From time to time, AE Industrial 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 AE Industrial. In determining which investment vehicles should participate in such investment opportunities, AE Industrial and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, AE Industrial is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of AE Industrial in a portfolio company also have the potential to raise the risk of using assets of a client of AE Industrial to support positions taken by other clients of AE Industrial.

AE Industrial must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. AE Industrial generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Governing Documents, as well as factors including, but not limited to: the size, investment objectives, risk tolerance, return targets, diversification considerations, permissible and preferred asset classes, and liquidity needs of each and subject to any limitations, conflicts of interest provisions or other relevant provisions set forth in the Governing Documents or pursuant to any applicable legal, tax, regulatory or other similar considerations. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliate of AE Industrial in the manner set forth in the relevant Governing Documents. AE Industrial will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with AE Industrial's obligations and reserves the right to take into consideration factors such as those set forth above.

AE Industrial's allocation of investment opportunities among the Funds and co-investors (described below) in the manner discussed herein often will not result in proportional allocations amongst all such Funds, persons and entities, and such allocations likely will be more or less advantageous to some relative to others. While AE Industrial will allocate investment opportunities

in a manner that it believes is fair and equitable to its clients under the circumstances over time 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 potential conflicts of interest to which AE Industrial expects to be subject, discussed herein, did not exist.

*Allocation of Co-Investment Opportunities.* Following such determination of allocation among Funds (and other vehicles, if applicable), AE Industrial 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 AE Industrial reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Governing Documents, Side Letters and AE Industrial's procedures regarding allocation. AE Industrial's procedures permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: AE Industrial's past experiences and relationships with the potential co-investor, including the size and timing of such co-investor's Commitment to the Funds, history of approving offered co-investment opportunities in a timely manner and the ability of the co-investor to invest an amount of capital that is consistent with the long-term needs of the investment, including the potential for add-on acquisitions; AE Industrial's evaluation of whether the profile or characteristics of the potential co-investor may have a positive or negative impact on the viability or terms of the proposed investment opportunity, including any tax, regulatory approvals, securities laws and/or other legal considerations; existence of a formal or informal strategic relationship with the prospective co-investor; and whether AE Industrial believes that allocating investment opportunities to a potential co-investor will help establish, recognize, strengthen and/or cultivate relationships with an existing or prospective investor in the Funds.

Furthermore, AE Industrial or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors. When and to the extent that employees and related persons of AE Industrial and its affiliates make capital investments in or alongside certain Funds, AE Industrial and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

*Transferees.* In certain cases, AE Industrial will have the opportunity (but, subject to any applicable restrictions or procedures in the Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, AE Industrial will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

*Investments in Different Levels of a Portfolio Company's Capital Structure.* Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. 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 AE Industrial in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, AE Industrial expects to face a potential 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, AE Industrial expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. AE Industrial 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.

*Co-Investing with Other Funds; Over-lapping Strategies.* Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. 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. AE Industrial and its affiliates reserve the right from time to time to 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 taken for one or more Funds may adversely affect other Funds.

AE Industrial manages Funds that pursue various strategies, including overlapping strategies. As described further in the Governing Documents of each of the following Funds, the Equity Funds typically pursue control-oriented investments in portfolio companies; the Opportunities Fund primarily pursues investments in aviation leases and aviation leasing-related assets; and Structured Solutions Fund I primarily pursues debt investments in portfolio companies where AE Industrial has determined a control-oriented investment by the Equity Funds is not an available option (although, in each case, such Funds are not restricted from pursuing other investments except as otherwise specified in the Governing Documents). However, in various circumstances as further described in the Governing Documents, these Funds also are permitted to invest in the same investments, as more fully discussed below.

*Structured Solutions Fund I and the Equity Funds.* Subject to certain limitations set forth in the Governing Documents, certain of Structured Solutions Fund I's investments are expected to be made in or with the same portfolio investments or issuers as the Equity Funds. As further described in the Governing Documents, Structured Solutions Fund I generally is permitted to make such investments in substantially the same type of debt securities or other instruments acquired by, and made on substantially the same terms (including pricing) as have been accepted by, one or more third-party lead investors that are not affiliates of AE Industrial (such persons, "**Independent Investors**"), which Independent Investors are collectively acquiring at least a certain percentage as provided in the Governing Documents of the total issuance of debt securities or other instruments of a particular portfolio investment in which Structured Solutions Fund I is investing, and will possess (collectively or through a representative) such percentage of the control rights (including pursuant to voting agreements, negative covenants or similar provisions). In addition, it is not uncommon for a portfolio company debt investment to include an equity component in the form of warrants, options, common stock or other similar interests. Where applicable, Structured Solutions Fund I expects to acquire a certain portion of such equity or equity-like securities (including securities that might otherwise be appropriate to offer an Equity Fund) in an amount proportionate to the amounts of such securities as are being acquired by the Independent Investor.

