

Item 1. Cover Page

ANGEL ISLAND CAPITAL MANAGEMENT, LLC

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Part 2A of Form ADV: Firm Brochure

March 30th, 2023

This brochure (“Brochure”) provides information about the qualifications and business practices of Angel Island Capital Management, LLC (the “Adviser” or “Angel Island”). If you have any questions about the contents of this Brochure, please contact us by phone at (415) 616-7500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

This Brochure, dated March 30th, 2023, serves as an update to the Adviser's Brochure dated January 12, 2023. This Brochure contains certain updates, which may be material including, but not limited to:

- Item 4: Adviser's ownership structure;
- Item 5: Updated disclosure regarding fees and expenses;
- Item 8: Updated risks associated with investments in AIC Clients; and
- Item 11: Updated disclosure and description of certain potential conflicts of interest and considerations in respect of the resolution thereof.

In addition, the Adviser routinely makes updates throughout the Brochure to improve and clarify the description of its business practices, risks, compliance policies and procedures, as well as to respond to evolving industry best practices.

Item 3. Table of Contents

<u>Item</u>	<u>Page</u>
Item 1. Cover Page.....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	5
Item 6. Performance-Based Fees and Side-By-Side Management	10
Item 7. Types of Clients.....	11
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	11
Item 9. Disciplinary Information	85
Item 10. Other Financial Industry Activities and Affiliations	85
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..	86
Item 12. Brokerage Practices	125
Item 13. Review of Accounts	128
Item 14. Client Referrals and Other Compensation.....	129
Item 15. Custody	129
Item 16. Investment Discretion.....	129
Item 17. Voting Client Securities.....	130
Item 18. Financial Information	131
Item 19. Requirements for State-Registered Advisers.....	131

Item 4. Advisory Business

For purposes of this Brochure, the “Adviser” or “Angel Island”, means Angel Island Capital Management, LLC, a Delaware limited liability company, together (where the context permits) with its affiliated general partners of the AIC Funds (as defined below) and certain other affiliated management entities that provide advisory services to and/or receive advisory fees from the AIC Clients (as defined below). Such affiliates are generally under common control with Angel Island and possess a substantial identity of personnel and/or equity owners with Angel Island. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of, or the advisory services provided to, the AIC Clients.

Angel Island (including and together with the various operating companies, management entities and investment vehicles managed by it or otherwise held by their common parent entity) (“Angel Island Capital”) is a wholly-owned subsidiary of Nassau AIC Holdings LLC, a Delaware limited liability company, which itself a wholly-owned subsidiary of Nassau Asset Management LLC, a Delaware limited liability company (“NAM”). NAM is a wholly-owned subsidiary of Nassau Financial Group, L.P., a Cayman Islands exempted limited partnership (“Nassau Group” and, together with its directly and indirectly controlled affiliates, “Nassau”). Nassau Group is a subsidiary of GGCOF Nassau Investments, L.P., a Cayman Islands exempted limited partnership and wholly-owned subsidiary of Nassau NAMCO Splitter, L.P., a Cayman Islands exempted limited partnership (“NAM Splitter”). NAM Splitter is owned and controlled by certain private investment funds sponsored and managed by Golden Gate Private Equity, Inc. (“Golden Gate”).

NAM was founded by Phillip J. Gass and Kostas Cheliotis in 2015.

Please see Item 10 for more information related to other financial industry activities and affiliations.

The Adviser provides investment supervisory and/or sub-advisory services to one or more private investment funds that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (collectively, the “AIC Funds,” which includes certain investment funds that are proprietary vehicles), and provides advisory or sub-advisory services to clients in separately managed accounts, including without limitation certain proprietary accounts (collectively, the “Separate Account Clients”). The AIC Funds and the Separate Account Clients are referred to collectively herein as the “AIC Clients.”

The Adviser provides day-to-day advisory and/or sub-advisory services to the AIC Clients. The Adviser provides a multi-strategy credit platform consisting of its liquid credit strategy, credit opportunities strategy, private credit strategy and asset-based opportunities strategy. AIC Clients make investments in performing and distressed bank loans, direct senior loan origination and related instruments, high yield bonds, investment grade bonds, asset based lending, mezzanine and mezzanine-like debt, structured and illiquid credit products, special situations instruments, credit-based securities, asset-backed and other structured debt securities, swap transactions (including total rate return swaps), other derivative instruments (including collateralized loan obligations), currency hedging transactions and any other financial instruments or assets that the Adviser believes may help achieve AIC Clients’ respective investment objectives. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring,

negotiating and making investments on behalf of AIC Clients, managing and monitoring the performance of such investments and disposing of such investments.

The Adviser uses fundamental credit analysis to identify attractive investment opportunities and seeks superior risk adjusted returns, primarily in credit products. AIC Clients may use leverage directly or indirectly. Use of leverage will increase the volatility of levered investments.

The Adviser provides investment supervisory services to each AIC Client in accordance with the limited partnership agreement or limited liability company agreement (or analogous organizational document) of such AIC Client, separate investment and advisory, investment management or portfolio management agreements, side letters, and/or sub-advisory agreements entered into with AIC Clients or their investors (each, a “Governing Document”).

Investment advice is provided directly to the AIC Funds and not individually to the investors in the AIC Funds. Services are provided to the AIC Clients in accordance with the Governing Documents. Investment restrictions for the AIC Clients, if any, are generally established in the Governing Documents.

The terms of the investment supervisory and/or sub-advisory services to be provided to an AIC Fund, including any restrictions on and size of investments in certain types of securities, are established by the Adviser or its affiliates as modified by negotiations with investors in the applicable AIC Fund, and are set forth in such AIC Fund’s Governing Documents and other documentation received by each investor prior to investment in such AIC Fund. Once invested in an AIC Fund, investors cannot impose restrictions on the types of securities in which such AIC Fund may invest.

The terms of the advisory services provided to a Separate Account Client, including any restrictions on investments in certain types of securities, are the result of negotiations between the Adviser or its affiliates and such Separate Account Client, and are set forth in such Separate Account Client’s Governing Documents. The Governing Documents of a Separate Account Client may be changed by such Separate Account Client only to the extent permitted by the applicable Governing Documents.

As noted in Section 11 hereof, the principal owner of the Adviser is Nassau Asset Management LLC, which is ultimately owned by certain private investment funds (the “Golden Gate Funds”) sponsored and managed by Golden Gate, an SEC registered investment adviser. The Adviser was established in 2013 and the Adviser’s predecessors commenced operations in 2008. As of December 31, 2022, the Adviser managed approximately \$2,839,778,865.00 of regulatory assets under management.

Item 5. Fees and Compensation

As compensation for investment advisory services rendered to the AIC Clients, the Adviser generally receives an advisory fee (each, an “Advisory Fee”) that is typically calculated based on invested capital and an Incentive Allocation (as defined below in Item 6) or similar performance-based remuneration from an AIC Fund. Advisory Fees may be reduced during the life of an AIC Fund. Advisory Fees and expenses paid by an AIC Fund are indirectly borne by investors in such AIC Fund, including any AIC Clients that invest in such AIC Fund. Generally, AIC Funds will

pay to the Adviser or one or more of its designated affiliates, with respect to each limited partner, an Advisory Fee, calculated and payable in arrears as of the last business day of each fiscal quarter. Certain AIC Funds calculate and pay Advisory Fees monthly in advance.

In addition, the Adviser, certain of its affiliates and/or their personnel typically receive fees from certain companies, including certain actual or prospective portfolio companies of investment funds managed by Golden Gate, in connection with structuring investments in such companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales, divestments or other similar dispositions, recapitalizations and similar transactions with respect to such companies (“Transaction Fees”). An AIC Fund, and/or its portfolio companies may also reimburse the Adviser and its affiliates for such Transaction Fees. Generally, these Transaction Fees are in addition to out-of-pocket costs and expenses incurred by the Adviser and/or its relevant affiliate(s) and/or their personnel in connection with generating any such fees. These Transaction Fees may be substantial and may be paid in cash, in securities of the companies or investment vehicles (or rights thereto) or otherwise. Transaction Fees are in addition to the Advisory Fees and, unless otherwise expressly agreed to with an AIC Client pursuant to such AIC Client’s Governing Documents, will generally not be subject to any offset to the amount of Advisory Fees to be paid by the applicable AIC Client. For the avoidance of doubt, any fees paid to the Adviser or its personnel after an AIC Client has exited (or is in the process of exiting) an investment are not considered “Transaction Fees” and do not reduce the Advisory Fee.

The precise amount of, and the manner and calculation of, the Advisory Fees for each AIC Client are established by the Adviser or certain of its affiliates, as modified by negotiations with the AIC Clients, certain of their affiliates or the investors in the applicable AIC Fund and are generally set forth in such AIC Client’s Governing Documents.

The Advisory Fee structures described herein may be modified from time to time. Advisory Fees may differ from one AIC Client to another, as well as among investors in the same AIC Fund. Investors in each AIC Fund may pay differing amounts of Advisory Fees based upon factors established by the Adviser from time to time, and reduced fee levels may be available to certain investors in an AIC Fund (which may include, but may not be limited to, principals, operating partners, operating executives, strategic partners, affiliates, including portfolio company affiliates, and employees of the Adviser, Nassau or Golden Gate and their family members and related vehicles) based upon those factors (and such factors may include, for example, whether such investors have subscribed prior to others or early in the term of an AIC Fund). Upon termination of an advisory agreement, any Advisory Fees that have been prepaid are generally returned on a prorated basis.

To the extent provided in Governing Documents, the Adviser will, to the extent not borne by the Adviser in its sole discretion, pay out of Advisory Fees certain expenses and costs associated with the performances of its services, including office space and utilities; computer equipment; certain administrative services; and secretarial, clerical and other personnel expenses relating to the advisory services and facilities provided by the Adviser to the AIC Funds. Any such expenses or fees not borne by the Adviser will be borne by the applicable AIC Fund(s). Consistent with the applicable Governing Documents, each AIC Fund will bear all other expenses (some of which may be paid to affiliated service providers) relating to it to the extent not borne by the Adviser including all organizational and offering expenses incurred in connection with the formation and marketing of the AIC Funds including without limitation all legal, accounting, reporting, hedging, regulatory,

filing, capital raising, printing, travel, accommodation meal and similar expenses. AIC Funds will pay investment expenses, whether or not such investments are consummated (such as brokerage commissions and discounts incurred in connection with the purchase or sale of securities, expenses relating to short sales, clearing and settlement charges, custodial fees, currency conversions, bank service fees, interest expenses, and certain advisory, transaction, consulting, and other similar fees paid to the Adviser or the Adviser's affiliates); expenses and fees generated in the course of sourcing, evaluating, investigating, diligencing, discovering, developing and researching potential investments, whether or not such investments are consummated; expenses incurred in connection with the disposition of investments (including closing, execution and other transaction costs); fees and expenses incurred in connection with the incurrence of leverage and indebtedness, including borrowings (including the costs and expenses incurred in obtaining, negotiating, entering into, effecting, maintaining, varying, refinancing or terminating such borrowings and commitments and interest arising therefrom), dollar rolls, reverse purchase agreements, credit facilities, securitizations, margin financing and derivatives and swaps, and including any principal or interest on an AIC Fund's borrowings and indebtedness (including, without limitation, any fees, costs, and expenses incurred in obtaining lines of credit, loan commitments, and letters of credit for the account of an AIC Fund and in guaranteeing the obligations of any issuers or their affiliates); expenses incurred in connection with any environmental, social and governance ("ESG") assessment or impact assessment; professional fees (including, without limitation, expenses of consultants, including ESG and impact consultants, investment bankers, attorneys, accountants, tax advisors and other experts) relating to investments; fees and expenses incurred in acquiring, developing, implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of an AIC Fund; filing and similar fees paid on behalf of an AIC Fund, including reimbursements of any fees and expenses to advisers, service providers and other third parties; research, news and quotation services, and market data (including, without limitation, any computer hardware and connectivity hardware (e.g., telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); administrative expenses (including, without limitation, fees and expenses of the administrator of an AIC Fund); costs and expenses (including fees and disbursements) of attorneys, auditors, accountants, finance and other administrative personnel (including in-house attorneys', auditors', accountants', finance's and other administrative personnel's fees and disbursements, inclusive of their allocated overhead); the Advisory Fee; expenses incurred in connection with computing the value of the assets of an AIC Fund (including, without limitation and as applicable, any and all fees, costs and expenses associated with advisors, independent pricing services and third-party valuation consultants and custom accounting software packages); audit and tax preparation expenses; costs incurred in connection with an AIC Fund's financial statements, reports, notices, tax returns and Schedule K-1s (or similar schedules), including the costs of creating, printing and distributing such financial statements, notices, reports, tax returns and Schedule K-1s (or similar schedules); costs related to errors and omissions and other liability insurance covering the Adviser and its members, partners, directors, shareholders, officers, employees and agents and each member of the advisory committee; taxes, duties, penalties and other governmental charges that may be incurred or payable by an AIC Fund (including transfer taxes and premiums and entity-level taxes (including those imposed in connection with any income tax audit, investigation, settlement or review of an AIC Fund) and fees associated with corporate licensing); expenses incurred in connection with tax preparation and filings; expenses relating to the preparing, printing and distributing of investor reports and notices physically or electronically (including software used to electronically distribute such reports and notices); expenses associated with making capital calls from and distributions to

investors, including fees and expenses of information technology used to facilitate all such activities; expenses relating to the maintenance of registered offices, corporate licensing and similar expenses; expenses (including accounting, legal or regulatory fees and expenses and expenses incurred in connection with the retention of a “partnership representative”) incurred to comply with any law or regulation, including all fees and expenses relating to compliance with tax, securities law or other legal or regulatory requirements applicable to an AIC Fund or its investors, including preparing and making regulatory and compliance filings associated with an AIC Fund and its investment activities (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings, filing and reporting obligations under the Investment Advisers Act, Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the Foreign Account Tax Compliance Act, the European Union Directive on Alternative Investment Fund Managers (2011/61/EU) or any other applicable laws and other similar regulatory filings, including with respect to software and systems in connection with such filings and expenses of service providers such as consultants and advisors), or incurred in connection with any litigation, arbitration, settlement or governmental inquiry, investigation or proceeding (including any audit) involving an AIC Fund, a general partner of an AIC Fund, the Adviser or their respective affiliates, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Governing Documents; expenses incurred in connection with communication with investors, any conference or meeting with one or more investors (including prospective investors during fundraising and current AIC Fund investors) or the advisory committee, regardless of whether all investors are invited to participate in or attend such meetings, including, without limitation, travel, meal, and lodging expenses of the Adviser and its representatives, and ancillary activities related thereto (including legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the advisory committee and other expenses incurred in connection with advisory committee action), and other similar expenses (other than any fees payable to any placement agent); expenses incurred in connection with distributions as provided in the Governing Documents; out-of-pocket expenses incurred by members of the advisory committee and their designees in connection with the fulfillment of their duties pursuant to the Governing Documents, including, without limitation, travel expenses incurred in connection with attending advisory committee meetings (including, without limitation, transportation, meal, and lodging expenses); expenses incurred in connection with the formation, establishment, organization, administration, operation of any special purpose entity, including alternative investment vehicles; expenses incurred in connection with the dissolution, winding up or termination of an AIC Fund, a general partner or any special purpose entity, including alternative investment vehicles; expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of and AIC Fund or any special purpose entity; expenses incurred in connection with compliance with side letters and most favored nations processes; expenses related to compliance with any impact or ESG initiatives or principles; expenses incurred by an AIC Fund, a general partner, the Adviser or their respective affiliates or employees or any service provider for, or resulting from, any hedging transactions of the AIC Fund; indemnification costs and expenses; extraordinary expenses; any other fees and expenses approved by an AIC Fund’s advisory committee; and expenses associated with AIC Funds, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or such AIC Fund in connection with such AIC Fund’s operations that are not specifically set forth above as being paid by the Adviser.

