



**INVESTMENT ADVISER BROCHURE**

**AMERICAN PACIFIC GROUP, L.P.**

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**March 24, 2022**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of American Pacific Group, L.P. (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Nicholas Wall, the Adviser’s Chief Compliance Officer (the “Chief Compliance Officer”), at (415) 578-1600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Any reference to the Adviser as a registered investment adviser does not imply a certain level of skill or training.

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

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## MATERIAL CHANGES

This is the annual amendment to this Brochure for the year ended December 31, 2021. Since the Adviser's prior annual updating amendment filed on March 22, 2021, the Adviser has updated its principal place of business. This Brochure has also been updated to reflect updated regulatory assets under management and certain other changes to existing disclosures include conflicts of interest disclosures.

## ADVISORY BUSINESS

The Adviser was formed in March 2019 as a Delaware Limited Company and converted to a Delaware limited partnership in January 2020. The Adviser has been a registered investment adviser with the SEC as of January 31, 2020. APG UGP, L.L.C., a Delaware limited liability company (the "**Ultimate General Partner**"), serves as the Adviser's general partner, and Fraser Preston is the Adviser's and the Ultimate General Partner's principal owner.

The Adviser and the General Partner (as defined below) and their respective affiliates (collectively, "**APG**") provide investment advisory services primarily to private investment funds privately offered to qualified investors in the United States and elsewhere (each, a "**Fund**", and collectively, the "**Funds**"). One of these funds could be an "executive fund" offered to certain investors, including certain employees of the General Partner and/or its affiliates, family members, Operating Partners and Senior Advisors (each as defined and discussed below) and other persons with a relationship to the Adviser or its personnel.

APG's clients include the following Funds:

- American Pacific Group Fund I, L.P.
- American Pacific Group Fund I-A, L.P.

The following general partner entity is affiliated with the Adviser:

- APG Fund I GP, L.P. (together with any general partner of any future Funds, the "**General Partners**" and each, a "**General Partner**").

Each General Partner 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 Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as "**portfolio companies**." APG's investment advisory services to the Funds consist of identifying and evaluating potential investment opportunities, negotiating the terms of investments, managing and monitoring investments seeking and consummating dispositions for such investments. Investments are made primarily in non-public companies but may also be made in public companies. From time to time, where such investments consist of portfolio companies, the senior principals or advisors or other personnel of APG will

generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

APG's advisory services to the Funds are detailed in the applicable confidential private placement memoranda or other offering documents (each, as amended, restated, supplemented or otherwise modified from time to time, a "**Memorandum**"), management services agreements, limited partnership or other operating agreements or governing documents (each as amended, restated, supplemented, waived or otherwise modified from time to time, a "**Partnership Agreement**" and as applicable, together with a relevant Memorandum, the "**Governing Documents**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds will participate in the overall investment program for the applicable Fund, but are permitted to be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The Funds or the General Partner has entered into side letters or other similar agreements ("**Side Letters**") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Governing Documents, APG may provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, APG's personnel and/or certain other persons associated with APG (*e.g.*, Senior Advisors, Operating Partners and members of the Operations Group (as defined below and if formed) and/or vehicles formed by APG's principals to co-invest alongside a particular Fund's transactions). Such co-investments will typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as each Fund making the investment. However, from time to time, for strategic and/or other reasons, co-investors or co-invest vehicles are anticipated to purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle will generally occur shortly after the Fund's completion of the investment to seek to avoid any material changes in valuation of the investment. In APG's sole discretion, APG is authorized to charge interest on the sale to the co-investor or co-invest vehicle (or otherwise equitably to adjust the sale price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 31, 2021, APG managed approximately \$626,856,157 of client assets on a discretionary basis.

## **FEES AND COMPENSATION**

Fees generally are paid as set forth in each Fund's Governing Documents. In general, the Adviser receives a management fee ("**Management Fee**") and the General Partner expects to receive carried interest in connection with advisory services. APG receives additional compensation in connection with management and other services performed for portfolio

companies of the Funds and such additional compensation will offset in whole or in part the Management Fees otherwise payable to the Adviser as disclosed in the applicable Fund's Governing Documents. In addition, APG is permitted to receive compensation for management and other services performed in connection with the co-investments made in portfolio companies of the Funds, as set forth in the relevant Partnership Agreement(s) and/or Side Letters(s). Investors in a Fund also bear certain organizational and operating expenses. A summary of the Funds' anticipated fees and expenses follows, but investors should review the applicable Fund's Partnership Agreement for details regarding fee structure and expenses.

## **Management Fees**

As set forth and more fully described in each Fund's Partnership Agreement, each Fund pays the Adviser a Management Fee equal to 2.0% on an annual basis of aggregate capital commitments of investors that are not designated as "affiliated partners" by the General Partner. Commencing with the first Management Fee payment date after the expiration of the Fund's investment period or earlier upon the occurrence of certain events set forth in the applicable Partnership Agreement and through the final distribution of the Fund's assets, each Fund's Management Fee is expected to be reduced and will equal 2.0% on an annual basis of (i) the aggregate investment contributions of each Fund's investors, less (ii) the aggregate amount of such investment contributions with respect to the portion of each investment that has been disposed of or completely written-off, in each case with respect to investors not designated as "affiliated partners." 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. The Management Fee is payable quarterly in advance to the Adviser. Each Fund's Governing Documents generally permit APG to waive or agree to reduce Management Fees.

The Management Fee commences when the Funds begin their investment activities, regardless of when an investor is actually admitted. Investors participating in a subsequent closing of a Fund after the initial closing date will generally be assessed Management Fees retroactive to the beginning of such Fund's term, with an additional interest-like payment on such amounts. The Management Fee will be paid out of current income and investment proceeds of each Fund and/or, in the General Partner's discretion, from drawdowns that will reduce unfunded commitments.

As described in each Fund's Partnership Agreement, each Fund's Management Fee is expected to be reduced, but not below zero, by an amount equal to 100% (as may be adjusted pursuant to the relevant Partnership Agreements) by the transaction fees ("**Transaction Fees**") or a portion thereof attributable to the Fund's partners not designated as "affiliated partners" (as described in the Partnership Agreements of the Funds and below under "Other Information"). Transaction Fees include (i) closing fees, commitment fees, monitoring fees, breakup fees, litigation proceeds from transactions not consummated, financial consulting fees, advisory fees, directors' fees and other similar fees (whether in the form of cash, securities or otherwise) received by APG or the Ultimate General Partner with respect to any actual or prospective Fund investment, in each case, less (ii) certain expenses (including those described below) as set forth in the Partnership Agreements; but not including, in any event, any amount received by APG, the General Partner, the Operations Group (or a member thereof), a Senior Advisor (each as defined below) or other person from a portfolio company, prospective portfolio company or other person as reimbursement for expenses directly related to such portfolio company or prospective portfolio

company, as compensation for services provided to such portfolio company or prospective portfolio company in the ordinary course of such portfolio company's or prospective portfolio company's business, as compensation for services provided by such person as an employee of or in a similar capacity for such portfolio company or prospective portfolio company (or its subsidiaries), as compensation (including fees, incentive equity or other stock awards) for services rendered by the Operations Group (or a member thereof) or a Senior Advisor to a portfolio company or prospective portfolio company or any other amounts that a Fund's advisory board (the "**Advisory Board**") otherwise approves as not constituting Transaction Fees.

In addition, a Fund's Management Fee may be offset by organizational fees and any placement agent fees paid in excess of the cap stated in the applicable Partnership Agreement, to the extent any such fees are incurred.

In the event that the amount of such Transaction Fee reduction exceeds the Management Fee for such quarterly period, such excess shall be carried forward to reduce the Management Fee payable in following quarterly periods, as set forth in the applicable Partnership Agreement. Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not offset or otherwise reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by APG or the Ultimate General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees. To the extent that any other Fund or any other entity or individual co-invests alongside a Fund in any portfolio company investment, any Transactions Fees will be allocated among each Fund and the co-investors in proportion to the cost of the investment or potential investment in the portfolio company held (or committed to be held) by each. Accordingly, a Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Transaction Fee and not the portion of any fee allocable to any other investor in a portfolio company. For the avoidance of doubt, any other fees earned with respect to any co-investment vehicle will not ordinarily offset or otherwise reduce the Management Fee payable by a Fund. Similarly, in certain circumstances, co-investors or other parties could negotiate the right to share a portion of such fees from a particular investment, in which case the above-described offset percentage will be applied after excluding any amounts paid to such persons. Additionally, as further described below and in the applicable Fund's Governing Documents, APG may engage or retain Senior Advisors to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest, and APG is authorized to create an Operations Group to provide similar services to portfolio companies. Such Operations Group members (if such group is created) and Senior Advisors will generally receive compensation and other amounts described herein from the relevant portfolio companies and/or Funds to which they provide services, but no such amounts will offset or otherwise reduce any Management Fee. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees could be significant. Due to waived or reduced Management Fees by the General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

## **Carried Interest**

APG will receive a carried interest with respect to each Fund equal to 20% of all realized

profits, subject to an 8% preferred return, as more fully described in each Fund's respective Partnership Agreement. The carried interest distributed to APG is subject to a potential clawback as provided in the Partnership Agreements if APG has received excess cumulative distributions.

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

## **Other Information**

Certain "affiliated partner" investors in the Funds are exempt from payment of all or a portion of Management Fees and/or carried interest, including APG and any other person designated by APG, such as "friends and family" of APG or its personnel, or other investors meeting certain qualification requirements. Any such exemption from Management Fees and/or carried interest may be made by a direct exemption, a rebate by APG, or through other Funds which co-invest with a Fund. For example, in instances where an APG 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 relevant Fund's Partnership Agreement, APG is permitted to allow investors, affiliated with APG or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees 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 relevant Partnership Agreement, 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 APG will 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 APG.