Notwithstanding the foregoing, if Structured Solutions Fund I has made an initial investment in an Equity Fund portfolio investment in the same class of securities as an Independent Investor, it may exercise certain rights or options regardless of whether the relevant Independent Investor exercises its equivalent right. In addition, in the event that a follow-on investment opportunity arises in respect of a portfolio investment in which both Structured Solutions Fund I and an Equity Fund are invested, and the Independent Investor elects not to participate, Structured Solutions Fund I will not necessarily be prohibited from participating in such follow-on opportunity, pursuant to certain conditions set forth in the Governing Documents. Further, in the event that an Independent Investor elects to sell or otherwise transfer its interest to a separate Independent Investor, Structured Solutions Fund I will have the right to either take such actions as are consistent with such Independent Investor or deem such person acquiring such interests as a replacement Independent Investor. The Equity Funds may accelerate terms or take actions with respect to portfolio investments that negatively impact the value or rights with respect to debt securities or other instruments held by Structured Solutions Fund I.

Structured Solutions Fund I may not invest in certain debt securities or may not receive a full allotment, even where the Equity Funds acquire a company, if there is no Independent Investor or the Independent Investor does not make sufficient debt securities available to Structured Solutions Fund I. However, there can be no assurance that any prospective portfolio investment identified by AE Industrial and/or its affiliates will include debt securities suitable for Structured Solutions Fund I or at all and, additionally, AE Industrial has no obligation to identify prospective portfolio investments with attractive potential debt securities. For those and other reasons, it generally is not expected that each investment made by an Equity Fund will result in an attractive investment opportunity, or any investment opportunity, for Structured Solutions Fund I.

Additionally, Structured Solutions Fund I generally is expected to hold different amounts, on a relative basis in the debt securities of certain portfolio investments as compared to others. Investments in which Structured Solutions Fund I receives a comparatively larger allocation of the available opportunity, particularly if the Independent Investor was not willing to take a larger percentage, may reflect a higher risk of loss or other features viewed as negative by such Independent

Investor (or competing bidders that did not acquire such debt securities), and therefore losses may occur disproportionately in Structured Solutions Fund I's larger holdings, which would negatively affect Structured Solutions Fund I's performance.

To the extent that Structured Solutions Fund I invests in the debt securities of a portfolio investment alongside an Equity Fund, AE Industrial, the Structured Solutions Fund I General Partner and their respective affiliates expect to be subject to potential conflicts of interest, including in determining the terms and conditions of the investment in the debt securities. In particular, circumstances may arise where Structured Solutions Fund I could receive more favorable terms in connection with an investment in the debt securities of a prospective operating company that is not a portfolio investment but, nevertheless, in order to further the strategic relationship between the Structured Solutions Fund I General Partner and AE Industrial and/or for other reasons determined by such General Partner, reserves the right to choose to enter into an investment based on terms and conditions that are less attractive than the terms and conditions the Fund could otherwise obtain from an unaffiliated third party. Similarly, any investment by Structured Solutions Fund I in an entity in which an Equity Fund has a pre-existing investment (or vice versa) could be viewed, especially in hindsight, to have been made based on a non-arms-length valuation. Similarly, an Equity Fund reserves the right to later invest in entities in which Structured Solutions Fund I has invested, which may have an effect (either positive or negative) on the market price of Structured Solutions Fund I's investments. In circumstances in which Structured Solutions Fund I makes an investment in an entity in which an Equity Fund has a pre-existing investment, such Equity Fund expects to make business decisions relating to such investment (such as, for example, financing or hedging interest rate, currency or credit risk) independently of the analogous decisions made with respect to such investment by Structured Solutions Fund I. This may result in situations where Structured Solutions Fund I chooses not to hedge certain risks that an Equity Fund does hedge (or vice versa), or the possibility that Structured Solutions Fund I is exposed to risks of financing (for example, possible margin calls) on an investment when an Equity Fund is not (or vice versa). Although AE Industrial will seek to address such conflicts, there can be no assurance that such conflicts will be resolved in a manner that is favorable to Structured Solutions Fund I and its limited partners. Subject to the terms of the Governing Documents, in the event that a portfolio investment in which Structured Solutions Fund I and an Equity Fund each hold an interest becomes financially troubled, the Structured Solutions Fund I General Partner or an affiliate thereof may be required to take actions consistent with those of the relevant Independent Investor with respect to such portfolio investment and shall not be deemed to have violated any duty to Structured Solutions Fund I in such scenario and the general partner of the applicable Equity Fund will act on behalf of such Equity Fund without consideration of Structured Solutions Fund I's interests. In addition, no assurance can be made that the fact Structured Solutions Fund I is investing in the same portfolio investments or issuers as the Equity Funds will not cause some Independent Investors to cease investing with AE Industrial or to modify the terms of the relevant investment opportunity.