Expenses related more generally to an investment strategy, including broken deal expenses, certain organizational expenses (*e.g.*, those related to the establishment of a multi-investment platform for a strategy), fees and expenses of consultants (including operating executives) and costs and expenses of research relating to a strategy, will be allocated to AIC Clients participating in the relevant investment strategy in accordance with the allocation policies and methodologies of the Adviser, as applicable. Such allocation methodologies, which vary, generally are based on several factors including, but not limited to, the available capital of the AIC Clients for deployment in a given strategy (based on their respective investment mandates as well as their current net asset value, capital commitments and available leverage). The allocation of such expenses among participants in a given strategy will be based upon a number of relevant factors, including, without limitation, the capital committed to the strategy and the amount of capital historically invested, or remaining invested, in similar investments. While as a general matter, the significant majority of expenses relating to a given strategy will typically be borne by the primary investment vehicles or accounts focusing on such strategy, the proportion of such expenses allocated to any relevant AIC Client may vary, including as a result of the applicable AIC allocation policies and methodologies, from period to period and for certain strategies, as applicable, resulting in one or more AIC Clients bearing more of the expense than others. Furthermore, to the extent a co-investment vehicle is formed in connection with a proposed transaction, costs and expenses relating to such co-investment vehicle may, in certain situations, be borne by another AIC Fund(s), regardless of whether such proposed transaction is consummated. Each AIC Fund will also bear expenses incurred in connection with its organization and the offering and sale of its interests, however, such expenses may, in certain instances, reduce the Advisory Fee paid by an AIC Client to the extent they exceed a limit as specified in the applicable Governing Documents.

Separate Account Clients bear similar expenses, depending on the terms of the Governing Documents negotiated with the applicable Separate Account Client.

In addition, the Adviser, from time to time, engages one or more fund administrators or similar service providers to perform certain functions in relation to certain AIC Funds, which services may include coordination of such AIC Funds' legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for the valuation process and investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting with which the AIC Funds and/or the Adviser is required to comply (including, without limitation, the Foreign Account Tax Compliance Act, as well as applicable Anti-Money Laundering and "Know Your Customer" regulations). In addition, the AIC Funds will bear the expenses of all third-party administrator service providers even if there is some overlap in services performed by such third-party administrator and Adviser personnel.

From time to time, the Adviser creates certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the Adviser creates an SPV, consistent with the Governing Documents of such AIC Client, the expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV will typically be borne by the SPV and indirectly, the investors thereof. In addition, expenses of the types borne by an AIC Fund, but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the applicable AIC Fund (including, without limitation, expenses of accounting and

tax services), may be borne by the applicable AIC Fund and indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

Additionally, please see Item 6 below regarding “Incentive Allocations” that certain AIC Funds pay.

When a broker is used in connection with an investment by an AIC Client, such AIC Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

Item 6. Performance-Based Fees and Side-By-Side Management

With respect to certain AIC Funds, a portion of the profits of each such AIC Fund’s portfolio is allocated to the capital account of the Adviser as an “incentive allocation” (the “Incentive Allocation”). Certain AIC Funds allocate and generally distribute the Incentive Allocation to the Adviser upon the disposition of an investment within the AIC Fund’s portfolio. Other AIC Funds allocate Incentive Allocation to the Adviser on a periodic basis or at other specified times (irrespective of any investment dispositions) from both the realized and unrealized profits of such AIC Fund’s portfolio over the applicable period. The precise amount of, and the manner and calculation of, the Incentive Allocation for each AIC Fund is disclosed in the Governing Documents of each AIC Fund. The Incentive Allocation provisions are negotiated collectively with the AIC Funds or their investors and are also subject to waiver or reduction by the Adviser. For example, the Adviser and certain of its principals, operating partners, operating executives, strategic partners and employees and their family members and related vehicles typically invest in AIC Funds, and the Incentive Allocation assessed on such investments are generally substantially reduced or waived entirely.

The payment by some, but not all, AIC Funds of an Incentive Allocation or the payment of an Incentive Allocation at varying rates (including varying effective rates based on the past performance of an AIC Fund) may create an incentive for the Adviser to disproportionately allocate time, services or functions to AIC Funds paying an Incentive Allocation or AIC Funds paying an Incentive Allocation at a higher effective rate or allocate investment opportunities to such AIC Funds.

In addition, Golden Gate and/or certain of its affiliates and/or general partners of Golden Gate Funds may (and generally do) receive an incentive allocation from the Golden Gate Funds which have invested in Angel Island Capital. Such entitlement to an incentive allocation may create an incentive for the Adviser and/or such other affiliated parties, due to Golden Gate’s affiliation to Angel Island Capital, to allocate investment opportunities to such AIC Funds that are proprietary vehicles.

The Adviser has adopted policies and procedures that, among other things, seek to ensure in good faith that investment opportunities are allocated fairly and equitably over time across all AIC Clients.

Please see Item 11 below for additional information relating to how conflicts of interest are generally addressed by the Adviser.

Item 7. Types of Clients

The Adviser currently provides investment supervisory services to the AIC Clients. Investment advice is provided directly to the AIC Funds and not individually to investors in such AIC Fund. The Adviser also provides investment supervisory services on a discretionary basis to other AIC Clients where Golden Gate also has discretionary investment authority.

Interests in the AIC Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the AIC Funds are generally “accredited investors” as defined in the 1933 Act and, in many instances, “qualified purchasers” or “knowledgeable employees” as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, university endowments, corporations, sovereign wealth funds, limited partnerships and limited liability companies or other entities. The Adviser has in the past, and may in the future, condition the ability to invest in certain of the AIC Funds it manages upon an investor agreeing to invest in other funds managed by the Adviser, its affiliates (including, for the avoidance of doubt, funds advised by other registered investment advisers owned by Nassau (the “Nassau Funds”), the Golden Gate Funds and/or one or more funds managed by another Affiliate Adviser), or other portfolio companies of the Nassau Funds or the Golden Gate Funds.

The Adviser does not have a minimum size for an AIC Fund, but minimum investment commitments may be established for investors in the AIC Fund. The Adviser may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of such AIC Fund. While the Adviser does not impose a minimum amount for establishing a separate account, separate accounts are generally expected to be established with a \$25 million minimum, although the Adviser or its affiliates, in their sole discretion, may permit investments that are less than such minimum.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Comprehensive joint industry and sector reviews, primarily focusing on debt opportunities in small- to mid-sized companies, are completed on an ongoing basis in order to identify potential investment candidates. Moreover, the Adviser’s extensive network and relationships with Wall Street and industry professionals are valuable for sourcing potential opportunities. Once a potential investment is identified, financial modeling is typically introduced in the early stages of the investment process. Typically, a forward-looking financial model with projections is built for each potential investment. The projections normally incorporate the Adviser’s macro views, sector analysis and individual company fundamentals. Meanwhile, historical financials are typically reviewed, with a focus on analyzing the company’s operating performance and ability to generate free cash flow. Proprietary valuation assessment, both of companies and of debt instruments, is generally another important step in the investment process. The Adviser typically employs multiple valuation methodologies to generate proprietary valuations, which, if applicable, the Adviser compares to market pricing across the capital structure in order to identify investment opportunities for its clients. Positions are evaluated with respect to its expected return and the probability of loss and trading liquidity. Finally, the Adviser’s investment process typically consists of an assessment of transaction exits under multiple scenarios and timelines. As various

scenarios unfold, the Adviser generally monitors the relationship between executable exit value (where one exists) and a proprietary assessment of intrinsic value, derived as part of the Adviser's investment process. The Adviser's advisory services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the AIC Clients, managing and monitoring the performance of such investments and disposing of such investments. Where Clients acquire an influential position, the Adviser may be in a position to exercise influence over and add value to such investments. The AIC Clients may make investments in both publicly listed and privately held companies. In addition, the Adviser may provide advice concerning the following securities and instruments:

- Bank Loans and Bank Participations;
- Private Placements or other securities that are not registered or are exempt from registration under the Securities Act, such as Rule 144A securities;
- Bonds, convertible securities issued by foreign issuers and/or denominated in foreign currencies;
- Domestic and international convertible securities including, but not limited to (a) convertible securities that are convertible or exchangeable into equity securities of publicly traded US companies, and (b) convertible securities that are convertible or exchangeable into equity securities of foreign companies listed on a foreign exchange or represented by American Depositary Receipts listed on the New York Stock Exchange or the NYSE Alternext U.S., formerly known as the American Stock Exchange;
- Futures contracts, forward contracts, swaps, swaptions, commodities, hybrid securities, other 'synthetic' or derivative instruments, short sales, trades executed on margin, credit-linked notes, credit default notes and credit swaps; or
- Asset backed and other structured debt securities.

Any determinations or actions with respect to the acquisition or disposition of investments for the AIC Clients are made by the Adviser's Investment Committee. The Investment Committee reviews and is responsible for approving all investments, monitors due diligence practices and provides advice in connection with key commercial and legal terms of potential investments. Any Investment Committee decision requires a majority of the members. From time to time the Adviser may cause the AIC Clients to invest cash held by the AIC Clients in temporary investments on a short-term basis, pending investment, distribution to limited partners or payments of expenses or other obligations of the AIC Clients. Such temporary investments shall principally take the form of corporate debt securities, commercial paper and certificates of deposit.

Risks

Investing in securities and loans involves a substantial degree of risk. An AIC Client may lose all or a substantial portion of the value of its investments, and Separate Account Clients and investors in AIC Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for AIC Clients in connection with those strategies and methods, include the following:

Risks Related to Investments

General. The investments made by or for AIC Clients will generally consist of debt obligations, securities and assets that have significant risks as a result of business, financial, market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on such AIC Client's investments. Prices of each AIC Client's investments may be volatile, and investments may involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the applicable issuer, changes in national or international economic and market conditions and changes in laws, regulations, fiscal policies or political conditions of jurisdictions in which investments are made, including the risks of war and the effects of terrorist attacks and security operations. In addition, the ability of the Adviser to successfully implement its strategy may entail a high degree of uncertainty. The possibility of partial or total loss of capital will exist and investors should not invest unless they can readily bear the consequences of such loss.

Bank Loans. The investments of an AIC Client may include interests in loans originated by banks and other financial institutions. The loans invested in by an AIC Client may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current period of illiquidity will not persist or worsen and that the market will not experience periods of significant illiquidity in the future. In addition, AIC Clients may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans. AIC Clients may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, an AIC Client generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and such AIC Client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, such AIC Client will assume the credit risk of both the borrower and the institution selling the participation.

Debt Securities and Private Debt Instruments. An AIC Client may invest in debt securities and private debt instruments of unrated or non-investment grade companies, including leveraged loans, high yield bonds, senior secured bank debt, junior loans, subordinated loans, syndicated bridge commitments and unsecured loans. Debt securities of all types of issues may have speculative characteristics, regardless of whether they are rated. Investments in debt are subject to the ability

of the issuer or the borrower to meet principal and interest payments on the obligation and may be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer or the borrower and the general market conditions. Such risks are greater for investments in non-investment grade, non-rated or lower credit quality debt than for investments in higher rated debt. In addition, private debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors.

There may be limitations on the ability of an AIC Client to directly enforce its rights with respect to these types of investments, and such AIC Client may, in addition to assuming the credit risk of the borrower, assume the credit risk associated with the lender or an interposed financial intermediary. Investments in debt may also expose an AIC Client to unfavorable outcomes in the event of a bankruptcy proceeding. Successful claims by third parties arising from these and other risks will be borne by such AIC Client.

High Yield Debt. It is likely that certain AIC Clients will invest in high yield securities that are rated below investment grade and/or unrated. Securities in which an AIC Client may invest may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may be unrated. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, certain AIC Clients invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects 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. Many issuers of high yield debt are 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. In addition, many issuers of high yield debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. High yield debt is often less liquid than higher rated securities, and high yield debt has experienced periods of volatility. The market values of certain of this high yield debt may reflect individual corporate developments.

High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities. AIC Clients may also invest in equity securities issued by entities with unrated or below investment-grade debt.

High yield debt may also be in the form of zero-coupon, deferred interest bonds and payment in-kind bonds, which are bonds which are issued at a significant discount from face value. Because investors in zero coupon or payment in-kind bonds receive no cash prior to the maturity or cash

payment date applicable thereto, an investment in such securities generally has a greater potential for a complete loss of principal compared to an investment in debt securities that makes periodic interest payments. These investments typically experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest. Such investments are more vulnerable to the creditworthiness of the issuer and any other parties upon which performance relies.

Secondary Market Risk. AIC Clients invest in loans and debt securities acquired on a secondary basis. AIC Clients are unlikely to be able to negotiate the terms of such debt as part of their acquisition and, as a result, these investments might not include some of the covenants and protections AIC Clients generally seek. Even if such covenants and protections are included in the investments held by AIC Clients, the terms of the investments could provide the relevant borrowers with substantial flexibility in determining compliance with such covenants. In addition, the terms on which debt is traded on the secondary market could represent a combination of the general state of the market for such investments and either favorable or unfavorable assessments of particular investments by the sellers thereof.

Fixed-Income Securities and Loans. An AIC Client may invest in bonds or other fixed-income securities of U.S. and non-U.S. issuers, including, without limitation, bank debt, bonds, notes, debentures and commercial paper, as well as derivatives thereon. Fixed-income securities pay fixed, variable or floating rates of interest. The value of fixed-income securities in which an AIC Client invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities and bank loans can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies.