In addition to the Management Fee and carried interest payable, each Fund bears certain other expenses. As set forth more fully in the applicable Partnership Agreement, each Fund will pay, or reimburse the Adviser and/or the General Partner (or any affiliate thereof) for, all fees, costs, expenses, liabilities and obligations relating to the Fund's and/or its subsidiaries' activities, business, current or potential portfolio companies or actual or potential investments, including with respect to any entity (including alternative investment vehicles) formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to origination, identification and sourcing of investment opportunities for the Fund, including meeting with consultants, broker-dealers, investment banks and other sources of investments and developing an investment pipeline; (ii) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases, deal sourcing and/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, the Fund's portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers,

lenders, expert networks, third-party diligence, 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; (iii) indebtedness of, or guarantees made by, the Fund, the Adviser, the General Partner or any “affiliated partner” on behalf of the 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; (iv) financing, commitment, origination and similar activities; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (vi) brokerage, sale, custodial, depository and local paying agent (including any depository appointed pursuant to the European Union Alternative Investment Fund Managers Directive (“AIFMD”) or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), expenses of a Swiss representative and paying agent appointed pursuant to the Swiss Collective Investment Scheme Act (as amended), including any related law, rule or regulation relating to the implementation thereof, trustee, record keeping, account and similar services; (vii) legal, accounting, research (including expert consultants, research reports, subscriptions to research services, research calls and meetings and research or industry conferences), auditing, administration (including fees and expenses associated with compliance with any anti-money laundering laws and regulations and any third-party Fund administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services as well as costs related to the establishment or maintenance of such services), consulting (including consulting and retainer fees, salary and other compensation paid and benefits provided to the Operations Group or any of its members, Senior Advisors or consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants (including those with respect to go-to-market, supply chain, lean management and change management), recruiting (including executive recruiters for portfolio companies and any costs associated with recruiting, including headhunter fees, background checks or relocation expenses), tax, information technology and other professional services; (viii) reverse breakup, termination and other similar fees; (ix) insurance (including directors and officers liability, fidelity bond, cyber security, portfolio company management liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and the costs of any consultants or other advisors utilized in the procurement, review and analysis of insurance policies; (x) filing, title, transfer, survey, registration and other similar fees and expenses; (xi) printing, communications, mailing, courier, marketing, advertising and publicity; (xii) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms, other communications with Partners or any other administrative, compliance or regulatory filings or reports (including Form PF 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; (xiii) expenses associated with the reporting, filings or other ongoing compliance with the requirements contemplated by the AIFMD (excluding, the initial and/or preliminary registrations, filings and compliance related organizational expenses), as implemented in any relevant jurisdiction or any similar law, rule or regulation and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (xiv) compliance with any financial account reporting regime



applicable to the Fund, any alternative investment vehicle and/or the General Partner, including the “Foreign Account Tax Compliance Act” or “FATCA” and the OECD Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard and any similar laws, rules or regulations, and any fees, costs and expenses of any third-party services providers and professionals related to the foregoing; (xv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services); (xvi) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs and expenses incurred in connection with compliance with the General Data Protection Regulation (EU 2016/679) (as amended) and the Freedom of Information Act, 5 U.S.C. § 552); (xvii) any activities or proceedings of the Advisory Board (including any costs and expenses incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board); (xviii) indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnifying any investor or other person pursuant to the Partnership Agreements or otherwise 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 Partnership Agreements), except as otherwise set forth in the Partnership Agreements; (xix) 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; (xx) any annual Fund investor meeting or other periodic, if any, meetings of the Funds’ investors, any other conference, meeting or webcast with any investor(s) and any periodic executive forum of portfolio company management and other persons, in each case to the extent incurred by the Fund, the General Partner or any other affiliate of the General Partner; (xxi) the Management Fee; (xxii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense (including organizational expenses) if it were incurred in connection with the Fund, any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the 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 the Fund and/or its affiliated entities; (xxiii) the termination, liquidation, winding up or dissolution of the Fund and any legal entities owned directly or indirectly by the Fund, including portfolio companies and related entities; (xxiv) defaults by investors in the payment of any capital contributions; (xxv) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner, the Ultimate General Partner, the Adviser, any related entities, any entities owned directly or indirectly by the Fund (including portfolio companies) and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxvi)(A) 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 or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto, any regulatory expenses of the General Partner incurred in connection with the operation of the Fund and any costs and expenses related to compliance with any environmental, social or governance investment considerations and

policies of the General Partner and/or the Fund and/or (B) any costs and expenses related to the validation of any payments made to the Fund or the General Partner in connection with any voluntary or compulsory review (including as a result of any anti-money laundering laws, rules or regulations); (xxvii) 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 Partnership Agreements; (xxviii) any experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same entity as one or more investment vehicles (other than the Fund) sponsored, managed or controlled by the General Partner or any of its affiliates; (xxix) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a Fund investor or any such investor's name change, internal restructuring or change in registered agent or custodian; (xxx) any taxes, fees and other governmental charges levied against the Fund and/or any alternative investment vehicle and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review of the Fund and/or any alternative investment vehicle (except to the extent that the Fund is reimbursed therefor by an investor or such tax, fee or charge is treated as having been distributed to the investors pursuant to the Partnership Agreements) and any costs and expenses of or related to the "partnership representative" and any "designated individual"; (xxxi) distributions to the investors and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxxii) unreimbursed expenses and unpaid fees of the Senior Advisors or the Operations Group or its members, employees or other persons engaged by the Operations Group; (xxxiii) compliance or regulatory matters, except as otherwise set forth in the Partnership Agreements, including compliance with the Partnership Agreements and/or any letter agreement; (xxxiv) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with the Fund's investors and "most-favored-nations" election processes in connection therewith; (xxxv) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner or the Adviser, or any Senior Advisor or Operations Group member, at any trade show or conference, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; (xxxvi) hosting or attending training programs, meetings or other events for portfolio companies and/or their personnel; (xxxvii) all costs and expenses associated with negotiating, forming and operating a Feeder Fund (as defined in the relevant Memorandum) which invests all or substantially all of its assets in the Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such Feeder Fund's financial statements, tax returns and Feeder Fund investor reports, but not including any income based or similar taxes, fees or other governmental charges levied against such Feeder Fund; (xxxviii) any travel (including, where appropriate as determined by the General Partner, the cost of using or chartering private aircraft or other private air travel (at a cost not to exceed the cost of corresponding first class (or equivalent) commercial airfare, provided that portfolio companies or prospective portfolio companies may use or charter such private aircraft or private air travel at a cost above the cost of corresponding first class (or equivalent) commercial airfare), other air travel, car or ride sharing services or other modes of transportation), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxix) any of the items listed above relating to any investment, restructuring, taking public or private, disposition or other opportunity not consummated, including any opportunity offered to co-investors; (xl) any organizational expenses; (xli) any placement fees; and (xlii) any other fees, costs, expenses,

liabilities or obligations approved by the Advisory Board.

The General Partner and/or the Adviser pay all ordinary administrative and overhead expenses incurred in connection with maintaining and operating their office(s), including employees' salaries, rent and equipment expenses, except as otherwise provided in the Partnership Agreements. 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. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

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

As described above, in certain circumstances, the General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to APG's related policies and the relevant Partnership Agreement(s) 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 have been beneficial, in the judgment of the relevant General Partner, ultimately is not consummated, all 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 expenses.

APG generally has discretion over whether to charge Transaction Fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and APG and/or its affiliates on the other hand.

## **Senior Advisors**

The Adviser is authorized to engage a select group of senior advisors (collectively, "**Senior Advisors**") who provide advisory services to the Adviser related to, among other matters, deal sourcing, executive talent and Fund investments, including reviewing investment activity and providing advice to the Adviser's investment committee. As compensation for their services to the Adviser, Senior Advisors receive advisory fees from the Adviser (but not each Fund or any portfolio company or prospective portfolio company), are permitted to invest in each Fund or co-

invest in portfolio companies, with management fees and/or carried interest reduced or waived and receive grants in the General Partner's carried interest. In addition, Senior Advisors serve on the boards or equivalent bodies of portfolio companies. As compensation for their services to portfolio companies, Senior Advisors are expected to receive directors' fees, incentive equity or other stock awards. The Adviser or portfolio companies, as applicable, will also bear any expenses, including airfare, lodging, meals, entertainment or other out-of-pocket expenses incurred by Senior Advisors in connection with the provision of their services thereto. As provided above, any of the foregoing expenses and other amounts paid to or received by Senior Advisors in connection with their services, including with respect to particular transactions or portfolio companies, will not be included as "Transaction Fees" and consequently will not reduce the Management Fee. Senior Advisors will not be members of the Operations Group (as described below), if created.

## **Operations Group**

The General Partner intends to create an operations group (the "**Operations Group**") comprised of persons retained or employed by the General Partner or any of its affiliates primarily to provide manufacturing, sales, marketing, finance, tax, technology, operations, financing, legal, consulting, real estate/facilities management, human resources, acquisition integration/rationalization, go-to-market, supply chain, lean management, change management and/or other operations services, acquisition or other due diligence or similar services to the Funds, any alternative investment vehicle or any of their portfolio companies or prospective portfolio companies and/or to support the Adviser, the General Partner and/or their respective investment professionals in connection with their activities on behalf of the Funds, any alternative investment vehicle or any of their portfolio companies or prospective portfolio companies. Any compensation, including fees, incentive equity or other stock awards, as well as reimbursement of overhead, salaries, airfare, lodging, meals, entertainment and gifts, and other out-of-pocket expenses received by the Operations Group or its members may be paid by a portfolio company or prospective portfolio company (which payments are not included as "Transaction Fees" and consequently will not reduce the Management Fee) or directly by the Funds.

## **Operating Partners**

APG may engage certain operating partners ("**Operating Partners**"), who are distinct from members of the Operations Group. Operating Partners will initially be full-time employees of the Adviser who are expected to work closely with a Fund's portfolio company management teams to instill best practices in the areas of go-to-market and lean management practices. As compensation for their services, Operating Partners are initially expected to receive a salary, benefits and expense reimbursements from the Adviser, together with carried interest grants in the Funds, in order to promote alignment of interest. If in the future APG constitutes an Operations Group or engages independent third-party consultants as Operating Partners, they would be expected to receive compensation and expense reimbursement from portfolio companies, and any such amounts will not offset or otherwise reduce any Management Fees or be shared with each Fund or its investors. The General Partner is authorized to engage such third-party consultants in its sole discretion, and in addition to Operating Partners and the Operations Group.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” the General Partner will receive a carried interest on certain realized profits from the Funds. APG may also manage an “executive fund,” which is not subject to carried interest. This could present a conflict of interest with respect to the “executive fund” because APG has an incentive to favor accounts for which it receives the highest performance-based compensation. Moreover, the existence of performance-based compensation creates an incentive for a General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although APG generally considers performance-based compensation to better align its interests with those of its investors. Additionally, to the extent that APG personnel are assigned varying participation percentages of the carried interest from the Funds, such personnel are subject to similar conflicts of interest in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

APG seeks to address the conflicts of interest in these matters with allocation practices 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 APG or any personnel.

## TYPES OF CLIENTS

APG provides investment advice to the Funds. The Funds include investment partnerships and/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, and the rules and regulations promulgated thereunder (the “**Investment Company Act**”). The investors participating in the Funds include high net worth individuals and families, endowments, foundations, multi-family offices, public pension plans, Senior Advisors, and employees of APG.