To the extent Structured Solutions Fund I makes a minority investment in the credit of a business in connection with an Equity Fund-sponsored control transaction (where pricing, structure and voting is generally set by an Independent Investor), Structured Solutions Fund I and the Equity Funds are likely to invest in different parts of the capital structure of the same portfolio investment and will face conflicts of interests when doing so. For example, (i) an Equity Fund will hold equity securities while Structured Solutions Fund I may hold loans and securities that, at the time of initial investment, have attributes such as liquidation or other preferences, interest, coupon, or other debt-like features, including, without limitation, instruments (which may be equivalent to securities held

by an Equity Fund) issued in respect of warrants, conversion rights or other rights with respect to equity securities related to debt securities and/or equity securities of the same portfolio investment or (ii) Structured Solutions Fund I may hold a certain class of debt instruments while an Equity Fund holds a different class of preferred or debt-like instruments of the same portfolio investment. To the extent that Structured Solutions Fund I invests in a debt instrument of a portfolio investment in which an Equity Fund holds equity securities, the Structured Solutions Fund I General Partner expects to be subject to conflicts of interest in participating in the negotiations (which will be led by the Independent Investor) regarding the terms of such debt instrument and in managing Structured Solutions Fund I's and such Equity Fund's investments in such portfolio investment on a going-forward basis. Conflicts may arise between Structured Solutions Fund I and an Equity Fund in negotiating, generally along with the Independent Investor, as to the price of the debt securities or other instruments, the characterization of such debt securities or other instruments, the terms of inter-creditor agreements, the interest rate or stated dividend yield of such debt securities or other instruments, the nature of the covenants running in favor of lenders, and the other terms and conditions of investment or in addressing subsequent amendments or waivers. There can also be conflicts as an Equity Fund may desire optimal flexibility to grow the portfolio investment, while the Independent Investor may want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions. For example, in controlling a company, an Equity Fund could have an interest in pursuing an acquisition that would increase indebtedness, a divestiture of revenue-generating assets, or other similar transactions that may enhance the value of the equity investment with respect to such Equity Fund, but that would potentially also increase the risk of Structured Solutions Fund I's debt investment in such company. Further, because of the different legal rights associated with debt and equity investments of the same portfolio investment, AE Industrial expects to face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, Structured Solutions Fund I versus such Equity Fund. In particular, in the event of a breach, default, failure to perform or any other circumstance that arises in connection with an investment in certain debt securities and affords Structured Solutions Fund I or a portfolio investment the opportunity for legal or other recourse against the other party, AE Industrial expects to have incentives to take certain actions (or to choose not to act) that favor a portfolio investment or an Equity Fund over Structured Solutions Fund I. Moreover, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt investments should be refinanced or restructured. In addition, the interests of Structured Solutions Fund I and an Equity Fund may diverge significantly in the case of financial distress of the company. Moreover, if additional financing is necessary as a result of financial or other difficulties, it may not be in the best interests of Structured Solutions Fund I to provide such additional financing. If an Equity Fund had the potential to incur a loss on its investment as a result of such difficulties, the Structured Solutions Fund I General Partner's ability to recommend actions in the best interests of Structured Solutions Fund I might be impaired. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, are expected to raise conflicts of interest with respect to Structured Solutions Fund I and an Equity Fund, whose interests are likely to diverge in such situations. For example, Structured Solutions Fund I could be more senior or more junior to an Equity Fund in the capital structure of the portfolio investment, which could mean that in a workout or other distressed scenario Structured Solutions Fund I may be adverse to such Equity Fund, and might recover all, part or none of its investment while such Equity Fund recovers more or less. AE Industrial will seek to mitigate and/or manage such conflicts of interest to the extent possible by holding a minority of the debt securities issued by a portfolio investment in which an Equity Fund holds outstanding equity interests and allowing the