Fixed-income securities and bank loans are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

Senior Loans. Senior secured loans are generally rated below investment grade or may also be unrated. As a result, the risks associated with senior secured loans are similar to the risks of other below investment grade fixed-income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed-income instruments, which are often subordinated or unsecured. Investment in senior secured loans rated below investment grade is considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to an AIC Client, and such defaults could have a materially adverse effect on an AIC Client's performance. An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan may lose significant market value before a default occurs. Moreover, there is a risk that the collateral securing such loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the issuer to raise additional capital, and, in some circumstances, an AIC Client's liens could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that an AIC Client will receive principal and interest payments according to the loan's terms, or at all, or that an AIC Client will be able to collect on the loan should it be forced to enforce its remedies. Senior secured

loans are subject to a number of risks described elsewhere in this brochure, including liquidity risk and the risk of investing in below investment grade fixed income instruments.

There may be less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act or registered under the Commodity Exchange Act. As a result, the Adviser will rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, an AIC Client will be particularly dependent on the analytical abilities of the Adviser with respect to an AIC Client's investments in senior secured loans.

Subordinated Loans. Certain of an AIC Client's investments may consist of loans or securities, or interests in pools of securities, in either case, that are subordinated or may be subordinated in right of payment and ranked junior to other securities issued by, or loans made to obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to an AIC Client. Some of an AIC Client's asset-backed investments may also have structural features that divert payments of interest and/or principal to more senior classes or tranches of loans or securities backed by the same assets when loss rates or delinquency exceeds certain levels. This may interrupt the income an AIC Client receives from its investments, which may negatively affect an AIC Client's performance.

In addition, many of the issuers in which an AIC Client invests will be highly leveraged and many of an AIC Client's investments may be in securities which are unrated or rated below investment grade. Such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor may not be able to meet its debt payments and limited secondary market support, among other risks.

Priority of Repayment for Certain Investments. The characterization of an AIC Client's investments as senior debt or senior secured debt does not mean that such debt will necessarily be repaid in priority to all other obligations of the businesses in which an AIC Client invests. Furthermore, debt and other liabilities incurred by non-guarantor subsidiaries of the borrowers of senior secured loans made by an AIC Client may be structurally senior to the debt held by an AIC Client. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio issuer, the debt and other liabilities of such subsidiaries could be repaid in full before any distribution can be made to an obligor of the senior secured loans held by an AIC Client. Finally, portfolio companies will typically incur trade credit and other liabilities or indebtedness, which by their terms may provide that their holders are entitled to receive principal payments on or before the date's payments are due in respect of the senior secured loans held by an AIC Client.

Risks of Secured Loans. While an AIC Client may invest in secured loans that may be over-collateralized at the time of the investment, it may nonetheless be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. An AIC Client cannot guarantee the adequacy of the protection of an AIC Client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, an AIC Client cannot assure that claims may not be asserted that might interfere with enforcement of an AIC Client's rights. In addition, in the event of any default under a secured loan held directly by an AIC Client, an AIC Client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the

principal and accrued interest of the secured loan, which could have a material adverse effect on an AIC Client's cash flow from operations.

In the event of a foreclosure, an AIC Client may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to an AIC Client. Any costs or delays involved in the effectuation of a foreclosure of the loan, or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Default of Borrowers. Loans that certain AIC Clients will make may be subject to credit, liquidity and interest rate risk. In the event of any default on the AIC Clients' investment in a debt obligation by the borrower, the AIC Clients will bear a risk of loss of principal and accrued interest on the debt obligation, which could have a material adverse effect on the AIC Clients' investment and results of operations. An investment may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches of contractual covenants. Credit risks associated with the investments include (among others): (i) the possibility that earnings of a borrower may be insufficient to meet its debt service obligations; (ii) a borrower's assets declining in value; and (iii) the declining creditworthiness, default and potential for insolvency of a borrower during periods of rising interest rates and economic downturn.

A defaulted investment may become subject to workout negotiations or may be restructured by, for example, reducing the interest rate, a write-down of the principal, and/or changes to its terms and conditions. Any such process may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on the defaulted investment, and significant costs might be incurred by the AIC Clients. In addition, the liquidity in defaulted loans may also be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the value of the AIC Clients' investment portfolio.

Swap Agreements. An AIC Client may enter into swap agreements. Swap agreements can be individually negotiated and structured to provide an AIC Client with exposure to a variety of different types of assets, including currencies, interest rates, securities, commodities, and credit risks. Depending on their structure, swap agreements may increase or decrease the exposure of an AIC Client to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, mortgage securities, corporate borrowing rates, asset-backed securities, collateralized debt obligations, indices, or other assets or factors such as security prices, baskets of equity securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. In general, swaps and other custom instruments that are not cleared are subject to counterparty risk, which is the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty. Depending on the type of swap, an AIC Client may instead be subject to the risk of the failure of the exchange on which it trades the swap or the clearinghouse through which it clears the swap. An AIC Client is not precluded from entering into any particular form of swap agreement if the Adviser determines it is consistent with the investment objective and policies of an AIC Client.

Swap agreements tend to shift investment exposure from one type of investment to another. For example, if an AIC Client agrees to exchange payments in U.S. dollars for payments in a non-U.S. currency, the swap agreement would tend to decrease an AIC Client's exposure to the U.S. dollar

and interest rates and increase its exposure to the relevant non-U.S. currency and related interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility or risk of the portfolio of an AIC Client. The most significant factor in the performance of swap agreements is the change in the referenced asset, whether an interest rate, currency, security, commodity or reference entity, along with other factors that impact the amounts of payments due to and from an AIC Client. If a swap agreement calls for payments by an AIC Client, an AIC Client must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by an AIC Client. Generally speaking, swap agreements require each party to post margin at the beginning of the trade and throughout the life of the agreement to collateralize any adverse mark to market movement in the value of the swap to such party. A bankruptcy of the collateral holder may result in losses to the extent posted collateral exceeds the obligations of the pledging party under the swap agreement.

The Dodd-Frank Act requires clearing and trading on regulated platforms of those certain products mandated by the U.S. Commodity Futures Trading Commission (the "CFTC"). The CFTC currently requires the centralized clearing and trading on swap execution facilities ("SEFs") of certain interest rate and credit index derivatives. Additional products are expected to be required to be cleared and traded in this manner in the future. However, other swaps will not necessarily be cleared or traded through registered clearinghouses or traded on regulated platforms, and therefore may not be subject to the protections afforded to participants in cleared swaps (for example, centralized counterparty, guaranteed funds, customer asset segregation and mandatory margin requirements) and trades executed on SEFs (for example, price transparency). Clearinghouse collateral requirements may differ from and be greater than the collateral terms negotiated with swap counterparties in the "over-the-counter" market. This may increase an AIC Client's cost in entering into these products and impact the Adviser's ability to pursue certain investment strategies. For swaps that are cleared through a clearinghouse, an AIC Client will face the clearinghouse as legal counterparty and will be subject to clearinghouse performance and credit risk. It is worth noting that the Dodd-Frank Act requires that over time a large proportion of transactions in the derivatives markets to be cleared on registered clearinghouses and traded on SEFs.

In addition, the Dodd-Frank Act and related CFTC and SEC rules (certain of which have not yet been released or finalized) impose other significant new regulations on the derivatives markets, including the registration of and regulations on persons deemed to be swap dealers or major swap participants. Such regulated swap entities are subject to a number of regulatory requirements that may result in such counterparties increasing an AIC Client's and its issuers' cost of trading derivative instruments through increased fees or spreads to offset the compliance costs and requirements. On the other hand, an AIC Client and the issuers it invests in may trade in certain swaps or derivative instruments with unregistered and unregulated entities, and therefore may not benefit from protections afforded to counterparties of registered and regulated swap entities.

There is significant uncertainty regarding the Dodd-Frank Act, the regulations that are being developed pursuant to such legislation and, consequently, the full impact that such legislation ultimately will have on an AIC Client and its issuers' derivatives instruments is not fully known to date.

Moreover, as noted above, certain aspects of the appropriate U.S. federal income tax treatment of customized derivative instruments are uncertain and, if an AIC Client's U.S. federal income tax

treatment of such instruments proves to be inappropriate, a Limited Partner's after-tax return from its investment in an AIC Client may be adversely affected.

Although the Dodd-Frank Act has imposed new and significant regulations regarding swap agreements, these transactions are substantially unregulated in other ways. There is no limitation on daily price movements and speculative position limits are not applicable. There may be periods during which certain participants in these markets refuse to quote prices for certain swap agreements or the assets referenced in such agreements or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in the market for any particular type of swap agreement due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such trading in swap agreements to a level that is less than that which the Adviser would otherwise recommend, to the possible detriment of an AIC Client. Market illiquidity or disruption could result in significant losses to an AIC Client.

For all the foregoing reasons, swap agreements can expose an AIC Client and its investments to significant risk of loss and may result in a poorer overall performance for an AIC Client than if it had not entered into such transactions.

Synthetic Instruments. An AIC Client may utilize customized derivative instruments, such as swap or notional principal contracts, to receive synthetically the economic attributes associated with an investment in a security or financial instrument or a basket of securities or financial instruments.

There may be circumstances in which the Adviser would conclude that the best or only means by which an AIC Client could make a desirable investment is through the use of such derivative structures. An AIC Client may be exposed to certain risks should the Adviser use derivatives as a means to implement synthetically its investment strategies. If an AIC Client enters into a derivative instrument whereby it agrees to receive the return of a security or financial instrument or a basket of securities or other financial instruments, it will typically contract to receive such returns for a predetermined period of time. During such period, an AIC Client may not have the ability to increase or decrease its exposure. In addition, such customized derivative instruments may not provide early optional termination rights to an AIC Client and may be highly illiquid. As a result, it is possible that an AIC Client will not be able to terminate such derivative instruments prior to their expiration date or that the penalties associated with such a termination will impact an AIC Client's performance in a material adverse manner. In the event an AIC Client seeks to invest in a security or other financial instrument or basket of securities or other financial instruments through such synthetic derivative instruments, an AIC Client will not acquire any voting interests or other shareholder rights that would be acquired with a direct investment in the underlying securities or other financial instruments. Accordingly, an AIC Client will not participate in matters submitted to a vote of the shareholders. In addition, an AIC Client may not receive all of the information and reports to shareholders that an AIC Client would receive with a direct investment. Further, it is expected that an AIC Client will pay the counterparty to any such customized derivative instrument structuring fees and ongoing transaction fees, which will reduce the investment performance of an AIC Client. These transactions will likely also require the posting of collateral. A bankruptcy of the collateral holder may result in losses to the extent posted collateral exceeds the obligations of the pledging party under such transaction. Finally, certain aspects of the appropriate U.S. federal income tax treatment of such customized derivative instruments are uncertain and, if an AIC

Client's U.S. federal income tax treatment of such instruments proves to be inappropriate, a Limited Partner's after-tax return from its investment in an AIC Client may be adversely affected.

Counterparty Risk; Necessity for Counterparty Trading Relationships. An AIC Client may establish relationships in the future to obtain financing, derivative intermediation and prime brokerage services that permit an AIC Client to trade in any variety of markets or asset classes over time; however, there can be no assurance that an AIC Client will be able to establish or maintain such relationships. An inability to establish or maintain such relationships would limit an AIC Client's trading activities and could create losses, preclude an AIC Client from engaging in certain transactions or obtaining financing, derivative intermediation and prime brokerage services and prevent an AIC Client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before an AIC Client establishes additional relationships could have a significant impact on the AIC Client's business due to an AIC Client's reliance on such counterparties.

Many of the markets in which an AIC Client effects a substantial portion of its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes an AIC Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing an AIC Client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where an AIC Client has concentrated its transactions with a single or small group of counterparties. The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of an AIC Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by an AIC Client.

In addition, an AIC Client may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to an AIC Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on an AIC Client and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to an AIC Client, which could be material.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common

stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by an AIC Client is called for redemption, such AIC Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the ability of such AIC Client to achieve its investment objective.

Incurrence of Additional Debt or Equity Securities. Borrowers or issuers of any portfolio investment may have, or may be permitted to incur, other debt, or issue other equity securities that rank equally with, or senior to, the AIC Clients’ investments. By their terms, those instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which the AIC Clients are entitled to receive payments in respect of their investments. These debt instruments would usually prohibit the borrower or issuer of any portfolio investment from paying interest on or repaying the AIC Clients’ investments in the event and during the continuance of a default under the debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a borrower or issuer of any portfolio investment, holders of securities ranking senior to the AIC Clients’ investment in that borrower or issuer typically would be entitled to receive payment in full before the AIC Clients receive any distribution in respect of their investment. After repaying those holders, the borrower or issuer of any portfolio investment may not have any remaining assets to use to repay its obligation to the AIC Clients. In the case of securities ranking equally with the AIC Clients’ investments, the AIC Clients will have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant borrower or issuer of any portfolio investment.

The rights the AIC Clients may have with respect to the collateral securing any junior priority loans it makes to the relevant borrower or issuer of a portfolio investment may also be limited pursuant to the terms of one or more intercreditor agreements that the AIC Clients enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, the AIC Clients may forfeit certain rights with respect to the collateral

to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of those enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. The AIC Clients may not have the ability to control or direct such actions, even if as a result their rights as junior lenders are adversely affected.

LIBOR Replacement Risk. Payment obligations, financing terms and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank Offered Rate (“LIBOR”). In 2017, the UK Financial Conduct Authority (“FCA”) announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR, and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the AIC Clients. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the AIC Clients or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the AIC Clients. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

Highly Volatile Instruments. The prices of the financial instruments in which the AIC Clients can invest can be highly volatile. Price movements of instruments in which the assets of AIC Clients may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention is intended to influence prices directly and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The investments of the AIC Clients also are subject to the risk of failure of any exchange on which its positions trade or of their clearinghouses.

Effect of Incentive Allocation. The existence of the Incentive Allocation for certain AIC Funds may create an incentive for the Adviser to make more speculative investments on behalf of those AIC Funds than it would otherwise make in the absence of such performance-based arrangement. In addition, if distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined in

accordance with procedures specified in the Governing Documents. An independent appraisal generally will not be required and is not expected to be obtained.

Contingent Liabilities. An AIC Client may from time to time incur contingent liabilities in connection with an investment. For example, such AIC Client may acquire a revolving credit or delayed draw term facility that has not yet been fully drawn or may originate or make a secondary purchase of a revolving credit facility. If the borrower subsequently draws down on the facility, the applicable AIC Client will be obligated to fund the amounts due which amounts may be required to be funded after the termination of the AIC Client investment period. An AIC Client may incur numerous other types of contingent liabilities. There can be no assurance that an AIC Client will adequately reserve for its contingent liabilities and that such liabilities will not have an adverse effect on an AIC Client.