The Funds are authorized to include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner determined by the applicable General Partner to be desirable for legal, tax, regulatory or other similar reasons. Alternative investment vehicle sponsors generally will have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

Investors are required to be “accredited investors” within the meaning of Rule 501(a) under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, and either “qualified purchasers” within the meaning of Section 2(a)(51) under the Investment Company Act or, in the sole discretion of the applicable General Partner, “qualified clients” within the meaning of Rule 205-3 under the Advisers Act (or qualified knowledgeable APG personnel). Each Fund generally has a minimum investment amount for third-party investors as provided in such Fund’s Partnership Agreement. Such minimum investment amount may be waived by the applicable General Partner in its sole discretion.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### General

APG is a private equity firm primarily focused on pursuing leveraged buyouts in companies in the lower middle market (*e.g.*, typically having EBITDA of \$0-20 million) based in the United States and Canada, although investments in companies based in the United Kingdom may also be opportunistically pursued. APG's strategy focuses on investing in what it believes are underperforming but fundamentally sound companies (*e.g.*, cash flow positive, defensible value proposition, differentiated business model, etc.) that possess attractive value creation potential.

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

### Investment and Operating Strategy

APG employs a disciplined investment process that begins with sourcing deals in channels it believes are likely to yield investments that fit APG's criteria for value. Specifically, APG intends to run a two-pronged sourcing effort:

- *first*, APG seeks to interact with and generate deals from the large number of small and mid-sized deal intermediaries in the Lower Middle Market, many of whom APG believes are less sophisticated than larger firms and conduct less efficient sale processes. In APG's experience, these intermediaries are often unaccustomed to selling underperforming companies and experience difficulty attracting interest from buyers. APG's business development professionals focus on sourcing deals from this channel; and
- *second*, APG utilizes a proactive sourcing strategy aimed at finding opportunities in channels APG believes are likely to generate inefficient sale processes and opportunities to acquire value: broken auctions, corporate divestitures, small and micro-cap public companies and lender owned businesses.

APG seeks to employ a well-defined screening mechanism to prioritize deal flow and rapidly sift through the considerable number of opportunities it sees to a reduced number in which it will invest time and money to closely examine. This screening mechanism rates companies on eight attributes that APG has reason to believe represent core indicators of the fundamental soundness of a business. The resulting score guides APG in ruling out the vast majority of deals it sees and focus on the few that it believes represent viable opportunities for each Fund. APG believes that this methodology will provide an effective initial screen of incoming investment opportunities.

APG utilizes a disciplined approach to pricing and structuring investments, which will focus on minimizing its equity investment in a given deal. APG intends to structure investments in this manner in an attempt to maximize upside while mitigating downside risk.

APG intends to fundamentally be a growth-oriented owner of its portfolio companies. To seek to create and enhance growth, APG employs a proprietary operating and value creation

methodology focused on the disciplines of high performance, named the “**Q Process**.” This process is a systematic, total-company planning and execution process designed to transform complex companies into well-run, differentiated business that are attractive to both strategic and financial buyers, drive and achieve breakthrough results for portfolio companies and enhance investor returns. The Q Process is expected to be implemented by portfolio company management, working closely with APG and APG’s Operating Partners, who are expected to play an integral role in the Q Process. Operating Partners are expected to work closely with each Fund’s portfolio company management teams to instill best practices. They will focus primarily on go-to-market, lean management and change management because, in APG’s experience, these are functional areas that are often found to be under-performing or non-existent at the time of company acquisition. Operating Partners will, where necessary, seek to restructure sales and marketing to drive higher growth at lower total cost and implement lean management principles by establishing and supporting an improvement office at portfolio companies. APG will construct a bespoke exit strategy for each portfolio company, in all cases aimed at maximizing competition among buyers to create an attractive outcome for the applicable Fund.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that APG’s investment strategy entails. The risks involved with APG’s investment strategy and an investment in a Fund include, but are not limited to, those described below:

*Investments in Private Companies.* Each Fund’s investment portfolio consists primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* Each Fund consists of newly organized entities that have no prior operating history or track record. Accordingly, each Fund does not have performance history for a prospective investor to consider. The performance of the prior investments of APG’s principals is not necessarily indicative of the Fund’s future results, nor is their structure necessarily indicative of what will be the structure of the Fund’s investments. An investor should only invest in a Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in the Fund. While APG intends for each Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. With respect to any of a Fund’s investments, loss of principal will be possible.

*Investment in Junior Securities.* The securities in which the Funds 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.

*Complex Companies.* The Funds invest in the securities of companies that are not growing, or which feature an obvious investment flaw such as a weak or unsophisticated management team, declining revenues, shrinking margins, product or customer concentration and processes or a litigation or regulatory overhang. Investments in such complex companies often involve a substantial degree of risk that is generally higher than the risk involved in investing in clean, well-

run and easily understood businesses with clear growth trajectories. Given the heightened difficulty of the financial and operational analysis required to evaluate companies with an element of complexity, there can be no assurance that APG will correctly evaluate the value of their assets or correctly project their value creation potential. Therefore, in the event that a portfolio company's financial and operational performance does not improve, each Fund may lose some or all of its investment even if that company was and remains fundamentally sound.

*Concentration of Investments; Lack of Diversification.* The Funds 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 described below. 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.

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

*Investments in Technology Sector.* The Funds expect to focus on investments in the technology sector. Businesses operating in this sector are challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, changing consumer preferences, short product life cycles, services and/or improvements in existing products, exposure to a high degree of governmental regulation and the possibility of lawsuits related to intellectual property. There is no assurance that products or services sold by such businesses will not be rendered obsolete or adversely affected by competing products and services or that such companies will not be adversely affected by other challenges. Moreover, competition can result in significant downward pressure on valuations. Instability, fluctuation or an overall decline within the technology industry will likely not be balanced by investments in other industries not so affected, and will likely decrease returns to Fund investors.

*Investments in Software Sector.* The Funds' portfolio company investments are expected to be concentrated in the software sector. Software companies serve virtually every vertical market. The software industry is, however, challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, changing consumer preferences, short product life cycles, services and/or improvements in existing products, exposure to a high degree of governmental regulation and the possibility of lawsuits related to intellectual property. The software sector as a whole is highly cyclical. The Funds' portfolio companies will compete in this potentially volatile environment. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by competing products and services or that the portfolio companies will not be adversely affected by other challenges. Moreover, competition can result in significant downward pressure on pricing. Instability, fluctuation or an overall decline within the software industry will likely not be balanced by



investments in other industries not so affected. In the event that the software sector as a whole declines, returns to Fund investors are likely to decrease.

*Investments in Emerging Growth Software Companies.* The Funds may invest in emerging growth software companies. These companies are often characterized by short operating histories, new technologies and products, evolving markets, intense competition and management teams that may have limited experience working together. The products of emerging growth software companies, and of other companies in which a Fund may invest, may be unproven at commercial scale. A portfolio company's ability to succeed will be dependent not only upon its ability to develop the right products for the right market, but to constantly evolve its business to be sure that its products keep pace with changing technologies and markets. Such a portfolio company will need to implement appropriate sales and marketing, inventory, finance, personnel and other operational strategies in order to become and remain successful. In addition, emerging growth companies may be more susceptible to macroeconomic effects and industry downturns, including those resulting from acts of terrorism and war.

*Competition in the Technology Sector.* Competitors of each Fund and its portfolio companies may range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing and/or financial resources. Barriers to entry in the software and technology industries are low and software products can be distributed broadly and quickly at relatively low cost. Many of the areas in which each Fund and its portfolio companies participate evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services.

*Unspecified Investments.* Fund investors will be relying on the ability of APG to locate and evaluate the investments to be made by each Fund using the proceeds of each Fund's offering of interests. The activity of identifying, structuring, completing and realizing private equity investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that APG will be able to identify, or each Fund will be able to complete, portfolio company investments that satisfy the Funds' investment objectives or, if completed, realize such investments for fair or attractive values or that each Fund will be able to fully invest its committed capital.

*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. The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates, and other private equity funds. Over the past several years, an ever-increasing number of investment funds have been or are being formed, and many fund sponsors have increased the size of successor funds as compared to their corresponding prior funds. Other investment funds with similar investment objectives to the Funds likely will be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than APG, the Funds and their respective affiliates.

To the extent that the Funds encounter significant competition for investments, returns to Fund investors may decrease. In addition, it is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified and consummated. Regardless of the extent to which the commitments of the investors are invested, the investors will be required to bear Management Fees through each Fund during such Fund's investment period based on the entire amount of the investor's commitments and other expenses as set forth in the Partnership Agreements.

*Dynamic Investment Strategy.* While APG generally intends to seek attractive returns for the Funds primarily through making private equity investments as described herein, APG may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. APG may pursue investments outside of the industries and sectors in which its principals have previously made investments or have internal operational experience.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which each Fund may invest are (or may become) (i) highly regulated at both the federal and state levels in the U.S. and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. 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 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 or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which each Fund invests.

*Illiquidity; Lack of Current Distributions.* An investment in each Fund is 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. Each Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by a Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, each Fund generally will not be able to return capital or realize gains, if any, on an investment in a privately-held entity until the partial or complete disposition of such entity. 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 each Fund (including the Management Fee payable to the Adviser) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including unfunded commitments.

*Leveraged Investments; Borrowing.* The Funds expect to make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given 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,

and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a Fund will also result in interest expense and other costs to each Fund that may not be covered by distributions made to each Fund or appreciation of its investments. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

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, each Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Additionally, lenders would typically have a claim that has priority over any claim by each Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, each Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, each Fund will hold a larger than expected equity investment in such portfolio company and could realize lower than expected returns from the portfolio company that would adversely affect each Fund's ability to generate attractive returns for each Fund as a whole. Any failure by lenders to provide previously committed financing could also expose a Fund to potential claims by sellers of businesses which each Fund may have been contracted to purchase. Moreover, the companies in which the Funds will invest likely will not be rated by a credit rating agency.

Each Fund is also authorized to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that each Fund would be compensated for providing such guarantee or exposure to such liability. Any use of leverage by a Fund also will result in interest expense and other costs to each Fund that could exceed, or otherwise not be covered by, distributions made to each Fund or appreciation of its investments. Each Fund is authorized to incur leverage on a joint and several basis with one or more other investment funds and/or other entities managed by or otherwise affiliated with the General Partner or any of its affiliates and, in connection with incurring such indebtedness, the General Partner is authorized, in its sole discretion, to cause each Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when a Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right would otherwise be unenforceable. In addition, to the extent a Fund incurs leverage (or provides any guaranty), such amounts could be secured by the capital commitments of the Fund's investors or other Fund assets.

The inability of a Fund to repay any leverage secured by the capital commitments of the Fund's investors could enable a lender to issue a capital call on behalf of the General Partner of such Fund.

*Labor Relations.* Certain portfolio companies may have unionized work forces or employees who are covered by a collective bargaining agreement, which could subject any such portfolio company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any collective bargaining agreements of any such portfolio company, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such portfolio company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally may bring scrutiny and attention to each Fund itself, which could adversely affect such Fund's ability to implement its investment strategy.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected. Moreover, to the extent that such deterioration is not temporary and continues, it may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such deterioration also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Adequacy and Availability of Insurance.* While each Fund may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact each Fund's profitability.