Independent Investor(s) in such debt securities to negotiate pricing and terms. In addition, the Structured Solutions Fund I General Partner intends to manage the conflicts of interest in connection with a payment default by a portfolio investment in which Structured Solutions Fund I and an Equity Fund holds interests, following the payment default (and following the expiration of any applicable cure periods), by generally not having voting rights on behalf of Structured Solutions Fund I or voting with the Independent Investor and/or the majority of the unaffiliated debtholders holding the same tranche, class, or other category of such defaulting debt investment in connection with any determination by such debtholders. This means Structured Solutions Fund I may not vote or the portfolio investment may not take the action that the Structured Solutions Fund I General Partner believes to be optimal for Structured Solutions Fund I. The Equity Funds generally will not be subject to the preferences of any other holder of the securities it holds, and therefore an Equity Fund can be expected to act exclusively in its own interests.

*Opportunities Fund.* The Opportunities Fund, which pursues investments in aviation leases and aviation leasing-related assets, also expects to (i) invest a portion of its capital through Structured Solutions Fund I, and (ii) make equity co-investments alongside the Equity Funds. Accordingly, certain of such investments held by the Opportunities Fund will be subject to the potential conflicts of interest set under “*Investments in Different Levels of a Portfolio Company’s Capital Structure*,” “*Co-Investing with Other Funds; Over-lapping Strategies*” and “*Structured Solutions Fund I and the Equity Funds*” above.

*Fees and Expenses.* Subject to any relevant restrictions or other limitations contained in the Governing Documents, AE Industrial will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case, in its sole discretion. In exercising such discretion, AE Industrial expects to 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 generally will be made by AE Industrial or its affiliates using their reasonable 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 is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of a Funds’ controlling interests in a portfolio company, AE Industrial and/or its affiliates typically have the right to appoint portfolio company board members (including current or former AE Industrial personnel or persons serving at their request), 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 AE Industrial and/or its affiliates. Unless such amounts are subject to the Governing Documents’ offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to AE Industrial.

Additionally, a portfolio company typically will reimburse AE Industrial or service providers retained at AE Industrial’s discretion for expenses (including, without limitation, travel expenses) incurred by AE Industrial or such service providers in connection with its performance of services

for such portfolio company. This subjects AE Industrial 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. AE Industrial determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

AE Industrial generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) AE Industrial or a related person of AE Industrial (which may include a portfolio company of such Fund); (ii) an entity with which AE Industrial or its affiliates or current or former members of their personnel has a relationship or from which AE Industrial or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint ventures or co-venturers, or relationships where AE Industrial personnel are seconded, or from which AE Industrial receives secondees; or (iii) certain limited partners or their affiliates. For example, AE Industrial expects to 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 discretion subjects AE Industrial to conflicts of interest, because although AE Industrial 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, AE Industrial has a potential 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 AE Industrial, 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 AE Industrial), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. AE Industrial will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although AE Industrial generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Whether or not AE Industrial 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.

*Personnel and Service Providers.* AE Industrial and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by AE Industrial and/or its affiliates; conversely, current or former personnel or executives of AE Industrial and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by AE Industrial. Similarly, AE Industrial, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. 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, AE Industrial and/or its affiliates, and/or the Funds or other investment vehicles they advise. In other circumstances, these

vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through AE Industrial entities) to AE Industrial personnel and their estate planning vehicles. AE Industrial expects to be subject to a potential 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 AE Industrial information about markets and industries in which AE Industrial operates (or is contemplating operations) or will provide other services that are beneficial to AE Industrial or one or more Funds. AE Industrial expects to be subject to a potential conflict of interest in making such recommendations, in that AE Industrial 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 a Fund or its portfolio companies.