Distressed and Stressed Investments. An AIC Client may also be authorized to invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments and the amount of any recovery may be affected by the relative seniority of the AIC Client's investment in the capital structure of the issuer. In addition, distressed investments are more likely to be challenged as fraudulent conveyances and amounts paid on the investment may be subject to avoidance as a preference under certain circumstances.

AIC Clients may also invest in the securities and obligations of stressed issuers. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Troubled company investments and other stressed asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, an AIC Client may have a more active participation in the affairs of the company than that assumed generally by an investor. In addition, involvement by the Adviser in a company's reorganization proceedings could result in the imposition of restrictions limiting the AIC Client's ability to liquidate its position in the issuer.

Furthermore, reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. Therefore, it is possible that an AIC Client may be named as defendants in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by AIC Client and would reduce net assets.

Non-Performing Debt. There are varying sources of statistical default and recovery rate data for loans and other debt securities and obligations and numerous methods for measuring default and

recovery rates. The historical performance of the credit market or the leveraged loan market is not necessarily indicative of future results.

It is anticipated that certain of the loans purchased by an AIC Client may be non-performing or in default or become non-performing and/or default after they are purchased by an AIC Client. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments an AIC Client will receive with respect to such non-performing or defaulted loans.

Leveraged Loans. “Leveraged loans” are loans made to companies with a below investment-grade rating from any nationally recognized rating agency. As a result, the risks associated with leveraged loans are similar to the risks of other below investment grade fixed-income instruments.

Investments in leveraged loans rated below investment grade are considered speculative because of the credit risk of their issuers. Such loans may be performing poorly when an AIC Client acquires them. An economic downturn would generally lead to a higher non-payment rate, and a leveraged loan may lose significant market value before a default occurs. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. Moreover, there is a risk that the collateral securing such loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the issuer to raise additional capital, and, in some circumstances, the AIC Client’s liens could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that the AIC Client will receive principal and interest payments according to the loan’s terms, or at all, or that the AIC Client will be able to collect on the loan should it be forced to enforce its remedies. An AIC Client may lose its entire investment or may be required to accept cash, property or securities with a value less than such AIC Client’s original investment and/or may be required to accept payment over an extended period of time.

Other risks associated with a leveraged loan include the possible invalidation of the underlying loan as a fraudulent conveyance under relevant creditors’ rights laws and depreciation in the value of the collateral securing the obligations of such loan. The AIC Client may suffer losses arising from these and other risks.

In general, the secondary trading market for leveraged loans may not be as liquid or efficient as certain other debt instruments. No active trading market may exist for certain leveraged loans, which may make it difficult to value or trade them. Illiquidity and adverse market conditions may mean that the AIC Client may not be able to sell leveraged loans quickly or at a price deemed by the AIC Client to be equal to the full value. To the extent that a secondary market does exist for certain leveraged loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

There may be less readily available and reliable information about most leveraged loans than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act or registered under the Commodity Exchange Act. As a result, the Adviser will rely primarily on its own evaluation of a borrower’s credit quality rather than on any available

independent sources. Therefore, the AIC Client will be particularly dependent on the analytical abilities of the Adviser with respect to the AIC Client's investments in leveraged loans.

Unfunded Loans. AIC Clients' investments are permitted to be comprised, directly or indirectly, of loan commitments that are unfunded at the time of investment. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness could continue to satisfy their contractual conditions and therefore be eligible to borrow at times when the lender might prefer not to lend. In addition, a lender will likely have assumptions as to when the borrower will draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment is unlikely to prove as attractive an investment as originally anticipated. Further, any failure to advance requested funds to a borrower could result in possible assertions of offsets against amounts previously lent.

Covenant-Lite Loans. A substantial portion of an AIC Client's assets may consist of "covenant-lite loans". There has been an increase in the average debt multiple of leveraged loans and the growth in the percentage of leveraged loans issued as "covenant-lite." Covenant-lite loans typically do not have maintenance covenants (which generally are covenants requiring the underlying obligor of the loan to comply with one or more financial covenants during each reporting period applicable to such loan). In addition, the Adviser believes that the covenants that do exist have generally become less restrictive, thereby offering more limited protection to lenders. Ownership of covenant-lite loans may expose the AIC Client to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have maintenance covenants. The lack of such covenants may increase the likelihood that such borrowers could default on their payments to the AIC Client, thereby resulting in losses to the AIC Client. The AIC Client may also own certain loans that do not have maintenance or incurrence covenants themselves but contain cross-default or cross-acceleration provisions to another loan of the underlying obligor that requires the underlying obligor to comply with a maintenance covenant (an "excluded loan"). If the application of any such covenant is subject to certain conditions (for example, in the case of a revolver, the condition that such revolver has been drawn), and those conditions have not been satisfied, such covenant may not afford or may cease to afford protection to the AIC Client. As a result of the ownership of such excluded loans and covenant-lite loans, the AIC Client's exposure to losses may be increased.

Hung Loan. The term "hung loan" commonly refers to a loan that has been made (or has been committed to be made), and the lender is not able to syndicate the loan on the originally anticipated terms. Hung loans are illiquid and lack readily ascertainable market values; there is no assurance that the price to be paid for hung loans by an AIC Client will reflect a discounted price that should allow the AIC Client to achieve a positive return on such loans or avoid losses. Since the price of the loans to be purchased is expected to continue to be significantly impacted by, in addition to the specific circumstances relating to each loan (e.g., in the case of a loan relating to a leveraged buyout ("LBO"), the financial condition of the target), global and macro-economic conditions (e.g., monetary policy, changes to currency exchange rates, governmental intervention or changes

to existing laws, international geo-political events, *etc.*) as well as other systemic factors, it is possible that loans purchased by the AIC Client will suffer significant impairments in value as a result of events not predicted by the AIC Client. The AIC Client may also face difficulties in disposing of or leveraging such loans, or in doing so without incurring losses. The markets in which hung loans are purchased and sold have been volatile and are likely to continue to be volatile in the future.

Bridge Loans. It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including LBOs, where they serve as advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrower and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer-term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by the Adviser, there may be an adverse effect upon the ability of the Adviser to manage the assets of the AIC Client in accordance with its models and projections or an adverse effect upon the AIC Client's performance and ability to make distributions.

Time Required for Maturity of Investments. Certain securities or obligations held by an AIC Client have terms longer than the term of an AIC Client and certain loans may have grace periods of several years. Furthermore, an AIC Client may, in connection with collateral held by it acquire non-marketable common or preferred equity securities and other illiquid assets with equity participation features, which, to the extent that they have value at all, will likely not have realizable value for a significant period of time. Accordingly, it is unlikely that significant distributions to investors will occur for a number of years from the date of the investors' applicable capital contributions, and certain investments may need to be disposed of upon dissolution of an AIC Client for less than their potential value.

Debtor in Possession Loans. The investments of certain AIC Clients may consist of interests in loans issued by companies that are in bankruptcy. These investments are highly risky, as there are a number of significant risks inherent in the bankruptcy process. First, many events in a bankruptcy are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of an AIC Client. Second, the effect of a bankruptcy filing on a company may adversely and permanently affect the company. The company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to liquidation, the

liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high. Although DIP loans may in some circumstances possess priority over administrative expenses, this is not always the case, and administrative expenses may be paid out of the debtor's estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that an AIC Client's influence with respect to the class of securities it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite significant. Ninth, amounts previously paid to an AIC Client may be challenged as fraudulent conveyances or preferences as part of a bankruptcy proceeding. See below in "Item 8: Risks – Fraudulent Conveyance and Preference Considerations."

An AIC Client may invest in the securities and obligations issued by companies that are financially distressed and are expected by the Adviser to commence bankruptcy proceedings or undertake out-of-court restructurings, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. While these loans are subject to the risks inherent in the bankruptcy process as DIP loans, they are typically riskier than DIP loans because they do not possess certain protections, such as priming liens, typically afforded to DIP loans. It is more likely that a creditor making an investment made prior to the commencement of bankruptcy proceedings will be deemed to have exercised "domination and control" over a debtor and consequently lose ranking and priority. In addition, investments in pre-filing companies are more likely to be challenged as fraudulent conveyances and amounts paid on the investment may be subject to avoidance as a preference under certain circumstances.

Special Situation Financings. Certain AIC Clients make investments in special situation financings, including event-driven situations such as recapitalizations, "debtor in possession" and other financings, corporate and financial restructurings, acquisitions, divestitures, reorganizations or other situations in public or private companies that would provide an AIC Client with an opportunity to provide debt and/or equity financing. Such investments may be originated by AIC Clients and will typically be made on a negotiated basis. These investments are complicated, and an incorrect assessment of the downside risk associated with an investment could result in significant losses to an AIC Client.

Lower Credit Quality Loan. There are no restrictions on the credit quality of an AIC Client's loans. Loans invested in by an AIC Client may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans in which an AIC Client may invest have

large uncertainties or major risk exposures to adverse conditions and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Syndicated Loans and Minority Holders. An AIC Client may purchase assets in the form of an assignment of, or participation interest in, a note or other obligation issued under a loan facility to which more than one lender is a party. Participations held by an AIC Client in a seller's portion of a debt instrument typically results in a contractual relationship only with such seller, not with the obligor. These loan facilities are administered for the lenders by a lender or other agent acting as the lead administrator. The terms and conditions of these loan facilities may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super-majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders, and an AIC Client may have a minority interest in such loan facilities. Consequently, the terms and conditions of an AIC Client asset issued or sold in connection with a loan facility could be modified, amended or waived in a manner contrary to the preferences of an AIC Client if the amendment, modification or waiver of such term or condition does not require the unanimous vote of the lenders and a sufficient number of the other lenders concur with such modification, amendment or waiver. There can be no assurance that any AIC Client assets issued or sold in connection with any loan facility will maintain the terms and conditions to which an AIC Client or a predecessor in interest to an AIC Client originally agreed.

In connection with purchasing participations, an AIC Client generally will have no right to enforce compliance by the obligor with the terms of the related loan agreement, nor any rights of set-off against the obligor and an AIC Client may not directly benefit from the collateral supporting the debt instrument in which it has purchased the participation. As a result, an AIC Client will assume the credit risk of both the obligor and the seller selling the participation. In the event of the insolvency of such seller, an AIC Client may be treated as a general creditor of such seller and may not benefit from any set-off between such seller and the obligor. Well-publicized weaknesses in certain financial institutions that came to light following the global financial crisis could be indicative of increased counterparty risk with respect to, among other things, participation interests. Additionally, the transparency of financial statements used by such financial institutions, in particular, with respect to the value of complex financial assets, has been called into question. If an AIC Client holds a participation in a debt instrument, it may not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor or, if an AIC Client does not vote as requested by the seller, it may be subject to repurchase of the participation at par. Sellers voting in connection with a potential waiver of a restrictive covenant may have interests different from those of an AIC Client, and such selling institutions may not consider the interests of an AIC Client in connection with their votes. In addition, participations may expose an AIC Client to risks relating to financing cost, margin requirements and increased losses associated with the use of leverage in connection with unfunded or partially funded participations.

Assignments. An AIC Client may also purchase assignments, which are arrangements whereby a creditor assigns an interest in a loan to an AIC Client. The purchaser of an assignment typically succeeds to all the rights and obligations of the assignor of the loan and becomes a lender under the loan agreement and other operative agreements relating to the investment. Assignments are, however, arranged through private negotiations between potential assignees and potential

assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assignor of the loan. In contrast to the rights of an AIC Client as an owner of a participation, an AIC Client, as an assignee, will generally have the right to receive directly from the obligor all payments of principal, interest and any fees to which it is entitled. In some assignments, the obligor may have the right to continue to make payments to the assignor with respect to the assigned portion of the loan. In such a case, the assignor would be obligated to receive such payments as agent for an AIC Client and to promptly pay over to an AIC Client such amounts as are received. As a purchaser of an assignment, an AIC Client typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. An AIC Client will also have the same rights as other lenders to enforce compliance by the obligor with the terms of the loan agreement, to set-off claims against the obligor and to have recourse to collateral supporting the investment. As a result, an AIC Client may not bear the credit risk of the assignor and the insolvency of an assignor of a loan should have little effect on the ability of an AIC Client to continue to receive payments of principal, interest or fees from the obligor. An AIC Client will, however, assume the credit risk of the obligor.

Exit Financing. The Adviser may cause certain AIC Clients to invest in companies that are in the process of exiting, or that have recently exited, the bankruptcy process. Post-reorganization securities typically entail a higher degree of risk than investments in securities that have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If an evaluation by the Adviser of the anticipated outcome of an investment situation should prove incorrect, the relevant AIC Client could experience a loss.

Structured Products. The Adviser may cause certain AIC Clients to invest in structured products. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in the bank loan, high yield debt or other asset groups. An AIC Client's investments in structured products will be subject to a number of risks, including risks related to the fact that the structured products will be leveraged. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor in the equity or subordinated debt securities issued by a structured product. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of the AIC Client's investment therein. In addition, if the particular structured product is invested in a security in which the AIC Client is also invested, this would tend to increase the AIC Client's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative basis.

The value of an investment in a structured product will depend on the investment performance of the assets in which the structured product invests and will therefore be subject to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other credits of the issuer of such asset or nullified under applicable law. The AIC Client will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnity and the rights of setoff, or have voting rights

with respect to such assets, and in such cases, all decisions related to such assets, including whether to exercise certain remedies, will be controlled by the structured product.

In addition, there can be no assurance that a liquid market will exist in structured products when an AIC Client seeks to sell its interest therein. Also, it is possible that an AIC Client's investment in structured products will be subject to certain contractual limitations on transfer.

Second Lien Loans. AIC Clients may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan and other junior or subordinated products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien or junior holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, which may limit the AIC Clients' ability to amend their loan documents, assign their loans, accept prepayments, exercise their remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers, which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. In August 2007, the market for many loan products, including second lien loans, contracted significantly, which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second lien loan products. Although conditions have improved following the global financial crisis, there can be no assurance that such illiquidity will not reoccur with respect to loans.

Relating to Investment in RMBS. AIC Clients may invest certain of its assets in residential mortgage-backed securities ("RMBS") and become holders of RMBS. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized, and the securities issued in such securitization may be guaranteed or credit enhanced. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of

mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called “Jumbo” mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

Structural and Legal Risks of RMBS. Residential mortgage loans in an issue of RMBS may be subject to various U.S. federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer’s ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS.