*Material Non-Public Information.* As a result of APG's operations, APG may come into possession of confidential or material, non-public information. Therefore, APG 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 APG's internal policies. Due to these restrictions, APG may not be able to make an investment that it would otherwise might have made or sell an investment that it otherwise might have sold.

*Reliance on APG and Portfolio Company Management.* Each Fund will be entirely dependent on APG. Control over the operation of a Fund, including decisions with respect to

structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of such Fund, will be vested with APG. Consequently, a Fund's future profitability and investment performance will depend largely upon the business and investment acumen of APG's principals. Fund investors generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of each Fund will depend on the actions of APG. In addition, certain changes in APG or circumstances relating to APG may have an adverse effect on each Fund or one or more of its portfolio companies, including potential acceleration of debt facilities.

The success of many of the Fund's portfolio companies is heavily dependent on the management of such companies. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Additionally, APG will generally establish the capital structure of companies in which each Fund invests on the basis of financial projections for such companies, which will contain significant judgment and input from the portfolio company management team. Although APG will be responsible for monitoring the performance of each portfolio company investment and each Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management team, or any successor, will be able or willing to successfully operate a company in accordance with a Fund's objectives. Portfolio companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that the management team of a portfolio company on the date a portfolio company investment is made will remain the same or continue to be affiliated with the company throughout the period the portfolio company is held by a Fund. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, each Fund may be adversely affected thereby.

*Tax Liability Considerations.* Each Fund may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by a taxing authority, a Fund investor might be found to have a different tax liability for that year than that reported on its tax returns. In addition, a taxing authority's review of each Fund may result in a review of the returns of some or all of the Fund's investors, which examination could result in adjustments to the tax consequences initially reported by the Fund and affect items not related to a Fund investor's investment in the Fund. If such adjustments result in an increase in tax liability for any year, the Fund or one or more of the Fund investors may also be liable for interest and penalties with respect to the amount due. The legal and accounting costs incurred in connection with any taxing authority's review of the Fund's tax returns will be borne by the Fund. The cost of any review of a Fund investor's tax return will be borne solely by the Fund investor.

*Conflicting Investor Interests.* Fund investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a consequence, conflicts may arise in connection with decisions made by the General Partner regarding an investment that may be more beneficial to one Fund investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner generally will consider

the investment, tax and other relevant objectives of each Fund and its investors as a whole, not the investment, tax, or other objectives of any Fund investor individually.

*Legal, Tax and Regulatory Risks.* Legal, tax and regulatory changes could occur during the term of each Fund that may adversely affect each Fund, its portfolio companies or the Fund's investors. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. Each Fund may invest in portfolio companies that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, portfolio companies that are subject to regulation. Failure to comply with any of these laws, rules and regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which may have material adverse effects.

*European Union Alternative Investment Fund Managers Directive.* The AIFMD regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (the “EEA”).

To the extent that each Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) each Fund and/or APG will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in each Fund incurring additional costs and expenses; (ii) each Fund and/or APG may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in each Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (iii) each Fund and/or APG will be required to make detailed information relating to each Fund and its investments available to regulators and third parties; and (iv) the AIFMD will restrict certain activities of each Fund in relation to EEA portfolio companies (including, in some circumstances, a Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership), which may in turn affect operations of each Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for each Fund to raise its target amount of commitments.

*United Kingdom Exit from the European Union.* On March 29, 2017, the UK formally notified the European Council of its intention to leave the European Union (“**Brexit**”). Under the process for leaving the EU contemplated in article 50 of the Treaty on the Functioning of the EU, the UK will remain a member state until a withdrawal agreement is entered into or, failing that, the period agreed for ratifying the withdrawal agreement expires (or the United Kingdom chooses to revoke its notice of its intention to leave the EU before the expiry of such period).

The European Commission and the UK's negotiators reached a provisional agreement on the terms of the UK's withdrawal from the EU and a political declaration regarding their future

relationship. The Parliament of the UK has rejected the withdrawal agreement and political declaration on numerous occasions to date and it is therefore unclear as to whether Parliament will ratify the withdrawal agreement and declaration in due course. It is therefore possible that the UK may leave the EU without a withdrawal deal and lose many, if not all, of its membership benefits, including its EU single market passports permitting the exchange of goods and services between the UK and the EU. Even in the event that a withdrawal agreement is ratified, the nature of the future trading relationship between the UK and the European Union has yet to be negotiated and this could take a number of years.

*Registration under the U.S. Commodity Exchange Act.* Registration with the U.S. Commodity Futures Trading Commission (“CFTC”) as a “commodity pool operator” or as a “commodity trading advisor” or any change in each Fund’s operations necessary to maintain the General Partner’s ability to rely upon exemptions from registration could adversely affect a Fund’s ability to implement its investment program, conduct its operations and/or achieve its objectives and subject each Fund to certain additional costs, expenses and administrative burdens. Furthermore, any determination by the General Partner to cease or to limit investing in interests which may be treated as “commodity interests” in order to comply with the regulations of the CFTC may have a material adverse effect on the Fund’s ability to implement its investment objectives and to hedge risks associated with its operations.

*Sanctions Compliance Considerations.* Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict the General Partner, each Fund, its portfolio companies and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and U.S. Department of State administer and enforce laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict the Fund’s direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions in which each Fund makes investments also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by the General Partner, each Fund or any of the Fund’s portfolio companies to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

*Anti-Corruption & Anti-Boycott Considerations.* The U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act (“UKBA”) and other anti-corruption and anti-bribery laws, as well as U.S. anti-boycott regulations may impact the General Partner, each Fund and the Fund’s portfolio companies. Each Fund may be adversely affected or miss out on opportunities because of the General Partner’s unwillingness to participate in transactions that potentially violate such

laws and regulations. Such laws and regulations may make it difficult in certain circumstances for each Fund to act successfully on investment opportunities or to obtain or retain business. In recent years, U.S. regulators have been increasingly focused on private equity sponsors' compliance with the FCPA. Any determination that the General Partner, each Fund, its portfolio companies or any of their respective officers, directors or employees has violated the FCPA, the UKBA or other applicable anti-corruption laws, anti-bribery laws, or U.S. anti-boycott regulations, could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect each Fund's business prospects and/or financial position, as well as the ability to achieve its investment objective and/or conduct its operations.

*Fixed-Income Securities.* Each Fund expects to selectively and opportunistically invest in bonds or other fixed-income securities of U.S. and non-U.S. issuers acquired in the secondary market, including bank debt, corporate debt, mezzanine debt, loans, notes, debentures, and commercial paper, as well as derivatives thereon. Fixed income securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument and how this risk changes over time. Financial strength and solvency of an issuer and the priority of the lien are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Certain of the fixed-income securities may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain fixed-income securities may provide for payments-in-kind interest, which has a similar effect of deferring current cash payments.

Each Fund will be dependent upon the judgment of APG as to the credit quality of the securities. There can be no assurance that APG will be successful in assessing the credit risk of the different investments or mitigating the impact of credit risk changes. A borrower's ability to repay its debts may be adversely affected by numerous factors, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. Securities that become non-performing may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the security. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such security, replacement "take-out" financing will not be available. There is no assurance that the value of any collateral will be sufficient to protect all or a portion of the related security. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of capitalizing on any guarantees that may have been obtained from the borrower or other parties. A borrower's failure to satisfy financial or operating covenants imposed under the related security could lead to defaults and, potentially, acceleration of the time when the investment is due. Foreclosure on the borrower's assets securing an investment could trigger cross defaults under other debts of the borrower (or vice versa), and could result in prepayment of the security or jeopardize the borrower's ability to meet its obligations, and could have a material adverse effect on the value of any related junior securities of such borrower that each Fund may hold.

Furthermore, APG cannot assure that other claims may not be asserted that might interfere with enforcement of a Fund's rights. APG cannot guarantee the adequacy of the protection of a



Fund's interests, including the validity or enforceability of the applicable investment contract and the maintenance of the anticipated priority and perfection of any applicable security interests. A default by a borrower may result in each Fund being unable to liquidate the related securities prior to the termination of a Fund; and such securities may end up being restructured on terms that might result in each Fund being unable to liquidate it prior to the termination of the Fund. This could cause Fund investors to receive in-kind distributions in respect of such investments upon the termination of a Fund.

*No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.* Fund investors may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which may be withheld pursuant to the Partnership Agreements, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the U.S. Internal Revenue Code of 1986, as amended. Voluntary withdrawals from each Fund will not be permitted except in very limited circumstances generally involving situations where retaining an interest in a Fund would violate certain laws or regulations. In addition, interests in a Fund are not redeemable. There will be no public market for interests in the Fund, and none is expected to develop. Interests in a Fund have not been registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests in each Fund will ever be effected. Fund investors may not be able to liquidate their investments prior to the end of each Fund's term and must be prepared to bear the risks of an investment in a Fund for an indefinite period of time.

*Subscription Lines.* Each Fund is authorized 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 a Fund's investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the General Partner's right to call capital from Fund investors, Fund investors would likely be obligated to contribute capital on an accelerated basis if a Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any investor claim against a 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 Fund 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 and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of Fund investors and the terms of the Partnership Agreements, it could be higher than the interest rate an investor could obtain individually. To the extent a particular investor's cost of capital is lower than a Fund's cost of borrowing, Fund-level borrowing can negatively impact an investor's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of credit typically delays the need for Fund investors to make certain contributions to the Fund, which generally would

enhance the Fund's performance figures (particularly because internal rate of return calculations depend on the amount and timing of capital contributions), and thereby benefit the General Partner and its affiliates.

A credit agreement could contain other terms that restrict the activities of each Fund and each Fund's investors or impose additional obligations on them. For example, a subscription line could impose restrictions on the General Partner's ability to consent to the transfer of an investor's interest in a Fund. In addition, in order to secure a subscription line, the General Partner is authorized to request certain financial information and other documentation from Fund investors to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and likely will agree to terms that are not the most favorable to one or more Fund investors.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to acquire investments and pay Fund 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 Fund investors that would not arise had the General Partner called smaller amounts of capital incrementally over time as needed by the Fund. This risk would be heightened for an investor 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 investor to meet the accumulated, larger capital calls at the same time. Each Fund also anticipates that it will utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than investor capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, Fund investors would end up with increased exposure to the underlying investment, which could result in greater losses.

*Mezzanine Debt.* The Funds may invest in mezzanine debt securities, which by the nature of their issuers' leveraged capital structures will involve a high degree of financial risk. These securities may be unsecured and/or subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. Mezzanine investments often reflect a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Mezzanine investments are often issued in connection with leveraged acquisitions or recapitalizations, in which the issuer incurs a substantially higher amount of indebtedness than the level at which it had previously operated. Some issuers of a Fund's investments may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall adverse conditions in the high yield bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity.