Furthermore, in connection with its services to the Funds and their investments, AE Industrial, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of AE Industrial's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, AE Industrial and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**AEI Information**"). In many cases, AEI Information will include tools, procedures and resources developed by AE Industrial to organize or systematize AEI Information for ongoing or future use. Although AE Industrial expects its Funds and their portfolio companies generally to benefit from AE Industrial's possession of AEI Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which AEI Information was originally received. AEI Information will be the sole intellectual property of AE Industrial and solely for the use of AE Industrial.

AE Industrial reserves the right to use, share, license, sell or monetize AEI Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

*Operating Partners.* As described above, portfolio companies typically pay compensation to operating partners and other consultants (including consultants introduced or arranged by AE Industrial and/or its affiliates that regularly provide services to one or more portfolio companies). Any such compensation (including, *e.g.*, investment opportunities, reimbursements and other similar compensation) paid by portfolio companies does not offset the Management Fee, as described herein. Any compensation received by an operating partner in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on a Fund's investment, and the relevant Fund typically will bear the costs of all operating partner compensation

as well as fees, costs and expenses of structuring operating partner arrangements. In addition, operating partners generally make use of AE Industrial resources or otherwise are associated with AE Industrial. Although the use of operating partners and the allocation of compensation paid to them subjects AE Industrial to potential conflicts of interest, AE Industrial seeks to reduce such potential conflicts of interest, in part, by structuring compensation packages for such operating partners in a manner that AE Industrial believes will align such persons' interests with those of a relevant Fund's limited partners. In addition, AE Industrial seeks to retain only those operating partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition to the above, an operating partner typically is paid a retainer or other similar compensation by AE Industrial and/or a Fund. For Fund I, such compensation typically is borne by AE Industrial. With respect to Fund I, any such compensation generally is borne by AE Industrial. With respect to Fund II and the Opportunities Fund, such compensation generally is borne by such Funds (up to the amount of any cap on such compensation, as specified in Fund II's and the Opportunities Fund's Governing Documents). Any compensation in excess of such cap that is paid to operating partners generally will be borne by AE Industrial, as described in Fund II's and the Opportunities Fund's Governing Documents. With respect to Structured Solutions Fund I, any such compensation generally is borne by the Fund.

*Management Fees and Supplemental Fees.* For certain Funds, there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances. In addition, at certain times during the life of such Funds, the Management Fee is based upon capital invested by such Fund. For Funds with these Management Fee terms, this fee structure creates a potential incentive to deploy capital when AE Industrial may not otherwise have done so.

AE Industrial, its personnel, affiliates or others designated by AE Industrial expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Governing Documents are applied, AE Industrial and/or such other recipients will be permitted to retain such securities as Supplemental Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or AE Industrial or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund).

*Side Letters.* AE Industrial and/or its affiliates reserve the right to enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side Letters may also relate to strategic relationships under which an investor agrees to make Commitments to multiple Funds. Except where required by the Governing Documents, other investors will not receive copies of Side Letters or related provisions, and, as a general matter, the other investors have no recourse against a Fund, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting



their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

*Conflict of Interest Resolution.* Any of the situations described above subjects AE Industrial and/or its affiliates to potential conflicts of interest. AE Industrial attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by AE Industrial to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, AE Industrial has adopted and implemented policies and procedures intended to address such potential conflicts and, in light of such policies and procedures, will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. In certain cases, AE Industrial consults its Valuation, Risk and Operations Committee (the “VROC”), which oversees operational risk matters, on conflicts of interest related to the allocation of investment opportunities, amongst other potential conflicts. Furthermore, where necessary, AE Industrial consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

### **Disciplinary Information**

AE Industrial 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**

AE Industrial is affiliated with the General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to AE Industrial’s registration in accordance with SEC guidance. These entities operate as a single advisory business together with AE Industrial and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Certain third-party institutional investors indirectly own passive minority interests in the Adviser. Such investors do not have authority over the day-to-day management or operations of the Adviser, although they have negotiated certain customary minority protection rights.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

AE Industrial has adopted a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of AE Industrial’s principals and employees and addresses conflicts that arise from personal trading. The Code requires certain AE Industrial personnel to report their personal securities transactions, prohibits or requires pre-clearance for directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering and prohibits AE Industrial personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the AE Industrial’s 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 investor or prospective investor upon request to Leanne Erickson, the AE Industrial Chief Compliance Officer, at (561) 372-7820.