RMBS may have structural characteristics that distinguish them from other asset-backed securities. The rate of interest payable on RMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves. As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. The Servicemembers Civil Relief Act of 2003 provides relief for soldiers and members of the reserve called to active duty by capping the interest rates on their mortgage loans at 6% per annum. Certain RMBS may provide for the payment of only interest for a stated period of time.

In addition, structural and legal risks of RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of RMBS.

It is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person, although AIC Clients will be permitted to invest in direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or certain instrumentalities thereof. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Defaults and Foreclosures on Mortgage Loans; Eminent Domain. AIC Clients may make investments in loans, or securities backed by loans, that may be at the time of their acquisition, or may become after acquisition, non-performing loans. In the event of any default under a loan directly held by AIC Clients or a loan underlying a security held by AIC Clients, such AIC Clients will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the loan, which could have a material adverse effect on the applicable AIC Clients' cash flow from operations. Other non-performing loans may require workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the original principal amount of such loans. Further, even if a restructuring were successfully accomplished, unless the restructuring provided for full amortization on or prior to maturity and the borrower strictly complied with that restructuring, a risk exists that upon maturity of such loans, replacement financing will not be available and such loans may not be repaid. In the event of the bankruptcy of a borrower, the loan to that borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), the lien securing the loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law, and realizing any value under such circumstances can be an expensive and lengthy process that could have a substantial negative effect on the anticipated return on the loan and on the security backed by such loan. Other risks attendant to a bankruptcy filing are described below. The foregoing statement does not apply in the context of a borrower insolvency case commenced under chapter 13 of the U.S. Bankruptcy Code where the underlying collateral is used as the principal residence of the borrower, but in such instances, the lender will nonetheless be stayed from the collection of its claim, taking possession of the collateral, and enforcing its lien unless and until the lender obtains relief from the automatic stay under the U.S. Bankruptcy Code.

It is possible that the Adviser may find it necessary or desirable to foreclose on collateral securing one or more investments in loans purchased by AIC Clients. The foreclosure process can be expensive and lengthy (which could have a substantial negative effect on the AIC Clients' anticipated return on the foreclosed mortgage loan) and may be adversely affected by the operation of state law governing the foreclosure process as well as other creditor's rights provided in the governing loan instruments. Inadequate documentation of loans or assignments of loans and erroneous or incomplete recordkeeping with respect to loans that were formerly securitized in loan pools may impair the Adviser's ability to foreclose on collateral securing loans. Borrowers often

resist foreclosure actions by asserting numerous claims, including lender liability claims, and may also file for bankruptcy at any time during the foreclosure process.

The foreclosure process also tends to create a negative public image of the collateral property and may result in the disruption of ongoing leasing and management of the property. AIC Clients' involvement in the foreclosure process may also expose AIC Clients and/or their affiliates to negative publicity, adverse public sentiment, regulatory scrutiny or legal disputes, which may adversely impact AIC Clients and their anticipated investment programs.

Also, a number of mortgage loan originators have recently experienced serious financial difficulties or bankruptcy. The foregoing, as well as the resulting reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements have caused limited liquidity in the secondary market for mortgage-related securities, which can adversely affect the market value of mortgage-related securities. As a result, the performance of AIC Clients' mortgage loans and other investments backed by mortgage loans could be correspondingly adversely affected.

A number of local governments have in the past and may in the future consider using eminent domain to seize mortgage loans and forgive principal on the loans. Such seizures, if they are successful, could result in losses and write-downs relating to AIC Clients' mortgage loans and other investments backed by mortgage loans (*i.e.*, MBS), and could increase AIC Clients' credit losses. These actions and others that state and local governments may pursue in the future could have an adverse effect on AIC Clients' business, results of operations, financial condition and net worth.

Risks Related to Investment in CMBS. AIC Clients may invest in commercial mortgage-backed securities ("CMBS") and other mortgage-backed securities ("MBS"), including subordinated tranches of such securities. The value of CMBS will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS.

Some or all of the CMBS contemplated to be acquired by AIC Clients may not be rated or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated CMBS, or "B-pieces," have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than "B" by the rating organizations can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect AIC Clients from loss. As an investor in subordinated CMBS in particular, AIC Clients will be first in line among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral.

AIC Clients may acquire subordinated tranches of CMBS issuances. In general, subordinated tranches of CMBS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of nonpayment than are senior tranches of CMBS or CMBS backed by third-party credit enhancement. In addition, an

active secondary market for such subordinated securities is not as well developed as the market for certain other MBS. Accordingly, such subordinated CMBS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

The value of CMBS and other MBS in which AIC Clients may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific MBS are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal, and thus, often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Many commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related MBS. Revenues from the assets underlying such MBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

Season and Sell Transactions. From time-to-time AIC Clients may enter into loan origination transactions that would be conducted through a so-called "season and sell" structure. Under such arrangements, an AIC Client ("Originating Client") would (either directly or indirectly through an entity formed for such purpose) originate loans and, after those loans have been held for a seasoning period (e.g., 90 days), would often sell a pro rata portion of such loans to another AIC Client (or an entity owned by another AIC Client) ("Purchasing Client") at the then-current fair market values of such loans. However, since (1) the decision by the Originating Client (or such originating entity) to originate the loans and (2) the decision by the Purchasing Client (or such transferee entity) whether and at what price to acquire a portion of such loans would be made as separate, independent decisions, it is possible from time to time that certain loans originated by the Originating Client (or such originating entity) may not subsequently be transferred to the Purchasing Client or such transferee entity. As a result, the Originating Client and the Purchasing Client may hold different investments in their respective loan portfolios, and the Originating Client would bear all of the risk of the loans during the seasoning period and may be forced to retain a disproportionate amount of non-performing or other loans if the Purchasing Client or such

transferee entity elected subsequently not to purchase them. This potential difference in investments held by the Originating Client and the Purchasing Client, together with the different prices at which the loans would be acquired and the fact that the Purchasing Client would not participate in loan origination fees, will potentially cause a divergence in the economic returns between the Originating Client and the Purchasing Client. See below in “Item 11: Potential Conflicts of Interest -- Conflicts Relating to the Purchase and Sale of Investments” for a description of conflicts arising from these transactions.

Corporate Debt. AIC Clients may invest in corporate debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, an AIC Client may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to an AIC Client in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, an AIC Client may experience substantial losses.

Mezzanine Debt. The mezzanine investments in which an AIC Client intends to invest are typically contractually or structurally subordinate to senior indebtedness of the applicable company, or effectively subordinated as a result of being unsecured debt and therefore subject to the prior repayment of secured indebtedness to the extent of the value of the assets pledged as security. In some cases, the subordinated debt held by an AIC Client may be subject to the prior repayment of different classes of senior debt that may be “layered” ahead of the debt held by an AIC Client. In the event of financial difficulty on the part of a portfolio company, such class or classes of senior indebtedness ranking prior to the debt held by an AIC Client, and interest thereon and related expenses, must first be repaid in full before any recovery may be had on an AIC Client’s mezzanine or other subordinated investment. Subordinated investments are characterized by greater credit risks than those associated with the senior or senior secured obligations of the same issuer. Further, mezzanine investments generally are subject to various risks, including, without limitation: (i) a subsequent characterization of an investment as a “fraudulent conveyance”; (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing; (iii) equitable subordination claims by other creditors; (iv) so-called “lender liability” claims by the issuer of the obligations; and (v) environmental liabilities that may arise with respect to collateral securing the obligations. In addition, under certain circumstances the holders of the senior indebtedness will have the right to block the payment of interest and principal on an AIC Client’s mezzanine investment and to prevent an AIC Client from pursuing its remedies on account of such non-payment against the company. Further, in the event of any debt restructuring or workout of the indebtedness of any company, the holders of the senior indebtedness will likely control the creditor side of such negotiations.

Many issuers of mezzanine debt are 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. In addition, many issuers of mezzanine debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Adverse changes in the financial condition of an issuer, general economic conditions, or both, may impair the ability

of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer. Mezzanine debt securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Finally, the market values of certain of this mezzanine debt may reflect individual corporate developments.

Mezzanine debt investments may also be in the form of zero-coupon or deferred interest bonds, which are bonds which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. These investments typically experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.

Failure of Servicers to Effectively Service Loans. The failure of servicers to effectively service the loans and/or pools thereof in which an AIC Client has an investment would materially and adversely affect such AIC Client. Most loans and securitizations thereof require a servicer to manage collections on each of the underlying loans. Both default frequency and default severity of loans may depend upon the quality of the servicer. The servicer quality is of significant importance in the management of mortgage loans (or pools thereof) and default issues related thereto. In the case of pools of securitized loans, servicers may be required to advance interest on delinquent loans to the extent the servicer deems those advances recoverable. In the event the servicer does not advance, interest payments may be interrupted even on more senior securities. Servicers may also advance more than is in fact recoverable once a defaulted loan is disposed, and the loss to the trust may be greater than the outstanding principal balance of that loan.

Risks Associated with Servicers. In addition to risks associated with attempting to predict default and recovery rates on mortgages that AIC Clients may acquire or to which they otherwise have exposure, the creditworthiness, servicing practices and viability of the servicers of such mortgages are also significant risks. For example, RMBS may provide that the servicer is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Illiquidity and unpredictability in these markets make it difficult to determine whether such servicers have sufficient capital and adequate staffing levels to fulfill their servicing obligations and the extent to which such servicers are subject to regulatory risks and risk of error. Recently, a number of originators and servicers of mortgage loans have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings. Such financial difficulties may have a negative effect on the ability of servicers to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on sale of underlying properties following foreclosure.

AIC Clients will also be exposed to these and other risks to the extent they have financial interests in a servicer or otherwise engage in servicing activities. While AIC Clients may utilize (or replace existing servicers with) affiliated servicers, there can be no assurance that any such affiliated servicer will be successful or will have a positive impact on AIC Clients' performance.

State mortgage finance licensing laws vary considerably. Many of the mortgage licensing laws impose a licensing obligation to service residential mortgage loans. Certain state collection agency licensing laws require entities collecting on delinquent or defaulted loans for others or acquiring such loans to be licensed. Failure to obtain and maintain the appropriate state licenses, or to qualify for the appropriate exemptions, could adversely affect AIC Clients' investments to the extent AIC Clients seek to engage in loan servicing activities directly or have financial interests in a servicer.

Generally, the day-to-day administration of AIC Clients' loans will be handled by one or more servicers selected by the Adviser. It is expected that, in consultation with the Adviser, such servicers will develop appropriate strategies to seek to maximize value from such investments. Although the Adviser currently expects to retain third-party servicers, it may in the future cause AIC Clients to acquire a servicer and/or to employ servicers that are owned by or otherwise affiliated with the Adviser or AIC Clients. The Adviser expects that AIC Clients will typically retain servicers on the basis of cost plus a performance fee contingent upon the achievement of targeted financial results but may enter into other compensation arrangements.

When-Issued and Forward Commitment Securities. The purchase of securities on a "when-issued" basis involves a commitment by an AIC Client to purchase or sell securities at a future date (typically one or two months later). No income accrues on securities that have been purchased on a when-issued basis prior to delivery to an AIC Client. When-issued securities may be sold prior to the settlement date. If an AIC Client disposes of the right to acquire a when-issued security prior to its acquisition, it may incur a gain or loss. In addition, there is a risk that securities purchased on a when-issued basis may not be delivered to an AIC Client. In such cases, an AIC Client may incur a loss.

Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward contracts are subject to many of the same risks as swap agreements described above, in particular counterparty and performance risks. Forward trading (to the extent forward contracts are not traded on exchanges) and "cash" trading are substantially unregulated. There is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been, and may in the future be, periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by an AIC Client due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such forward (and futures) trading to a level that is less than that which the Adviser would otherwise recommend, to the possible detriment of an AIC Client. Market illiquidity or disruption could result in major losses to an AIC Client.

Asset-Backed Securities. Asset-backed securities (“ABSs”) and other asset-based structured products, which are securities and instruments backed by mortgages, including commercial mortgage-backed securities, trade claims, installment sale contracts, credit card receivables or other assets and which include collateralized debt obligations. The investment characteristics of ABSs differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. ABSs are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of U.S. state and federal (and comparable non-U.S.) consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABSs backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABSs. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABSs may not have a proper security interest in all of the obligations backing such ABSs. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABSs is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABSs is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABSs are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market’s perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

In addition, investments in subordinated ABSs involve greater credit risk of default than the senior classes of the issue or series. Default risks are further pronounced in the case of ABSs secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement equity. Such securities, therefore, possess some of the attributes typically associated with equity investments.

Capital Calls and Use of Subscription Lines and Asset-Backed Facilities. It is expected that the Adviser will apply leverage, including subscription facilities or asset-based leverage, to enhance the return profile of certain investments (the collateral for which can be, for example, one or more assets of an AIC Client (*i.e.*, asset-backed facilities), or the unused capital commitments of investors (*i.e.*, subscription lines)). For administrative convenience, drawdowns, including those used to pay interest on subscription lines, asset-backed facilities and other indebtedness, are generally expected to be “batched” together into larger, less frequent capital calls (although actual timing and amounts may vary), with AIC Client’s interim capital needs being satisfied by AIC Clients borrowing money from such credit facilities and investment proceeds. Furthermore, AIC Clients may borrow money from such credit facilities for the purposes of making portfolio investments with no intention of calling capital from investors to repay such borrowings. There

generally is no limitation on the amount of time any such borrowing may remain outstanding and the interest expense and other costs of any such borrowings will be fund expenses and, accordingly, may decrease net returns of an AIC Client. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the applicable preferred return (with the applicable preferred return beginning to accrue when capital contributions to repay borrowings used to fund such portfolio investments are actually made to AIC Clients). In light of the foregoing, the Adviser may have an incentive to permanently fund an acquisition and ongoing capital needs of portfolio investments and the relevant AIC Clients with the proceeds of such borrowings in lieu of drawing down unused capital commitments on a just-in-time basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of disposition of portfolio investments.

To the extent that the AIC Clients are unable to obtain a subscription line, or the Adviser determines that the terms of such facility would not be appropriate for an AIC Client or otherwise determines not to use such facility or access to such facility otherwise becomes unavailable, the Adviser may draw down capital commitments in advance as pooled contributions and hold them in reserve in order to make portfolio investments, satisfy fees and expenses and other capital needs as such needs arise in the future.