*PIPE Investments.* The Funds expect to selectively and opportunistically pursue private investments in public equities ("PIPE") investments or private financing of public companies. PIPE investments may be purchased directly from a publicly traded company in a private

placement transaction, typically at a discount to the market price of the company's common stock. In a PIPE transaction, a Fund may bear the price risk from the time of pricing until the time of closing. The Funds will generally not be able to sell or distribute PIPE investments unless the securities are registered under applicable securities laws or an exemption from such registration is available. In addition, even after the securities are saleable, it may take a significant period of time for a Fund to sell or distribute PIPE securities in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases each Fund may be prohibited by contract or law from selling such public company securities for a period of time. In addition, a Fund's sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Fund's profitability. Disposition of a Fund's public company investments may result in distributions in-kind to investors.

*Non-U.S. Investments.* Each Fund is authorized to invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Investments in non-U.S. securities or instruments involve certain factors not typically associated with investing in U.S. securities and instruments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Fund's non-U.S. investments are denominated (including risks associated with potentially rapid inflation), and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which each Fund invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (v) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less or more government supervision and regulation; (vi) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic, governmental or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation; (vii) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such securities or instruments; (viii) the application of complex U.S. and non-U.S. tax rules to cross-border investments; (ix) possible non-U.S. tax return filing requirements for each Fund and/or the Partners; (x) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xi) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (xii) political hostility to investments by foreign or private equity investors; and (xiii) less publicly available information.

*Hedging Arrangements; Related Regulations.* APG may (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Funds 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 each 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 each Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the 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.

*Significant Adverse Consequences for Default.* If an investor fails to pay when due installments of its commitment to a Fund, and the contributions made by non-defaulting Fund investors and borrowings by each Fund are inadequate to cover the defaulted capital contribution, each Fund may be unable to pay its obligations when due. As a result, each Fund may be subjected to significant penalties that could materially adversely affect the returns to each Fund's investors (including non-defaulting Fund investors). The Partnership Agreements provide for significant adverse consequences in the event an investor defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting investor may be forced to transfer its interest in each Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

*Dilution from Subsequent Closings.* Fund investors admitted or that increase their respective commitments to each Fund at subsequent closings generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing Fund investors in such investments. Although any such new investor will be required to contribute its pro rata share of previously made capital contributions, plus an additional interest-like amount thereon, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

*Recycling; Reinvestment.* During the Fund's investment period, APG generally has the right to recall certain capital returned or distributed to the partners. Accordingly, during the term of the Fund, an investor may be required to make capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

*Fees and Expenses.* Each Fund will pay and bear all expenses related to its operations, including Management Fees and the costs of holding, monitoring, maintaining and disposing of portfolio companies, including investment banking fees and consulting fees, whether or not each Fund makes any profits. While it is difficult to predict the future expenses of each Fund, such expenses may be substantial and may surpass each Fund's operating income. The amount of these partnership expenses will reduce the actual returns realized by Fund investors on their investment in each Fund (and may, in certain circumstances, reduce the amount of capital available to be

deployed by each Fund for investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of each Fund's expenses ultimately called or called at any one time may exceed expectations.

*Public Company Holdings.* The Funds' 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 principal owner of the Adviser, and increased costs associated with each of the aforementioned risks.

*Transfer by General Partner.* To the extent the General Partner, its partners, its principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreements.

*Investments Longer than Term.* A Fund may make investments that may not be advantageously disposed of prior to the date each Fund is dissolved, either by expiration of the Fund's term or otherwise, or the Fund's term may be extended to facilitate the wind-down of the Fund. Although APG generally expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, APG has a limited ability to extend the term of a Fund, and each Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to the investors will occur.

*Distributions in-Kind.* Although, under normal circumstances, prior to the termination of each Fund, each Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of a Fund), distributions of investments for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind, and hence, most of a Fund's investments will be difficult to value. It may be difficult for Fund investors to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Fund investors in receipt of a distributed investment will have no guidance from the Funds or the General Partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such Fund investors may be lower than the value of such investments determined pursuant to the Partnership Agreements, including the value used to determine the amount of carried interest accruing to the General Partner with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*Effects of Excuse and Exclusion.* An investor's participation in an investment may be limited by virtue of APG's right to exclude an investor from, or an investor's right to be excused from, participating in certain investments as set forth in the Partnership Agreements, thereby increasing the participation of other Fund investors. As a consequence of one or more Fund investors being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating Fund investors could be adversely affected in a material manner by the unfavorable performance of even one investment by a Fund. The performance of one or more substantial investments may have a significant impact on the overall performance of a Fund.

*Limitation of Recourse and Indemnification.* The Partnership Agreements limit the circumstances under which APG will be held liable to the Funds. As a result, Fund investors may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Partnership Agreements require each Fund to indemnify APG, its respective owners, members, managers, shareholders, partners, directors, officers, advisors, assigns, representatives and affiliates, agents and employees, all of their respective successors, heirs and assigns and the members of the Advisory Board for liabilities incurred in connection with the affairs of each Fund and otherwise as provided in the Partnership Agreements. Such liabilities may be material and have an adverse effect on the returns to a Fund's investors.

*Liability of Fund Investors.* Generally, a Fund's investors should not be personally liable for the debts of the Fund except that, in the event the Fund is otherwise unable to meet its obligations, investors may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the Partnership Agreements. In addition, any investor's commitment is susceptible to risk of loss as a result of any liability of a Fund irrespective of whether such liability is attributable to an investment to which such partner did not contribute any capital.

*Litigation.* In the ordinary course of its business, each Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of each Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of APG and its principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Advisory Board.* The General Partner will appoint one or more Fund investor representatives to the Advisory Board. The Partnership Agreements provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to a Fund or any other investor. In addition, certain representatives of the Advisory Board are expected to have various business and other relationships with Adviser and its partners, officers, directors, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board.

*Delayed Tax Information.* Each Fund likely will not be able to provide final annual tax filing information to Fund investors for any given fiscal year until after the initial tax filing

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

*Projections.* Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by APG 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.

*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. 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 each 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 each Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

*Risks in Effecting Operating Improvements.* In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund to effect improvements in the operations of a portfolio company. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements will divert the attention of key personnel and disrupt normal business. There can be no assurance that a Fund will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such portfolio company.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, APG will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and APG may rely on the advice received from such third parties. Investment analyses and decisions by APG will often be undertaken on an expedited basis in order

for each Fund to take advantage of investment opportunities and/or consummate investments. In such cases, the information available to APG at the time of an investment decision may be limited, and APG may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

*Need for Follow-on Investments.* Following an initial investment in a given portfolio company, the Funds may decide to provide additional funds to such portfolio company or may have the opportunity to increase an 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 a 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 a Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Over-Commitment.* In order to facilitate the acquisition of a portfolio company, a Fund may make (or commit to make) an investment in such company with a view to selling a portion of such investment to co-investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, each Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, each Fund may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company or may realize lower than expected returns from such investment.

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

*Non-controlling Investments.* The Funds 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, the Funds 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 each Fund may hold will have neither the control



characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

To the extent each Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies 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 each Fund or the Fund investors. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and each Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, each Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that each Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value. Where each Fund holds a minority stake, it may be more difficult for each Fund to liquidate its interests than it would be had each Fund owned a controlling interest in such company. Even if each Fund has contractual rights to seek liquidity of the 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 the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Director Liability.* The General Partner expects that each Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests (each, a **"Board Representative"**). In those instances where a Fund is not the sole shareholder of the applicable portfolio company, a Board Representative may have duties to persons other than the Fund. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Board Representative, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities.

*General Economic and Market Conditions.* The private equity industry generally and the success of the Funds' investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by APG. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Funds' investments and could have a negative impact on the performance and/or valuation of a Fund's portfolio companies. The Funds' performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007 or the downgrading of the credit rating of the U.S. in 2011, which, among other things, can impact the public market comparable

earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and each Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of each Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of each Fund to pay break-up, termination or other fees and expenses in the event each Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of each Fund to dispose of investments at prices that APG believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Funds' ability to raise funding to support its investment objective.

*Investment Company Act; Exchange Act.* Each Fund does not intend to register as an investment company under the Investment Company Act. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, an independent board of directors and limitations on the ability of registered investment companies to incur leverage), none of which will be applicable to the Funds. In addition, neither the General Partner nor the Adviser intends to register as a broker-dealer under the U.S. Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "**Exchange Act**") or with the Financial Industry Regulatory Authority ("**FINRA**") and, consequently, neither the General Partner nor the Adviser is subject to the record-keeping and specific business practice provisions of the Exchange Act and the rules of the FINRA.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on each Fund's activities, including the ability of a Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the 2007-2008 downturn in the U.S. and global financial markets, may complicate or prevent each Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations (such laws and regulations, collectively, "**Privacy Laws**") in the United States, Europe and elsewhere 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 APG, each Fund and/or its 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 APG, each Fund and/or its 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, 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 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 on regulated entities.

*Unfunded Pension Liabilities of Portfolio Companies.* A recent court decision found that, in certain circumstances, a fund could be treated as a “trade or business” for purposes of determining pension liability under ERISA. Therefore, where an investment fund owns 80% or more (or possibly, 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. Each 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 each Fund may own an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of each Fund and the companies in which each Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA, as in effect as of the date of this Brochure, which could change in the future as the case law and guidance develops.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, APG will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Valuations are only estimates of future results that are based upon assumptions made at the time that the valuations are developed. General economic, political, regulatory and market conditions and the actual operations of the portfolio companies, which are not predictable, can have a material impact on the reliability and accuracy of such valuations. Moreover, the exercise of discretion in valuation by APG, subject to any limitations thereon provided in the Partnership Agreements, will give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees.

*Contingent Liabilities upon Disposition.* In connection with the disposition of an investment, each Fund and/or the General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties (e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities) in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. Each Fund and/or the General Partner may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by each Fund and, ultimately, its investors. In such a situation, Fund investors may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreements. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each Fund investor that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund in which it invests.

*Loans in Lieu of Distributions.* Pursuant to each Partnership Agreement, certain distributions to the General Partner may be deferred to the extent the amount distributable exceeds the General Partner's tax basis in a Fund. In such case, the deferred distribution amount may be loaned by such Fund to the General Partner. Any interest accruing with respect to such a loan will be allocated and distributed solely to the General Partner.