AE Industrial and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, AE Industrial and its 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 AE Industrial.

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

Principals and employees of AE Industrial and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities generally are also expected to be presented to certain affiliates of AE Industrial, as well as third-party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Such co-investment opportunities generally will be allocated in the manner described under "*Conflicts of Interest – Allocation of Co-Investment Opportunities*" above.

AE Industrial and its affiliates, principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in a Fund, as well as give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The Governing Documents and investment programs of certain Funds generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles of issuers held by such Funds or give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds or be subject to limitations (*e.g.*, by time or percentage of capital deployed). See "*Conflicts of Interest – Investments by AE Industrial Principals and Affiliates*" above.

### **Brokerage Practices**

AE Industrial focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, AE Industrial reserves the right to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although AE Industrial does not intend to regularly engage in public securities transactions, to the extent it does so, it intends to follow the brokerage practices described below.

If AE Industrial sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by AE Industrial. In such event, AE Industrial will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, AE Industrial reserves the right to consider a variety of factors, including: (i) execution capabilities, including block positioning, research, financial stability, ability to maintain confidentiality, delivery, and (ii) ability to obtain best execution for all Fund securities transactions.

AE Industrial has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although AE Industrial would generally seek competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with AE Industrial seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although AE Industrial does not make use of such services at the current time and has not made use of such services since its inception.

To the extent that AE Industrial allocates brokerage business on the basis of research services, it expects to have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds’ interest in receiving most favorable execution. To the extent AE Industrial uses “soft dollars” on behalf of the Funds, it intends to seek to do so within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

In AE Industrial’s private company securities transactions on behalf of the Funds, AE Industrial reserves the right to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, AE Industrial reserves the right to consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although AE Industrial generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

### **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, AE Industrial, through its investment and financial operations teams, monitors companies in which the Funds invest. AE Industrial monitors such companies’ operations, overall performance, financial performance and strategic direction.

In addition, the VROC also is engaged in AE Industrial's review process, which includes reviews of the Funds and the portfolio companies in which the Funds invest. In particular, the VROC periodically checks to confirm that the Funds are maintained in accordance with their investment objectives and approves valuations of portfolio companies.

Each Fund generally will provide to its limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each Partner's U.S. tax returns and (iv) descriptive investment information for each portfolio company annually.

### **Client Referrals and Other Compensation**

AE Industrial and/or its affiliates intend to provide certain business or consulting services to companies in a Fund's portfolio and expect to receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees are in addition to Management Fees. See "Fees and Compensation."

AE Industrial reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents generally will be borne by AE Industrial indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s). AE Industrial engaged Eaton Partners, a wholly-owned subsidiary and affiliate of Stifel Financial Corp., to act as a placement agent in connection with the offering of limited partner interests in Structured Solutions Fund I.

### **Custody**

AE Industrial maintains custody of assets held in the name of one or more Funds with the following qualified custodians: Silicon Valley Bank, 3003 Tasman Drive, Santa Clara, CA 95054. For purposes of compliance with related Advisers Act rules, AE Industrial has engaged PricewaterhouseCoopers LLP to perform annual audits with respect to the Funds.

### **Investment Discretion**

AE Industrial has discretionary authority to manage investments on behalf of each Fund. As a general policy, AE Industrial does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, AE Industrial and/or its affiliates have entered, and expect to enter, into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. AE Industrial assumes this authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of such Fund.

### **Voting Client Securities**

AE Industrial has adopted a Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the Funds’ portfolio investments. The Proxy Policy seeks to ensure that AE Industrial votes proxies (or similar instruments) in the best interest of a Fund, including where there may be material conflicts of interest in voting proxies. AE Industrial generally believes its interests are aligned with those of each Fund’s investors, for example, through the principals’ beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is a potential conflict of interest in voting proxies, the Proxy Policy provides that AE Industrial is authorized to address the conflict using several alternatives set forth in the Proxy Policy. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by AE Industrial when voting proxies on behalf of a Fund. Clients or investors that would like a copy of AE Industrial’s complete Proxy Policy or information regarding how AE Industrial voted proxies for particular portfolio companies may contact Leanne Erickson, the AE Industrial Chief Compliance Officer, at (561) 372-7820, and it will be provided to you at no charge.

### **Financial Information**

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