Litigation and Related Risks Associated with Origination and Servicing. The Adviser expects certain AIC Clients to originate loans, which could subject such AIC Clients or the Adviser to various regulatory regimes. As a result of complying with such regulatory regimes, restrictions may be placed on AIC Clients' or the Adviser's ability to take certain actions to protect the value of its investments in such assets and impose compliance costs. Loan origination and servicing companies are routinely involved in legal proceedings concerning matters that arise in the ordinary course of their business. These legal proceedings range from actions involving a single plaintiff to class action lawsuits with potentially tens of thousands of class members. In addition, a number of participants in the loan origination and servicing industry (including control persons of industry participants) have been the subject of regulatory actions by state regulators, including state Attorneys General, and by the federal government. Governmental investigations, examinations or regulatory actions, or private lawsuits, including purported class action lawsuits, may adversely affect such companies' financial results. To the extent AIC Clients seek to engage in origination and/or servicing directly, or have financial interests in, or are otherwise affiliated with, an origination or servicing company, such AIC Clients will be subject to enhanced risks of litigation, regulatory actions and other proceedings. As a result, AIC Clients may be required to pay legal fees, settlement costs, damages, penalties or other charges, any or all of which could materially adversely affect AIC Clients and their investments.

A number of regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In the future additional jurisdictions could seek similar limitations on the ability of loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the loans on behalf of their holders. Any such limitations that applied to a servicer of the loans could adversely affect the holder's ability to realize proceeds on such loans.

Securitization Vehicles. To finance investments, an AIC Client may securitize certain of its investments, while retaining all or most of the exposure to the performance of these investments. This would involve contributing a pool of assets to a special purpose entity (a "Securitization

Vehicle”) and selling debt interests in such entity on a non-recourse or limited-recourse basis to purchasers.

If an AIC Client creates a Securitization Vehicle, AIC Client will depend on distributions from the Securitization Vehicle’s assets to enable it to make distributions to investors. The ability of a Securitization Vehicle to make distributions will be subject to various limitations, including the terms and covenants of the debt it issues. For example, tests (based on interest coverage or other financial ratios or other criteria) may restrict AIC Client’s ability, as holder of a Securitization Vehicle’s equity interests, to receive cash flow from these investments. There is no assurance any such performance tests will be satisfied. Also, a Securitization Vehicle may take actions that delay distributions in order to preserve ratings and to keep the cost of present and future financings lower, or the Securitization Vehicle may be obligated to retain cash or other assets to satisfy over-collateralization requirements commonly provided for holders of the Securitization Vehicle’s debt. As a result, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in, and the distribution of cash out of, a Securitization Vehicle, or cash flow may be completely restricted for the life of the Securitization Vehicle. In addition, a decline in the credit quality of loans in a Securitization Vehicle due to poor operating results of the relevant borrower, declines in the value of loan collateral or increases in defaults, among other things, could force a Securitization Vehicle to sell certain assets at a loss, reducing its earnings and, in turn, cash potentially available for distribution to an AIC Client for distribution.

To the extent that any losses are incurred by the Securitization Vehicle in respect of any collateral, such losses will be borne first by an AIC Client as owner of equity interests. Finally, any equity interests that an AIC Client retains in a Securitization Vehicle will not be secured by the assets of the Securitization Vehicle and an AIC Client will rank behind all creditors of the Securitization Vehicle.

Non-Controlling Investments. The AIC Clients do not expect to make control investments in issuers on a regular basis. It may hold minority debt positions alone, or it may hold a minority interest in any facility or tranche with respect to debt obligations of an issuer as part of a “club” deal. In such circumstances, the AIC Client may have a limited ability to exercise influence over voting decisions with respect to such loan facility or tranche or otherwise protect its investment. The AIC Client may also have a limited ability to conduct comprehensive due diligence on the underlying issuers in advance of making such investments. Issues and risks relating to such issuers subsequently identified by the AIC Client may adversely impact the value of such positions.

Controlling Investments. Although AIC Clients do not expect to make control investments in issuers on a regular basis, an AIC Client may, from time to time, ultimately own a controlling interest in an investment. These investments could expose an AIC Client to risk of liability for environmental damage, product defect, failure to supervise management, violation of governmental regulations and other types of liability, in which the limited liability characteristic of business operations may be ignored.

An AIC Client may also be exposed to risk in connection with the disposition of these investments. When disposing of these investments, an AIC Client may be required to make representations and warranties about the business and financial affairs of the investments typical of those made in connection with the sale of any business or may be responsible for the contents of disclosure documents under applicable securities law. An AIC Client may also be required to indemnify the

purchasers of such investment or underwriters to the extent that any such representations and warranties or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which will be borne by an AIC Client.

As a result of the Alternative Investment Fund Managers Directive (“*AIFM Directive*”), an AIC Client may be subject to regulatory filing and notification obligations and may be bound by restrictions where it takes “control” (generally 30% or more of the equity or voting capital of listed companies in the European Union or 50% of the voting capital of unlisted companies in the European Union) and notification requirements where it takes a major holding (10% or more) of a company registered in the European Union. The intention of the restrictions is to prevent an acquiring fund from using the inherited capital and reserves of a European Union target company to fund the cost of the acquisition, or to provide short term profits. The AIFM Directive, therefore, imposes restrictions on distributions, capital reductions, share redemptions or repurchase of company shares by companies “controlled” by a client during the first two years of such fund’s ownership. These obligations and restrictions may increase operational costs for an AIC Client.

Leverage. The Adviser may cause certain AIC Clients to utilize leverage, primarily (but not exclusively) by participating in total rate of return swaps, directly and indirectly. The use of leverage will increase the volatility of the AIC Client. While the use of borrowed funds will increase returns if the AIC Client earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage will decrease returns if the AIC Client fails to earn as much on such incremental investments as it pays for such investment. The effect of leverage may therefore result in a greater decrease in the net asset value of the AIC Client than if the AIC Client was not so leveraged. Additionally, especially during periods of extreme market volatility, the Adviser may need to sell assets at prices below what the Adviser believes is the intrinsic value of such assets to meet collateral requirements thereby incurring realized losses, which may be material, for such AIC Clients.

Repurchase Agreements and Other Forms of Borrowing. An AIC Client may also borrow by entering into repurchase agreements. Under a repurchase agreement, an AIC Client sells securities or other obligations and agrees to repurchase them at a specified date and price. Repurchase agreements involve the risk that the market value of the securities or other obligations purchased with the proceeds of the repurchase agreement by an AIC Client may decline below the price of the securities or other obligations an AIC Client has sold but is obligated to repurchase. In the event the buyer of securities or other obligations under a repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the obligation of an AIC Client to repurchase the securities or other obligations and an AIC Client’s use of the proceeds of the repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities or other obligations that the AIC Client has purchased has decreased, an AIC Client could experience a loss.

The investment returns of an AIC Client may also be leveraged with options, swaps, forwards and other derivative instruments. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase, 10% of

the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

Investments in Undervalued Assets. AIC Clients may seek to invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired, particularly when investments are made in times of extreme market volatility. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

An AIC Client may be required to hold undervalued assets for a substantial period of time with the expectation that the assets will appreciate in value, even though there is no assurance that such value appreciation will take place. Accordingly, an AIC Client may be forced to sell such undervalued assets at a substantial loss. During this period, a portion of such AIC Client's funds would be committed to undervalued assets, thus possibly preventing such AIC Client from investing in other opportunities. In addition, the AIC Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during this waiting period. Finally, margin calls and other events related to such AIC Client's indebtedness could force such AIC Client to have to sell assets at prices that are less than their fair value.

Short Selling. An AIC Client's investment program may include short selling. Short selling can involve an investor selling securities that it does not own and borrowing the same securities for delivery to the purchaser, with an obligation under the terms of the transaction to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in a security's price. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the investor of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Additionally, certain market participants could accumulate such securities in a "short squeeze," which would reduce the available supply, and thus increase the cost, of such securities. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The Adviser will have discretion in determining when, whether and in what manner to engage in short selling and therefore an AIC Client may be exposed to the risks outlined in this provision.

In response to dislocations in the financial services industry and other market events, the SEC and many European securities regulators including the UK's Financial Conduct Authority implemented certain prohibitions and disclosure requirements on short selling of securities. In Europe, the European Short Selling Regulation (No 236/2012) came into force in 2012 and restricts uncovered short sales of shares and European sovereign debt instruments, prohibits the entry into uncovered sovereign credit default swaps and requires investors to notify the relevant competent authority of any net short positions in European sovereign debt instruments and shares admitted to a trading venue in the European Union. Limitations on the short selling of securities could interfere with the ability of an AIC Client to execute certain aspects of its investment strategies, including its ability to hedge certain exposures and execute transactions to implement its risk management guidelines and any such limitations may adversely affect the performance of an AIC Client.

Trading in Options. An AIC Client may buy or sell (write) both call options and put options (either exchange-traded, over the counter or issued in private transactions), and when it writes options it may do so on a “covered” or an “uncovered” basis. An AIC Client’s options transactions may be part of a hedging tactic (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the AIC Client seeks to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be large, depending on the circumstances. In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the AIC Client may enter into.

A call option is “covered” when the writer owns securities of the class and amount of those as to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount.

When an AIC Client buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the security in the case of a put, could result in a total loss of an AIC Client’s investment in the option (including commissions). An AIC Client could mitigate those losses by selling short the securities as to which it holds call options or taking a long position (*i.e.*, by buying the securities or buying options on them) on securities underlying put options, but there is no requirement for the Adviser to do so.

When an AIC Client sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is “covered.” If it is covered, an increase in the market price of the security above the exercise price would cause an AIC Client to lose the opportunity for gain on the underlying security – assuming it bought the security for less than the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the AIC Client might suffer as a result of owning the security.

The seller of an uncovered put option theoretically could lose an amount equal to the entire aggregate exercise price of the option, if the underlying security were to become valueless. If the option were covered with a short position in the underlying security, this risk would be limited, but a drop in the security’s price below the exercise price would cause an AIC Client to lose some or all of the opportunity for profit on the “covering” short position – assuming an AIC Client sold short for more than the exercise price. If the price of the underlying security were to increase above the exercise price, the premium on the option (after transaction costs) would provide profit that would reduce or offset any loss an AIC Client might suffer in closing out its short position.

Loans of Portfolio Securities. An AIC Client may lend its portfolio securities in order to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, an AIC Client could experience delays in recovering the securities it lent. To the extent that the value of the securities an AIC Client lent has increased, a loss could be experienced if such securities are not recovered.

General Risks of Real Estate Ownership. An AIC Client may indirectly acquire debt or equity interests in real estate (including equity interests that result from all or any portion of the AIC

Client's debt interests in real estate converting, as a result of foreclosure, default, or otherwise, to equity interests in real estate), including as a result of any reorganization of an issuer. The real estate investments of the AIC Client will be subject to the risks generally incident to the ownership of real property, including uncertainty of cash flow to meet fixed and other obligations; adverse changes in local market conditions, population trends, neighborhood values, community conditions, general economic conditions, local employment conditions, interest rates, and real estate tax rates; changes in fiscal policies; competition from other properties; and uninsured losses and other risks that are beyond the control of the AIC Client, such as the threat of terrorism and their consequences. There can be no assurance of profitable operations because the cost of owning the AIC Client's real estate investments may exceed the income produced, particularly since certain expenses related to real estate and its development and ownership, such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner. In addition, the AIC Client's ownership of equity interests in real estate may have tax consequences for certain investors that do not apply in the case of the AIC Client's ownership of debt interests in real estate.

Investments Backed by Financing Secured by Pools of Real Estate Assets. AIC Clients will target investment opportunities that may include privately negotiated financings secured by pools of real estate assets. The value of such investments will depend on many real estate related factors beyond the control of AIC Clients. The ultimate performance of such investments will be subject to the varying degrees of risk generally incident to the ownership and operation of the underlying real property. Real estate historically has experienced significant fluctuations and cycles that may result in reductions in the value of real estate-related investments. The ultimate value of such investments in the underlying real property also depends upon the real property owner's ability to operate the real property in a manner sufficient to maintain or increase revenues in excess of operating expenses and debt service or, in the case of real property leased to a single lessee, the ability of the lessee to make rental payments. Real estate is subject to various specific risks (which can adversely affect a property's revenues), including: changes in national or international economic conditions and/or specific industry segments; changes in local market conditions due to changes in general or local economic conditions and neighborhood characteristics; property location and condition; tenant mix; the financial condition of tenants and buyers and sellers of properties; competition from other properties offering the same or similar services; changes in interest rates and in the availability, cost and terms of mortgage funds; the ongoing need for capital improvements (particularly in older structures); changes in real estate tax rates and other operating expenses; changes in governmental laws, rules and regulations (including changes in environmental laws, casualty or condemnation losses, and regulatory limitations on rents) and fiscal policies; costs of remediation and liabilities associated with environmental conditions and lawsuits; civil unrest; acts of God, including earthquakes, hurricanes and other natural disasters; acts of war; acts of terrorism (any of which may result in uninsured losses); the potential for uninsured, uninsurable or underinsured property losses; adverse changes in zoning laws; and other factors that are beyond the control of the real property owners and AIC Clients. In the event that any of the properties underlying AIC Clients' investments experience any of the foregoing events or occurrences, the value of and return on such investments would likely be negatively impacted.

Potential Downturns in the Real Estate Markets. Declining real estate prices can cause higher delinquencies and losses on certain mortgage loans, which could materially and adversely affect the value of such investments. With respect to such investments, AIC Clients will be exposed to various risks as a result of any weakness in the real estate markets, such as declines in real estate

values, declines in sales volumes, financial stress on borrowers as a result of associated rises in unemployment levels, interest rate resets on adjustable-rate mortgage loans and/or other factors, and the potential adverse effects on tenants and buyers and sellers of real estate. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the income received by the AIC Clients from such investments. Further, declining real estate values significantly increase the likelihood of losses on such assets in the event of default, as the value of the underlying collateral could be insufficient to pay amounts owed under the related loan. Even if restructuring efforts were successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement “take-out” financing will not be available. Adverse changes in the real estate markets also increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Furthermore, the properties which will ultimately secure AIC Clients’ investments that are backed by real estate assets could potentially suffer varying degrees of financial distress or be located in economically distressed areas.