*Disclosure of Confidential Fund and Investor Information.* Fund investors are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding a Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. Each Fund may incur expenses in connection with responding to any such disclosure requests, even if each Fund ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that Fund investors will have pursuant to the Partnership Agreements to maintain the confidentiality of each Fund's information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. The General Partner may also in certain circumstances, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such a Fund investor, as more fully described in the Partnership Agreements. There can be no assurance that such information will not be disclosed by a Fund, APG, its affiliates and personnel, portfolio companies or services providers to any of them including to comply with laws, regulations or policies to which they are or may become subject. In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has the authority to require private equity fund advisers, such as APG, to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of a Fund's information could have an adverse effect on such Fund and its investors, for example, by affecting the Fund's competitive advantage in finding attractive investment opportunities.

*Agreements with Certain Investors.* Each Fund and/or the General Partner may enter into a side letter or other similar agreement with a particular Fund investor in connection with its admission to each Fund without the approval of any other Fund investor, which would have the effect of establishing rights (including economic rights) under, altering or supplementing the terms of, or confirming the interpretation of an applicable Fund document (including the Partnership Agreements and any related subscription agreement) with respect to such Fund investor in a manner more favorable to such Fund investor than those applicable to other Fund investors, and such rights may be significant. Such rights, terms or confirmations in any such side letter or other similar agreement may include (i) excuse, exclusion or withdrawal rights applicable to particular investments or Fund investors (which may increase the percentage interest of other Fund investors in, and contribution obligations of other Fund investors with respect to, certain investments); (ii) reporting obligations of the General Partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the General Partner to certain transfers by such Fund investor; or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such Fund investor.

*U.S. Taxation of Carried Interest.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as each Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with each Fund or APG who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for APG to incentivize, attract and retain individuals to perform services for APG and a Fund, including Operating Partners. These same issues could also apply to members of the Operations Group, if formed, Senior Advisors and to other officers, directors and employees of a Fund's portfolio companies, to the extent such persons receive a profits interest in such companies. Moreover, the tax treatment of carried interest could create an incentive for APG to cause each Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

*Changes in U.S. Tax Law.* All statements contained herein concerning the U.S. federal income tax (or other tax) consequences of an investment in each Fund are based on existing law and interpretations thereof. Recent or future changes in U.S. federal income tax law could materially affect the tax consequences of a Fund investor's investment in the Funds, and the tax treatment of the Fund's portfolio companies. While some of these changes could be beneficial, others could negatively affect the after-tax returns of each Fund and the Fund's investors. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in a Fund, or of investments made by a Fund, will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the Fund's investors.

*Tax and Distributions; Phantom Income.* Due to possible difference between the allocation of gain or income for any tax purposes and distribution of cash relating to gain or income (including possible timing differences), there can be no assurance that investors who are subject to tax on the allocated gain or income will receive distributions sufficient to satisfy their tax liabilities fully. Further, there can be no assurance that each Fund will have sufficient cash flow to enable it to make distributions in the amount necessary for payment of all tax liability resulting from that investor's ownership of an interest in such Fund.

*U.S. Federal Income Tax Liability Resulting from IRS Audits.* U.S. federal income taxes arising from a U.S. Internal Revenue Service (“**IRS**”) audit will be paid by each Fund absent an election to the contrary. In addition, a “partnership representative” will have the power to act on behalf of each Fund and its Partners in all IRS audits and other proceedings involving such Fund’s U.S. federal income, loss, deductions, and credits.

*Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* Numerous jurisdictions have enacted, or have committed to enact, legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The U.S., pursuant to the “**Foreign Account Tax Compliance Act**” or “**FATCA**” has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion by United States tax residents using foreign accounts. FATCA includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. In addition, the Organization for Economic Co-operation and Development (“**OECD**”) has published a global Common Reporting Standard for the exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to each Fund and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning Fund investors (including identifying information and amounts of certain income allocable or distributable to them). A Fund investor’s failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from each Fund and/or alternative investment vehicles or other potential remedies. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity’s share of most payments attributable to investments in the United States, including dividends and interest, and each Fund may be required to withhold such taxes from certain non-U.S. Fund investors unless an exception applies. Recently issued proposed U.S. Treasury regulations, which are able to be relied upon pending issuance of final regulations, eliminate the 30% withholding tax on a non-U.S. entity’s share of gross proceeds from the disposition of property that is able to produce U.S. source dividends or interest (prior to the issuance of the proposed U.S. Treasury regulations, withholding on gross proceeds had been scheduled to begin on January 1, 2019).

*Policies Subject to Change.* In certain cases the foregoing summarizes, as of the date of this Brochure, certain of APG’s policies; these are subject to change, and the information relating thereto may be qualified by subsequent disclosure to investors through the Form ADV of APG, other periodic disclosures, investor reporting and any disclosure as otherwise permitted or required by the Governing Documents of each Fund.

*Cybersecurity Risks and Identity Theft.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, which are increasing in frequency and magnitude. The General Partner’s, the Adviser’s, the Funds’ and their portfolio companies’ and their respective service providers’ information and technology systems may be vulnerable to damage or interruption from computer viruses, infiltration by unauthorized persons and security breaches and other disruptive behavior (including denial-of-service attacks). Furthermore, the General Partner, the Adviser, the Funds and their portfolio companies and their respective service providers may be vulnerable to actual or perceived usage errors by their respective professionals,

network failures, computer and telecommunication failures and power outages. The General Partner, the Adviser, the Funds and their portfolio companies and their respective service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and the investors, despite efforts to adopt practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and the investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of or prevent access to systems of the General Partner, the Adviser, the Funds' portfolio companies, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the General Partner's or the Adviser's systems to disclose sensitive information in order to gain access to the General Partner's data or that of the Adviser or the investors, including for example, sending fraudulent capital call notices to a Fund's investors. If security systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Funds and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner's, the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner's, the Fund's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims and/or regulatory actions or otherwise affect their business and financial performance. 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. Any of such circumstances could subject a portfolio company, or the Funds, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the General Partner or one of its affiliates or service providers holding its financial or investor data, the General Partner, its affiliates or the Funds may also be at risk of loss, and the General Partner and/or the Adviser may similarly be the subject of civil litigation.

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by (i) APG employees, (ii) portfolio company directors, officers or employees, and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of a Fund and/or the General Partner and cause significant losses to a Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational

damage, litigation, business disruption, market or industry segment volatility and/or financial losses to a Fund. APG has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

*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 COVID-19, have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

## **Conflicts of Interest**

APG engages in a broad range of advisory and non-advisory activities and providing transaction-related, management and other services to the Funds and portfolio companies. APG will devote such time, personnel and internal resources as are necessary to conduct the business affairs of each Fund in an appropriate manner, as required by the relevant Governing Documents. In the ordinary course of APG conducting its activities, the interests of a Fund may conflict with the interests of APG, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, APG will determine all matters relating to structuring a Fund's transactions and operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the Advisory Board of the participating Funds.

During the investment period of a Fund, all appropriate investment opportunities will be pursued by APG principals through such Fund, subject to certain limited exceptions set forth in each Fund's Governing Documents and APG's allocation policies. Without limitation, APG principals generally expect to manage several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. APG's principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that APG principals control or manage could potentially compete with companies acquired by a Fund. Following the investment period of a Fund, APG principals likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

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

APG must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. APG generally assesses whether an investment opportunity is appropriate



for a particular Fund based on the Fund's Governing Documents, as well as factors including, but not limited to: investment restrictions and objectives (including those set forth in the relevant Governing Documents, where applicable), operating guidelines, strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund could invest together with other Funds advised by an affiliated adviser of APG in the manner set forth in the relevant Governing Documents. APG will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with its obligations and may take into consideration factors such as those set forth above. In the event that the available amount of an investment opportunity in which each Fund will invest exceeds an amount appropriate for a Fund, the General Partner is authorized to offer such excess to one or more potential investors.

Following such determination of allocation among Funds, APG will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including certain investors, other sponsors, market participants, finders, Senior Advisors, Operating Partners, members of an Operations Group (if formed) and other service providers, APG personnel and/or certain other persons associated with APG and/or its affiliates, as determined by the Funds' Governing Documents, Side Letters and APG's procedures regarding allocation. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Adviser in its sole discretion, may not be in the best interests of each Fund or any individual Fund investor. In exercising its sole discretion in connection with such co-investment opportunities, including with respect to allocating a particular investment to and among potential co-investors and determining the terms thereof, APG's procedures permit it to take into consideration a variety of factors (some or all of which are likely to benefit the General Partner or its affiliates), including but not limited to: (i) the ability of a potential co investor to react promptly to a co-investment opportunity; (ii) any strategic advantages that may result from a potential co investor's participation in a co-investment opportunity; (iii) a potential co investor's commitment to each Fund and/or commitment to one or more APG funds; (iv) the likelihood that a potential co investor may invest in each Fund and/or a future APG fund; (v) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (vi) tax, regulatory and/or securities law considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); (vii) confidentiality concerns that may arise in connection with providing the potential co-investor with specific information relating to the co-investment opportunity; (viii) whether the potential co-investor's participation in an investment opportunity may subject the relevant APG Fund to legal, regulatory, reporting or other burdens or could impair the ability of either the General Partner or APG to execute the relevant transaction in the desired time or on desired terms; (ix) the size of the investment allocation available to the General Partner (and not being allocated to each Fund or any future fund sponsored or advised by the General Partner or its affiliates) and the practicality of splitting the allocation into smaller tranches; (x) the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; (xi) any requirements of any third-party lenders as to the identity of any investors

participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; (xii) whether the prospective co-investor is considered “strategic” to the investment because it is able to offer an APG Fund or the General Partner or its affiliate certain services or benefits, including the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the General Partner believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to any APG Fund, the General Partner or its affiliates; (xiii) whether the prospective co-investor has a history of consummating co-investment opportunities with the General Partner or its affiliates; (xiv) whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; (xv) the likelihood that the prospective co-investor would require governance rights (including board or observer rights, access to the management team of the underlying portfolio company, or material informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the General Partner and assume a more passive role in governing the investment); (xvi) whether the prospective co-investor has any interests in any competitor of the underlying investment; (xvii) the expected investment holding period; (xviii) the services provided by the prospective co-investor to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment); (xix) the size of the prospective co-investor’s interest to be held in the underlying portfolio company as a result of an APG Fund’s investment (which is likely to be based on the size of the prospective co-investor’s capital commitment and/or investment in such APG Fund); (xx) the size of the prospective co-investor’s commitment to the Fund; (xxi) whether the prospective co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; (xxii) the extent to which the prospective co-investor has previously been provided a greater amount of co-investment opportunities relative to other prospective co-investors; (xxiii) the likelihood that the prospective co-investor may invest in a future fund sponsored by the General Partner or its affiliates and other factors that the General Partner considers important in connection with the specific transaction or investment; and (xxiv) the prospective co-investor’s willingness to pay or otherwise bear fees (including management and transaction fees), costs and expenses (including broken deal expenses), and/or be subject to carried interest or similar performance-based compensation, in respect of the co-investment. Additionally, from time to time, certain service providers (*e.g.*, lenders) seek to negotiate co-investment rights as a component of their compensation or in exchange for granting better terms to APG, a fund or portfolio company in connection with the services provided. Co-investment opportunities may, and typically will, be offered to some and not to other investors in a Fund. APG’s allocation of co-investment opportunities generally will not result in allocations that are proportional to the amounts committed, if any, by the relevant potential co-investors to a Fund or any other co-investment vehicle, and such allocations may be more or less advantageous to some persons or entities than to others.