Commercial Mortgage Loans and Similar Assets. The value of any investments by AIC Clients that are backed by commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include:

(i) economic and real estate market conditions, (ii) the term and structure of the mortgage loans and (iii) any limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable laws. Delinquencies, defaults and loss severity on commercial mortgage loans in general will be influenced by the effects of general and local economic conditions on real estate values and the conditions of specific industry segments (e.g., multifamily, retail, office, etc.). Performance of specific mortgage loans will be influenced by the ability of tenants to make lease payments, the ability of a property to attract and retain tenants and the ability of the owner to maintain the property and comply with applicable laws. Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the “balloon” amount at or prior to maturity of the mortgage loan, which increases the risk of default at that time. Accordingly, investors in commercial mortgage loans bear the risk that a borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation. A borrower’s ability to refinance or otherwise repay, for example by selling the property, will be dependent on factors described above in “*General Risks of Real Estate Ownership*.” Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower’s other assets. Consequently, if the AIC Clients held commercial mortgage loans, it would have to rely solely on revenues from and proceeds from the sale of collateral pledged to secure such loans for making interest and principal payments. If distributions of such proceeds are insufficient to make payments due on such loans, following liquidation of all the collateral, the obligations of the borrowers to make such payments will be extinguished. Exercise of foreclosure and other remedies often involve lengthy delays and considerable expenses in the face of declining property values. In addition, the foreclosure process can require strict compliance with formulaic rules that, if applicable, would likely pose technical hurdles to the AIC Clients in connection with a foreclosure that could delay or in certain circumstances ultimately prohibit the foreclosure.

Insurance Risks Relating to Commercial Real Estate. AIC Clients will be exposed to the following risks in respect of any investments that are backed by real estate assets. There are certain types of losses with respect to commercial real estate, generally of a catastrophic nature, such as

earthquakes, floods, hurricanes, terrorism or acts of war, that, depending on the applicable policy, will be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the owner's economic position with respect to the affected real property. Any uninsured loss could result in both loss of cash flow from and the asset value of the affected property, which would likely in turn negatively impact the cash flow and value of a loan secured by such property. To the extent AIC Clients' investments comprise any such loans, the occurrence of any of the foregoing events could cause AIC Clients to incur material losses.

Sector Risk. The chance that, if an AIC Client focuses on one or more sectors of the economy, its performance will correspond with the performance of those sectors. An AIC Client that invests in particular sectors is particularly susceptible to the impact of market, economic, regulatory and other factors affecting those sectors. As a result, at such times, an AIC Client's portfolio value may fluctuate more widely than if it had invested across sectors.

Environmental Hazards. Under environmental laws enacted by the United States and the various states within the United States, owners of property may be liable for the clean-up and removal of hazardous substances even where the owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. Similar laws may be in effect in other jurisdictions where an AIC Client invests. The costs of removal and clean-up of hazardous substances and wastes can be extremely expensive and, in some cases, can exceed the value of a property. If any property acquired by an AIC Client through foreclosure or otherwise subsequently were found to have an environmental problem, such acquiring entity could incur substantial costs and suffer a complete loss of its investment in such property as well as of other assets. Similarly, real estate is subject to loss due to so-called "special hazards" (e.g., floods, earthquakes and hurricanes). It may be impractical or impossible to fully insure against such events and, should such an event occur, an AIC Client could incur substantial costs and suffer a complete loss of its investment in such property.

Timing Risk. AIC Clients will be exposed to the following risks directly in respect of its direct investments (other than collateralized securities), as well as indirectly inasmuch that Securitization Vehicles that have issued collateralized securities held by AIC Clients are subject to the following risks, either of which could cause AIC Clients to incur a material loss. Many agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains the right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the holder of the bond is exposed to reinvestment rate risk — it will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Maturity Risk. AIC Clients will be exposed to the following risks directly in respect of its direct investments (other than collateralized securities), as well as indirectly inasmuch that Securitization Vehicles that have issued collateralized securities held by AIC Clients are subject to the following

risks, either of which could cause AIC Clients to incur a material loss. In certain situations, AIC Clients (or a Securitization Vehicle in which AIC Clients has invested) may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the purchaser will make an adjustment to account for the differential interest rate risks in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. If yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Unlisted Nature of Investments. AIC Clients will be exposed to the following risks directly in respect of its direct investments (other than collateralized securities), indirectly inasmuch that Securitization Vehicles that have issued collateralized securities held by AIC Clients are subject to the following risks in respect of many of the underlying assets they hold, either of which could cause AIC Clients to incur a material loss. Unlike publicly traded common stock which trades on national exchanges, there is no central place or exchange for loans or fixed-income instruments to trade. Loans and fixed-income instruments generally trade on an “over-the-counter” market, which could be any location where the buyer and seller can settle on a price. Due to the lack of centralized information and trading, the valuation of such instruments carries more risk than publicly traded common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes could lead to inaccurate asset pricing. In addition, other market participants may value securities differently than the Adviser. As a result, AIC Clients are subject to the risk that when an investment is sold, the amount received is less than its carrying book value.

Equity Kickers. The Adviser anticipates that, in connection with some or all of AIC Clients’ originated or acquired loan investments, AIC Clients could be issued or otherwise receive a range of equity incentives, which would usually be in the form of a warrant to acquire a portion of a borrower’s fully diluted equity, but could also be in the form of outright shares, an exit fee or some direct participation in proceeds of a sale or listing (and may also be received in connection any workouts or restructurings of those investments) (collectively, “Equity Kickers”). These Equity Kickers would be intended to enable AIC Clients to participate in a borrower’s long-term value which may be created by growth facilitated by a loan, and accordingly will have little or no value at issuance and will typically generate income (if at all) only upon a sale, listing or recapitalization of the borrower. Such Equity Kickers will generally involve a high degree of risk and will be subordinate to (and thus are inherently riskier than) the debt securities and other liabilities of the issuers of such Equity Kickers. Prices of Equity Kickers generally fluctuate more than prices of debt securities and are likely to be affected more rapidly, and to a greater extent, by company-specific developments and poor economic or market conditions. In addition, these Equity Kickers can be illiquid or trade at significant discounts to otherwise comparable investments. Equity Kickers may not produce any income for AIC Clients and could ultimately have no recognizable value. AIC Clients may experience a substantial or complete loss on such Equity Kickers to the extent of any value given in connection with the acquisition thereof.

Reliance on Management of an Obligor. AIC Clients will be exposed to the following risks directly in respect of its direct investments (other than collateralized securities), indirectly inasmuch that Securitization Vehicles that have issued collateralized securities held by AIC Clients are subject to the following risks in respect of many of the underlying assets they hold, either of which could

cause AIC Clients to incur a material loss. The day-to-day operations of an obligor in which AIC Clients invests, directly or indirectly, will be the responsibility of such obligor's management team, and AIC Clients will, directly or indirectly, rely upon the abilities and management expertise of such persons. AIC Clients are subject to the risk that an obligor in which it invests, directly or indirectly, will make business decisions with which the General Partner disagrees, and the stockholders and management of such obligor will take risks or otherwise act in ways that do not serve AIC Clients' interests. As a result, such obligor could make decisions that could decrease the value of AIC Clients (direct or indirect) investment and, in turn, could have a material adverse effect on AIC Clients' returns.

Multiple Levels of Fees and Expenses. Many of the AIC Funds' portfolio investments are expected to be actively managed by an investment manager. Therefore, in that regard, AIC Funds could be subject to multiple levels of expenses and management fees, as well as incentive compensation. AIC Funds will bear these costs regardless of its profitability and will reduce the amounts otherwise payable to AIC Funds in respect of its investments, in particular with respect to residual tranches of collateralized securities.

Exchange-Traded Funds ("ETFs"). The risks associated with investing in ETFs include the risks of owning the underlying securities the ETF is designed to track. Lack of liquidity in an ETF could result in the ETF being more volatile than the underlying portfolio of securities. When an AIC Client invests in an ETF, in addition to directly bearing expenses associated with its own operations, the AIC Client will bear a pro rata portion of the ETF's expenses. As a result, it may be more costly to own an ETF than owning the underlying portfolio of securities directly.

Derivatives. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. AIC Clients will under certain circumstances use derivatives, including swaps, for any purpose including, among other things, as a substitute for taking a position in an underlying asset, to increase the applicable AIC Client's leverage, or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit or currency risk. An AIC Client's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, liquidity risk, credit risk and counterparty risk. They also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. To the extent an AIC Client invests in derivative instruments, counterparty exposures can develop, and such AIC Client takes the risk of nonperformance by the other party on the contract. For uncleared derivatives, this risk may differ materially from that of cleared derivatives transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties on an "over-the-counter" basis generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. If an AIC Client invests in a derivative instrument, it could lose more than the principal amount invested; such losses could be significant and could adversely affect the AIC Client's performance.

Certain derivatives that may be used by an AIC Client, including futures, options on futures, certain interest rate swaps and certain credit default index swaps, are required to be cleared. In a cleared derivatives transaction, the applicable AIC Client's counterparty is a central derivatives clearing organization, or clearing house, rather than a bank or broker. The credit risk of market participants with respect to cleared derivatives is concentrated in a few clearing houses, and it is not clear how an insolvency proceeding of a clearing house would be conducted and what impact an insolvency of a clearing house would have on the financial system. Since such AIC Client is not a member of a clearing house, and only members of a clearing house can participate directly in the clearing house, such AIC Client will hold cleared derivatives transactions through accounts at clearing members, who are registered in the United States as futures commission merchants who are members of the clearing houses. Such AIC Client will make and receive payments owed under cleared derivatives transactions (including margin payments) through its accounts at clearing members. Such AIC Client's clearing members guarantee such AIC Client's performance of its obligations to the clearing house. Such AIC Client may be subject to a risk of loss in the event of the bankruptcy of any of its clearing brokers. If such AIC Client's clearing brokers become bankrupt or insolvent, commit fraud, or otherwise default on their obligations to such AIC Client, such AIC Client may not receive all amounts owed to it in respect of its trading, despite the clearing house fully discharging all of its obligations. Furthermore, in the event of the bankruptcy of one of the clearing brokers, such AIC Client could be limited to recovering only a pro rata share of all available funds segregated on behalf of the clearing broker's combined customer accounts with respect to the relevant asset class, even though certain property specifically traceable to such AIC Client (for example, Treasury bills deposited by such AIC Client with the clearing broker as margin) was held by the clearing broker. Financial difficulty, fraud or misrepresentation at any of these institutions could lead to significant losses as well as impair the operational capabilities or capital position of such AIC Client. In contrast to bilateral derivatives transactions, following a period of advance notice to such AIC Client, clearing members can generally require termination of existing cleared derivatives transactions at any time and increase the amount of margin required to be provided by such AIC Client to the clearing member for any cleared derivatives transaction above the amount of margin that was required at the beginning of the transaction. Any such termination or increase could interfere with the ability of such AIC Client to pursue its investment strategy. Also, such AIC Client is subject to execution risk if it enters into a derivatives transaction that is required to be cleared (or which such AIC Client expects to be cleared), and no clearing member is willing to clear the transaction on such AIC Client's behalf. In that case, the transaction might have to be terminated, and such AIC Client could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

In the case of over-the-counter derivatives, the bankruptcy or insolvency of the counterparty may (or may not) allow an AIC Client to elect to terminate early with respect to some or all the transactions under the agreement with that counterparty, and the relevant agreement may permit the non-defaulting party to calculate a single net payment to close out applicable transactions. However, there is no guarantee that the terms of such agreement will be enforceable, including, for example, when bankruptcy or insolvency laws impose restrictions on or prohibitions against rights to terminate, offset obligations or apply collateral to the counterparty's obligations.

Additionally, in the event of a counterparty's (or its affiliate's) insolvency, the possibility exists that an AIC Client's ability to exercise remedies, such as the termination of transactions, netting of obligations or realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union and various other

jurisdictions. Such regimes provide governmental authorities broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, in the European Union, governmental authorities could reduce, eliminate or convert to equity the liabilities of a counterparty experiencing financial difficulties (sometimes referred to as a “bail-in”).

Assets held outside the United States may be subject to different and/or diminished protection in the event of the failure of a counterparty located in such jurisdiction.

Some types of derivatives are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the applicable AIC Client. For example, swap execution facilities typically charge fees, and if such AIC Client executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Also, such AIC Client may indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on such AIC Client’s behalf, against any losses or costs that may be incurred as a result of such AIC Client’s transactions on the swap execution facility.

Credit Derivative Transactions. As part of its investment strategy, AIC Clients are permitted to enter into credit derivative transactions. Credit derivatives are transactions between two parties that are designed to isolate and transfer the credit risk associated with a third party (the “reference entity”). Credit derivative transactions in their most common form consist of credit default swap transactions under which one party (the “credit protection buyer”) agrees to make one or more fixed payments in exchange for the other party’s (the “credit protection seller”) obligation to assume the risk of loss if an agreed-upon “credit event” occurs with respect to the reference entity. Credit events are specified in the contract and are intended to identify the occurrence of a significant deterioration in the creditworthiness of the reference entity (mainly a default on a material portion of its outstanding obligations, a bankruptcy or a restructuring of its debt). Upon the occurrence of a credit event, credit default swaps can be cash settled (either directly or by way of an auction) or physically settled. If the transaction is cash settled, the amount payable by the credit protection seller following a credit event will usually be determined by reference to the difference between the nominal value of a specified obligation of the reference entity and its market value after the occurrence of the credit event (which may be established in an industry-wide auction process). If the transaction is physically settled, the credit protection buyer will deliver to the credit protection seller an obligation of the reference entity that is either specified in the contract or that satisfies the general characteristics included in the contract in return for the payment of its nominal value.

Credit derivatives are at times used to create an exposure to the underlying asset or reference entity, to reduce existing exposure or to create a profit through trading differences in their buying and selling prices. AIC Clients are permitted to enter into credit derivatives transactions as protection buyer or seller.

Credit derivative transactions are an established feature of the financial markets and both the number of participants and range of products available have significantly increased over the years. Credit derivative transactions dependent upon credit events are priced incorporating many

variables, including the pricing and volatility of the common stock and/or debt obligations of the reference entity, potential loss upon default by the reference entity on any of its obligations, and the shape of the U.S. Treasury Market curve, among other factors. As such, there are many factors upon which market participants could have divergent views. Additionally, credit derivatives will likely require the posting of collateral. A bankruptcy of the collateral holder would likely result in losses to the extent posted collateral exceeds the obligations of the pledging party under the credit derivative transaction.