Each Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In

addition, each Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

In addition, from time to time, the General Partner, in order to consummate a transaction or facilitate the acquisition of a portfolio company and ensure each Fund is afforded an investment opportunity or otherwise, is authorized to cause each Fund to acquire (or commit to acquire) on behalf of certain co-investors with a view to selling down a portion of such investment to such co-investors or other persons at a later time or prior to or within a period after the closing of the acquisition. Each Fund generally will not receive compensation for such activities. If each Fund does not find co-investors and/or in the event that the co-investors breach their covenant to purchase the investment from the Fund, each Fund will have an allocation to an investment that is larger than originally anticipated. In addition, each Fund will bear the risk that any or all of the excess portion of such investment could only be sold on unattractive terms. If the excess portion of such investment has not been sold, each Fund will bear the entire portion of any other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company and could realize lower than expected returns from such investment.

Where a proposed transaction that was to have included one or more co-investors is not consummated, the full amount of any broken deal expenses relating to such proposed transaction will be borne by each Fund to the extent provided in the Partnership Agreements, and not by any prospective co-investors that were to have participated in such transaction, regardless of whether any co-investor(s) had yet been identified or confirmed, or whether any co-investment vehicle had yet been formed in connection with the relevant 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 also bear its share of such expenses. Conversely, the General Partner and its affiliates generally do not permit prospective co-investors to benefit from break-up fees (if any), and each Fund would generally expect to receive the entirety of the fee (other than amounts allocable to other co-lead investors or other private funds managed by APG), to the extent not applied to reimburse APG, prospective co-investors or others for certain expenses incurred in connection with such transaction.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by APG or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other APG investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of APG and its affiliates make capital investments in or alongside certain APG funds, APG and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

APG's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

While APG will allocate investment opportunities in a manner that it believes in good faith 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 conflicts of interest to which APG could be subject, discussed herein, did not exist.

In addition to the foregoing and subject to those limitations set forth in the Partnership Agreements, APG and its principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. Such investments may be (directly or indirectly through investment vehicles sponsored by potential competitors) in the same industry as each Fund invests, and may compete with each Fund for investment opportunities, and/or compete with portfolio companies of the Funds.

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

In addition, APG is authorized under certain circumstances to enter into cross-transactions on behalf of each Fund and/or any other investment funds sponsored by APG, or co-investors or co-investment vehicles, in which each Fund buys securities from, or sells securities to, such other persons. In some cases, a portfolio company of each Fund may be merged with or into a portfolio company owned by another Fund sponsored by APG. Any such transactions raise conflicts, including where the assets of each Fund support positions taken by other funds sponsored by APG. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Fund's Governing Documents or otherwise in the sole discretion of the General Partner, the General Partner may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant fund(s) (including, where authorized, the consent of each Fund's Advisory Board) to such transactions. In certain circumstances, the General Partner may not obtain such an opinion or consent and may determine that the willingness of a third-party to make an investment on the same terms demonstrates the fairness of the relevant transaction to each Fund under then-current market conditions. Whether or not such consent is obtained or there is a fairness opinion or a third-party

investor, the General Partner intends to conduct such transactions in a manner that the General Partner believes in good faith to be fair and equitable to each fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund. Where each Fund and other funds sponsored or advised by APG or its respective affiliates 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 work-out or restructuring will 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, other Funds managed by APG may or may not provide such additional capital, and if provided, each such Fund generally will supply such additional capital in such amounts, if any, as determined by such Fund's General Partner in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, APG is likely to face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, each 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). Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Funds.

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

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by APG or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses often will not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or APG. Such Funds might have different expense reimbursement terms, including with respect to Management Fee offsets, which could result in the Funds bearing different levels of expenses with respect to the same investment.

The Funds primarily intend to make controlling investments in portfolio companies. As a result of these controlling interests, APG typically has the right to appoint portfolio company board members (including current or former APG personnel (including Operating Partners), members of the Operations Group (if formed), Senior Advisors or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve

compensation and other amounts payable to APG and/or its affiliates in connection with services provided by APG and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreements' offset provision, are in addition to the Management Fee or carried interest discussed herein. APG's authority to appoint or influence the appointment of portfolio company board members who will be involved in approving compensation payable to APG subjects APG and any such portfolio company board appointees to potential conflicts of interest.

A portfolio company typically will reimburse APG, Operating Partners, members of the Operations Group (if formed), Senior Advisors and other service providers retained at APG's discretion for expenses (including travel expenses) incurred by such persons in connection with the performance of services for such portfolio company. This subjects APG 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. Subject to the Partnership Agreements and its internal reimbursement policies and practices, APG determines the amount of these reimbursements for such services in its own discretion. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is expected to be reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to APG or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. APG believes these factors help to mitigate related potential conflicts of interest.

APG generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) APG or a related person of APG (which may include a portfolio company of such Fund), (ii) an entity with which APG or its affiliates or current or former members of their personnel has a relationship or from which APG or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain Fund investors or their affiliates. For example, the Adviser may from time to time initiate transactions between two or more portfolio companies of a Fund and successor Funds (see the above discussion regarding cross-transactions), and to cause and/or acquire certain portfolio companies to provide services to other portfolio companies of one or more Funds, and/or the Adviser and its respective affiliates at rates determined by the Adviser. The Adviser also may engage certain Fund investors or their affiliates that are engaged in lending or related businesses to provide financing and/or other services in connection with a Fund's investments from certain Fund investors or their affiliates that are engaged in lending or related business. This discretion subjects APG to potential conflicts of interest, because although APG intends to initiate transactions and select service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, APG could have an incentive to recommend the related or other person (including an investor) because of its financial or other business interest. There is a possibility that APG, 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 APG), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. In addition, subject to approval by the Chief Compliance Officer in accordance with the Adviser's Code of Ethics, the Adviser and/or the Adviser's personnel potentially will receive gifts and other benefits from service providers in respect of services provided to the Funds or portfolio companies. Whether or

not APG 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.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to Operations Group members and other consultants (including consultants introduced or arranged by APG and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Certain Operations Group members generally make use of APG resources (*e.g.*, office space, APG email address or other indicia of employment) or otherwise are associated with APG. APG and/or its affiliates could agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operations Group members generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Fund, as described herein.

APG and/or its affiliates might also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by APG and/or its affiliates; conversely, former personnel or executives of APG and/or its affiliates could serve in significant management roles at portfolio companies or service providers recommended by APG. Similarly, APG, 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, APG and/or its affiliates, and/or the Funds or other investment vehicles they advise. APG will have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide APG information about markets and industries in which APG operates (or is contemplating operations) or will provide other services that are beneficial to APG. For example, APG is authorized to cause each Fund to make payments to investment banks, all or a portion of which is for the purpose of generating future deal flow; however, such payments may not result in any future deal flow, or may create goodwill that ultimately results in future deal flow for one or more other funds managed by APG that did not pay, or paid less than their share of, such expenses. APG could have a conflict of interest in making such recommendations, in that APG has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Over the life of the Funds, APG generally expects to exercise its discretion to recommend to each Fund or to a portfolio company thereof that it contract for services with various service providers, potentially including, among others: (i) the Adviser (or an affiliate, including other portfolio companies of each Fund or other investment funds sponsored or advised by the Adviser or an affiliate) and at rates determined or substantively influenced by the Adviser; (ii) an entity

with which APG or current or former members of their personnel has a relationship or from which such person derive a financial or other benefit; or (iii) an investor in each Fund (or another fund) or its affiliates. For example, the Adviser may from time to time initiate transactions or service agreements between two or more portfolio companies of each Fund and/or other funds managed by APG and may engage certain Fund investors or their affiliates that are engaged in lending or related businesses to provide financing and/or other services in connection with a fund's investments. Potential conflicts of interest arise in initiating such transactions, as APG has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies as noted above. Similarly, APG has incentives to engage Fund investors to provide services to each Fund and/or its portfolio companies, including warehousing and financing, to maintain goodwill with such Fund investors, including with respect to investments made or that may be made by each Fund or another fund. As a result, in each case, the products or services recommended may not necessarily be the best or lowest cost option.

In certain circumstances, current or former APG personnel also will serve in interim or part-time roles at portfolio companies, or provide services to portfolio companies as secondees or in similar capacities, while maintaining certain benefits, office space, support services and/or indicia of employment at APG. Under such arrangements, the relevant portfolio company will likely pay all or a portion of the compensation and employee benefits (including insurance and paid time off) in respect of such employees, or supervise or oversee such employees. These arrangements could create conflicts of interest, in that any compensation that would ordinarily be borne by APG as overhead in respect of those personnel would be borne by the portfolio company when they are secondees or other portfolio company personnel. Therefore, the Adviser has an incentive to cause its employees to become secondees or serve in similar roles to reduce its overhead or otherwise shift costs to portfolio companies. As seconded arrangements are often initiated to meet temporary portfolio company needs, they are expected to change over time, and in many cases will be ended by APG when the portfolio company is sold, at which point the secondees may or may not return to APG. It is possible that certain APG personnel serve as secondees or other personnel with respect to multiple portfolio companies and perform services that directly or indirectly benefit APG while serving as secondees or other portfolio company personnel.

The fact that the General Partner's carried interest is based on a percentage of net profits creates an incentive for the General Partner to cause each Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because each Fund has a fixed investment period after which capital from Fund investors generally is only permitted to be drawn down in limited circumstances, and because the Management Fee is, at certain times during the life of a Fund, calculated based upon the invested capital of the Fund, the Management Fee structure creates an incentive for the General Partner to deploy capital when it might not otherwise have done so. Moreover, to the extent permitted by the Partnership Agreements, APG could designate certain investments of each Fund as "**Designated Investments**," which each Fund is authorized to hold for an extended period beyond the Fund's term (following any other extensions permitted under the Partnership Agreements). Because the General Partner will continue to earn Management Fees in respect of any such Designated Investments, it will face incentives to designate and hold investments as Designated Investments for longer than it otherwise would in order to earn additional fees.



The General Partner (and its beneficial owners) may be subject to tax treatment in respect of its share of income arising from the carried interest and its commitment to a Fund, including tax treatment that differs materially from the taxation of similar items to certain Fund investors, which could create the potential for conflicts of interest. For example, various tax rules (including the three-year holding period requirement for capital gains treatment in respect of carried interest) could create an incentive for the General Partner to cause each Fund to borrow more frequently, in greater amounts or for longer periods; hold investments for longer than it would absent adverse tax consequences to the General Partner from a shorter holding period; or waive or defer the distribution or allocation of carried interest to the General Partner, potentially changing the character or amount of income allocated to Fund investors. The General Partner will generally have the authority to control these decisions and any positions taken by each Fund in respect of tax elections or income allocations. The General Partner reserves the right to institute a program under which portfolio companies owned by each Fund are encouraged to participate in purchasing, vendor or similar arrangements with the General Partner, its affiliates and other portfolio companies. Program participants would receive discounts negotiated with various vendors and service providers on a group-wide basis. The General Partner would allocate fees and third-party administration costs for program, if any, among each Fund and the portfolio companies. The General Partner and its affiliates also expects to participate in the program in exchange for an allocable portion of any such fees and costs, and would receive similar benefits and discounts as the portfolio companies participating therein. No such amounts would result in any offsets or reductions to the Management Fee or be shared with each Fund or the Fund's investors. The General Partner believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies, which is expected to be to the Fund's benefit as the negotiated discounts rates for goods and services are discounted relative to those widely available in the market.

From time to time APG, its affiliates and personnel and persons selected by them will be eligible to receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. APG, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

Because of the compensation and expense reimbursement arrangements with Senior Advisors (as described above under "Fees and Compensation"), APG has an incentive to appoint Senior Advisors as directors (or the equivalent) despite other APG personnel potentially being more appropriate for those particular roles. Also on account of their relationship with APG, and/or to provide incentives and create alignment of interests, Senior Advisors could be offered co-investment opportunities in portfolio companies ahead of unaffiliated Fund investors. There can be no assurance that no other service provider or APG personnel are more qualified to provide director services or could provide.

Similarly, because of the differential treatment of compensation and expense reimbursements with respect to members of an Operations Group versus Operating Partners (as described above under "Fees and Compensation"), APG will face incentives to (and is authorized to) create and utilize an Operations Group (rather than utilizing Operating Partners) and appoint or transfer Operating Partners to it, thereby reducing its own capital outlay and/or overhead while increasing portfolio companies' and/or a Fund's expenses. This is particularly true to the extent that the Operations Group provides services of the type provided by the Operating Partners, which

would create stronger incentives for APG to shift Operating Partner costs borne by the General Partner and its affiliates to the Operations Group, whereupon such costs would instead be borne by portfolio companies or prospective portfolio companies and/or a Fund. The Operations Group model will also create incentives for APG to increase the compensation, fees and expense reimbursements received by Operations Group members (collectively, “**Operations Fees and Expenses**”), since it would only indirectly (through its investment in a Fund), rather than directly (as overhead), bear the associated economic effects.

If the Operations Group is constituted, Operations Fees and Expenses are expected to include cash fees, profits or equity interests in a portfolio company, a share of proceeds upon sale of a portfolio company, benefits and other indicia of employment, retainer fees, consulting fees, and/or other incentive-based compensation to the Operations Group or its members, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Group or its members, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Additionally, portfolio companies are likely to provide opportunities for the Operations Group or its members to invest in such portfolio company and reimburse costs and expenses incurred by the Operations Group or its members. The Operations Group or its members also may receive remuneration from APG and/or a Fund or affiliates and/or will be entitled to other forms of compensation, including equity grants in portfolio companies. As noted above under “Fees and Compensation,” such investment opportunities, reimbursements and other compensation paid to the Operations Group or its members are not included as “Transaction Fees” and will not offset or reduce the Management Fee. The Operations Group or its members may have an ownership or profit interest in the Fund, the General Partner or one or more other investment funds sponsored by APG. Although APG would seek to constitute the Operations Group with a view to reducing costs to portfolio companies (and, ultimately, each Fund) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings, including the conflicts of interest discussed herein. In addition, APG intends to retain only such Operations Group members 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 or Operating Partner is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, portfolio companies of a Fund may pay the Operations Group or its members to perform services that, directly or indirectly, benefit APG, its affiliates, investment funds that may be formed, sponsored and/or managed in the future by APG (such funds, collectively, “**Other APG Funds**”) and/or portfolio companies of Other APG Funds. Consequently, APG, its affiliates and/or portfolio companies of Other APG Funds may receive services without being charged or at rates that are lower than the rates borne by a Fund or its portfolio companies. Conversely, portfolio companies of a Fund may benefit from services that are paid for by APG, its affiliates and/or portfolio companies of Other APG Funds. Likewise, certain Other APG Funds may pay the Operations Group or its members to perform services that, directly or indirectly, benefit APG, its affiliates, a Fund and/or portfolio companies of the Fund. There can be no assurance that a Fund or its portfolio companies will receive benefits paid for by Other APG Funds or their portfolio companies that are commensurate to the benefits received by such Other APG Funds and their portfolio companies that are paid for by the Fund or its portfolio companies.

It should be noted that the above discussion concerning the role of, and the considerations and conflicts of interest applicable to, the Operations Group is, as a general matter, also applicable to independent third-party consultants, which are expected to perform certain services of the type expected to be provided by Operating Partners and the Operations Group. APG is authorized to engage such third-party consultants in its sole discretion, and in addition to Operating Partners and the Operations Group. Each Fund, portfolio companies and/or prospective portfolio companies are expected to bear the fees, compensation and expense reimbursements of third-party consultants, which will not offset or otherwise reduce the Management Fee or otherwise be shared with the Fund or the Fund's investors.

The list above is not a complete list of all risks and other considerations involved in connection with an investment in a Fund. Prospective investors should make their own inquiries and investigation of the investment, and should consult their own advisors, regarding the offering of interests in a Fund, including the merits and risks involved and the legality and tax consequences of an investment in a Fund.

### **DISCIPLINARY INFORMATION**

APG 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**

The Adviser is affiliated with the General Partner(s), which is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These affiliated entities operate as a single advisory business together with the Adviser and serve as managers or general partners of the Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

APG has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of APG principals and employees and addresses conflicts that arise from personal trading. The Code requires certain APG personnel to report their personal securities transactions and prohibits or requires pre-clearance for APG personnel from directly or indirectly acquiring beneficial ownership or disposing of certain securities, including in an initial public offering and certain private offerings, without first obtaining approval from the 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 Nicholas Wall, the Chief Compliance Officer, at (415) 578-1600. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

APG 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, APG would be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any person, regardless of whether such person is a client of APG.

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

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

APG and its principals and employees are authorized to carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and to give advice and recommend securities to vehicles which could differ from advice given to, or securities recommended or bought for, any Fund, even where their investment objectives are the same or similar. The operative documents and investment programs of certain Funds are anticipated to restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in 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.

APG is authorized, from time to time, to borrow funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Fund as a Fund expense, consistent with its Partnership Agreement and the expense policy described under "Fees and Compensation." In borrowing on behalf of a Fund, APG is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund. APG will effect such borrowings in a manner it believes to be fair and reasonable to the relevant Fund, and consistent with APG's obligations to such Fund and its Partnership Agreement.

## **BROKERAGE PRACTICES**

APG primarily 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 will potentially be retained. However, from time to time, APG is

expected to purchase publicly traded securities. APG is also authorized to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although APG does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If APG purchases or sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by APG. In such event, APG will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, APG will consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged by a broker, which may be based on the size of the order, the price of the security and whether the receipt of products or services is involved; (iii) the reputation of the firm being considered; (iv) responsiveness to requests for trade data and other financial information; and (v) other factors suggested by the SEC for determining best execution and set forth in the APG Compliance Manual.

APG 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 APG generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions that involve specialized services on the part of the broker involved will thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with APG 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 APG generally does not make use of such services at the current time and has not made use of such services since its inception. While APG has not made use of “soft dollars” to date, to the extent APG uses such “soft dollars” on behalf of the Funds, it will seek to do so within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

APG does not anticipate engaging in significant public securities transactions; however, to the extent that APG engages in any such transactions, orders for the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, APG is also authorized to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, APG is permitted, but is not obligated, to purchase or sell securities for several client accounts at approximately the same time. Such orders are permitted to be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of APG is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they likely will have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to the Funds over time.

In APG's private company securities transactions on behalf of the Funds, APG is authorized 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, APG will 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 APG 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 will not always 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, APG closely monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its investors (i) audited financial statements annually, (ii) unaudited financial statements, for the first three (3) quarters of each fiscal year, (iii) annual tax information necessary for each investor's tax returns and (iv) descriptive investment information for each portfolio company periodically.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

APG is authorized to provide certain business or consulting services to companies in a Fund's portfolio and will receive compensation from these companies in connection with such services. As described in the relevant Partnership Agreement, this compensation will, 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 will be in addition to Management Fees. *See* "Fees and Compensation."

APG is authorized to, from time to time, enter into arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a Fund. The Adviser currently has not retained any placement agents. In the event that the Adviser decides to retain a placement agent or third-party solicitor to facilitate the sale of interests in one or more of the Funds, any fees payable to any such placement agents will be borne by APG indirectly through an offset or reduction of the applicable Fund's Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including

but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

## **CUSTODY**

APG maintains custody of assets held in the name of one or more Funds with the following qualified custodian: Silicon Valley Bank, Menlo Park, California. Further, APG intends, with respect to the Funds, to comply with the private fund audit requirements as provided in Rule 206(4)-2(b)(4) under the Advisers Act. The Adviser distributes audited financial statements to the investors in each Fund on an annual basis within 120 days of the end of the Fund's fiscal year or earlier to the extent set forth in the relevant Partnership Agreement.

## **INVESTMENT DISCRETION**

APG has discretionary authority to manage investments on behalf of each Fund. As a general policy, APG does not allow clients to place limitations on this authority. Pursuant to the terms of the relevant Partnership Agreement, however, APG is authorized to enter into Side Letters with certain Fund investors of a Fund whereby the terms applicable to such investor's investment in a Fund will be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. APG assumes this discretionary authority pursuant to the terms of the Partnership Agreements and powers of attorney executed by the investors of such Fund.

## **VOTING CLIENT SECURITIES**

APG has adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for each Fund's portfolio investments. The Proxy Policy seeks to ensure that APG votes proxies (or similar instruments) in the best interest of each Fund. APG 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 an actual or potential conflict of interest in voting proxies, the Proxy Policy provides that APG is authorized to address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's Advisory Board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's Advisory Board is authorized to approve APG's vote in a particular solicitation. APG does not consider service on portfolio company boards by APG personnel or APG's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a Fund. If you would like a copy of APG's complete Proxy Policy or information regarding how APG voted proxies for particular portfolio companies, please contact Nicholas Wall, the Chief Compliance Officer, at (415) 578-1600, and it will be provided to you at no charge.

## **FINANCIAL INFORMATION**

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