Credit-linked Securities. Credit-linked securities, which are generally considered to be a type of structured investment, are debt securities that represent an interest in a pool of, or are otherwise collateralized by, one or more corporate debt obligations or credit default swaps on corporate debt or loan obligations. AIC Clients will have the right to receive periodic interest payments from the issuer of the credit-linked security at an agreed-upon interest rate, and a return of principal at the maturity date. To the extent such investments are held by AIC Clients, AIC Clients would bear the risk of loss of its principal investment, and the periodic interest payments expected to be received for the duration of its investment, in the event that one or more of the underlying debt obligations go into default or otherwise become non-performing. In addition, to the extent such investments are held by AIC Clients, AIC Clients would bear the risk that the issuer of the credit-linked security will default or become bankrupt. In such an event, AIC Clients could have difficulty being repaid, or fail to be repaid, the principal amount of its investment and the remaining periodic interest payments thereon. An investment in credit-linked securities also involves reliance on the counterparty to the swap entered into with the issuer to make periodic payments to the issuer under the terms of the credit default swap. Additionally, credit-linked securities are typically structured as limited recourse obligations of the issuer of such securities such that the securities issued will usually be obligations solely of the issuer and will not be obligations or responsibilities of any other person. The market for credit-linked securities can be, or suddenly can become, illiquid. The value of a credit-linked security will typically increase or decrease with any change in value of the underlying debt obligations, if any, held by the issuer and the credit default swap. Further, in cases where the credit-linked security is structured such that the payments to AIC Clients are based on amounts received in respect of, or the value of performance of, any underlying debt obligations specified in the terms of the relevant credit default swap, fluctuations in the value of such obligation will usually affect the value of the credit-linked security. The collateral of a credit-linked security can be one or more credit default swaps, which are subject to additional risks.

Risks of Acquiring Real Estate Loans, Consumer Loans and Participations. Consumer loans, including real estate loans, acquired by AIC Clients may be at the time of their acquisition are not expected to be, but may also become after acquisition, sub-performing or non-performing for a wide variety of reasons. With respect to collateralized loans, the underlying property may be too highly leveraged, poorly managed or substantially in need of rehabilitation. Such non-performing and sub-performing real estate loans may require a substantial amount of workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such real estate loan, replacement “takeout” financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that the General Partner and the Adviser may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by AIC Clients. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by

asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some jurisdictions, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. The value of the loan will be adversely impacted by a decline in the value of the underlying collateral, which is likely to be beyond the control of AIC Clients. Finally, there is unlikely to be a liquid secondary market for these types of investments. Consequently, AIC Clients may not be able to dispose of these investments at prices that reflect their value, or the amount paid by it. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines.

Consumer Loans. The Adviser expects certain AIC Clients to hold or (through investments in ABS) be exposed to consumer loans, including credit card receivables, automobile loans, student loans, peer-to-peer loans or other loans. These loans are subject to risks of prepayment, delinquency and default similar to those present in mortgage loans. The ability of a borrower to repay any such loan is dependent on a number of factors, including the income and assets of the borrower. AIC Clients may invest in consumer loans that have been made to borrowers of varying creditworthiness, and it may invest in consumer loans that have been extended pursuant to varying underwriting guidelines, to no underwriting guidelines at all, or to fraudulent origination practices. Consumer loans may be backed by collateral (as in automobile loans) or they may be unsecured, exposing AIC Clients to default risk as an unsecured creditor of an individual borrower.

The United States Congress, regulators such as the CFPB and the individual states may further regulate the consumer credit industry in ways that make it more difficult for servicers of such loans to collect payments on such loans, resulting in reduced collections. Such laws and regulations may, among other things, regulate interest rates and other charges, require certain disclosures, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws and regulations may limit a servicer's ability to collect all or part of the principal of, or interest on, such loans, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Changes to federal or state bankruptcy or debtor relief laws may also impede collection efforts or alter timing and amount of collections. If an obligor sought protection under federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the obligor's obligations to repay amounts due on its loan.

Risks specific to different categories of consumer loans may affect AIC Clients' returns on such investments. In the case of credit card loans, for example, various and unpredictable social, economic and geographic factors may affect the payment patterns and rates of default by borrowers, including consumer confidence and attitudes toward debt, rates of inflation and unemployment and prevailing interest rates. Rates of prepayment and default on student loans will similarly vary based on a number of factors but will also be affected by contractual terms present in such loans, including the extension of grace periods, deferment periods and, under some circumstances, forbearance periods. The Adviser cannot predict how these, and other factors may affect AIC Clients' investments in consumer loans.

Risks Associated with Specialty Finance Investments. AIC Clients may invest in companies and operating platforms that originate and/or service commercial and consumer credits, including credit cards, personal loans and equipment finance, and may also invest directly in those credits. Pricing and optimizing the value of such credits requires strong analytics and extensive infrastructure. The form of investment may vary and may require reliance on networks of asset managers to provide the resources necessary to originate new receivables, manage portfolios of performing receivables, and work-out portfolios of stressed or non-performing receivables. These loans may not be secured and may be subject to increasing regulation. In addition, AIC Clients may access exposure to credits by acquiring interests in specialty finance companies and operating platforms. AIC Clients' portfolio companies may also include leasing businesses, companies that provide services to specialty finance companies (e.g., credit scoring agencies) and other companies that have business models related to the specialty finance sector.

Investments in the specialty finance industry are subject to various industry-specific risks (including additional risks related to the various segments of the specialty finance industry). Specifically, various segments of the specialty finance industry are (or may become) highly regulated at both the federal and state levels in the U.S. (including as a result of the creation of the Consumer Financial Protection Bureau) and internationally and subject to frequent regulatory changes. Further, investments in financial services companies often require the approval of various regulatory bodies and there is no guarantee that such approvals will be obtained. While AIC Clients intends to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory environment or requirements, could have a material adverse effect on the operations of the companies in which AIC Clients invest. In addition, in order to comply with or not be subject to certain banking laws, rules and regulations, AIC Clients may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules and regulations.

Ability to Acquire Assets at Favorable Spreads; Competition and Supply. AIC Clients' potential for current income and capital appreciation for its Limited Partners will depend, in large part, on the ability of the Adviser and/or its affiliates to source investments for AIC Clients on advantageous terms. AIC Clients intend to purchase securities and other obligations from investment banking firms, traders and portfolio managers, sponsors, borrowers and other parties. In acquiring such securities and other obligations, AIC Clients will compete with a broad spectrum of institutional investors, many of which have greater financial resources than AIC Clients. Increased competition for, or a reduction in the available supply of, qualifying investments could result in higher prices for, and thus lower yields on, such investments.

Highly Volatile Markets. Price movements of AIC Clients' investments may be highly volatile and influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and could, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rates. AIC Clients are also subject to the risk of the failure of any exchanges on which the positions of AIC Clients trade or of their clearinghouses.

Rating Agencies. In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings may be used by the Adviser, in part, for the selection of AIC Clients' portfolio securities. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. With respect to mortgage-backed securities, such ratings do not represent any assessment of the likelihood that future prepayments will differ from current prepayment assumptions or historical prepayment rates. Hence, such ratings will not address the possibility that prepayment rates from an investment that are higher or lower than what was anticipated by a Limited Partner may cause such investment to experience a lower than anticipated yield.

Temporary Investments. When the Adviser believes market or economic conditions are unfavorable for Limited Partners, it may invest AIC Clients' assets in temporary defensive investments, including cash, cash equivalents or other high-quality short-term investment and money market funds. Unfavorable market or economic conditions generally include excessive volatility or a prolonged general decline in the securities markets, the securities in which AIC Clients normally invest, or the U.S. economy or economies of other countries where AIC Clients invest. Temporary defensive investments can and do experience default. The likelihood of default on a temporary defensive investment can increase in the market or economic conditions which are likely to trigger AIC Clients investment therein. The Adviser is also permitted to invest in these types of securities or hold cash while looking for suitable investment opportunities or to maintain liquidity. When AIC Clients' assets are invested in temporary investments, AIC Clients could struggle to achieve its investment goal.

Inflation Risk. The market price of debt instruments generally falls as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by AIC Clients. Debt investments that pay a fixed rather than variable interest rate are especially vulnerable to inflation risk because variable rate debt securities are at times able to participate, over the long term, in rising interest rates which have historically corresponded with long-term inflationary trends. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. Furthermore, wages, prices of inputs and borrowing costs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and an AIC Client's investments may not keep pace with inflation, which may result in losses to the AIC Client and its investors. Further, certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on an AIC Client's returns. If inflation continues to increase, the real value of an AIC

Client's investments could decline and the interest payments on an AIC Client's borrowings, if any, may increase.

Dollar Rolls. A dollar roll transaction involves a sale by AIC Clients of a security concurrently with an agreement by AIC Clients to repurchase a similar security at a later date at an agreed-upon price. The securities that are repurchased will bear the same interest rate and a similar maturity as those sold, but the assets collateralizing those securities can have different prepayment histories than those sold. During the period between the sale and repurchase, AIC Clients will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in additional investments, and the income from these investments will generate income for AIC Clients. If such income does not exceed the income, capital appreciation and gain or loss that would have been realized on the securities sold as part of the dollar roll, the use of this technique will diminish the investment performance of AIC Clients compared with what the performance would have been without the use of dollar rolls. Dollar rolls involve the risk that the market value of the securities subject to AIC Clients' forward purchase commitment can potentially decline below, or the market value of the securities subject to AIC Clients forward sale commitment can also increase above, the exercise price of the forward commitment. In the event the buyer of the securities files for bankruptcy or becomes insolvent, AIC Clients' use of the proceeds of the current sale portion of the transaction could be restricted.

Legal Risk, Litigation and Regulatory Action. The Adviser, AIC Clients and their affiliates are subject to a number of risks, including changing laws and regulations, developing interpretations of such laws and regulations, and increased scrutiny by regulators and law enforcement authorities. Some of this evolution may be directed at the private fund industry in general or certain segments of the industry and may result in scrutiny or claims against AIC Clients, the Adviser or their affiliates directly for actions taken or not taken by AIC Clients or the Adviser. These risks and their potential consequences are often difficult or impossible to predict, avoid or mitigate in advance, and might make some investment opportunities unavailable to AIC Clients or result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against an AIC Client or the Adviser or their respective affiliates were small in monetary amounts, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm AIC Clients, the Adviser or their respective affiliates' reputations, which may adversely affect AIC Clients' investment performance by hindering their ability to obtain favorable financing or consummate a potentially profitable investment. In addition, the securities market is subject to comprehensive statutes and regulations. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect on AIC Clients, the Adviser or any affiliate of any such legal risk, litigation or regulatory action could be substantial and adverse.

Certain investments made by AIC Clients may be materially adversely affected by such events in the future. In the longer term, there may be significant new regulations that could limit AIC Clients' activities and investment opportunities or change the functioning of capital markets. As a result, there can be no assurance AIC Clients will be able to achieve their investment objectives.

The enactment of these reforms or other similar legislation could have an adverse effect on the private investment funds industry generally and on the Adviser or AIC Clients specifically and

may impede AIC Clients' ability to effectively achieve their investment objectives. Any further increases in the regulations applicable to private investment funds generally or AIC Clients or the Adviser in particular may result in increased expenses associated with AIC Clients' activities and additional resources of the Adviser being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for investors or have an adverse effect on the ability of AIC Clients to effectively achieve their investment objectives.

Event-Oriented Situation. The price offered for securities of a company involved in an announced deal can generally represent a significant premium above the market price prior to the announcement. Therefore, the value of such securities, if held by an AIC Client, may decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of the deal. Furthermore, the difference between the price paid by an AIC Client for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline, perhaps by more than an AIC Client's anticipated profit. In addition, when an AIC Client has sold short the securities it anticipates receiving in an exchange or merger, and the proposed transaction is not consummated, an AIC Client may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If an AIC Client has sold short securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the AIC Client also may be forced to cover its short position at a loss.

Where an AIC Client has purchased put options with respect to the securities it anticipates receiving in an exchange or merger, if the proposed transaction is not consummated, the exercise price of the put options held by an AIC Client may be lower than the market price of the underlying securities, with the result that the cost of the options will not be recovered. If an AIC Client has purchased put options with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, an AIC Client also may not exercise its options and may lose the premiums paid for them. In addition, premiums paid for put options increase an AIC Client's transaction costs and, in certain situations, may result in a sufficient reduction in the spread between the acquisition price and the anticipated price to be received to make the arbitrage investment so unattractive based upon a return on capital/risk-reward analysis that the Adviser may determine not to take a portfolio position. Since options expire on defined dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held by an AIC Client may lose the anticipated benefit of the option.

An AIC Client may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, an AIC Client may purchase securities above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the offer will be withdrawn.

The consummation of refinancings, restructurings, mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a regulatory agency; (iii) efforts by the involved company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than

the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing. Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, a portion of the securities tendered by an AIC Client may not be accepted and may be returned to an AIC Client since, after completion of the tender offer, the market price of the securities may have declined below an AIC Client's cost, a sale of any returned securities may result in a loss.

General Market and Credit Risks of Debt Securities. Debt portfolios are subject to credit and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Factors that may affect market interest rates include, without limitation, inflation, slow or stagnant economic growth or recession, unemployment, money supply and the monetary policies of the Federal Reserve Board and central banks throughout the world, international disorders and instability in domestic and foreign financial markets. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments may also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including, among other factors the index chosen, frequency of reset and reset caps or floors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. The Adviser expects that it will periodically experience imbalances in the interest rate sensitivities of AIC Clients' assets and liabilities and the relationships of various interest rates to each other. In a changing interest rate environment, the Adviser may not be able to manage this risk effectively, which in turn could adversely affect an AIC Client's performance. In addition, AIC Clients' investments are generally expected to include subordinated or unsecured debt investments issued with a fixed yield; thus, credit risk and interest rate risk may be greater than those generally applicable to other types of debt investments.

In addition, natural and environmental disasters and systemic market dislocations of the kind surrounding the insolvency of Lehman Brothers in 2008 and the global outbreak of COVID-19 in 2020, if repeated, would be highly disruptive to economies and markets, adversely affecting individual issuers and industries, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the market value of an AIC Client's investments. During such market disruptions, an AIC Client's exposure to the risks described elsewhere in this Brochure likely will increase.

Custody and Banking Risks. The Adviser and its Funds maintain assets with one or more banks or other depository institutions ("banking institutions"), which may include US and non-US banking institutions, and may enter into credit facilities or have other financial relationships with

banking institutions. The distress, impairment or failure of one or more banking institutions with whom the AIC Funds, their General Partner and/or the Adviser transact may inhibit the ability of the AIC Funds or their General Partner to access depository accounts or lines of credit at all or in a timely manner. In such cases, the AIC Funds may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the AIC Funds. In the event of such a failure of a banking institution where the AIC Funds or their General Partner holds depository accounts (including accounts used for depositing principal and interest payments from borrowers on loans owned by the AIC Fund) access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the AIC Funds and their General Partners may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Funds or their portfolio companies. One or more investors or a Fund's General Partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, an AIC Fund's General Partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

Recent Financial Market Fluctuations. Various sectors of the U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability. The financial services industry generally and investment activities are affected by general economic and market conditions, including interest rates, availability of credit, lack of price transparency, inflation rates, economic uncertainty, changes in tax and other applicable laws and regulations, trade barriers, national and international and environmental and socioeconomic circumstances. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the AIC Funds and may affect the AIC Funds' ability to make investments and the value of the investments held by the AIC Funds. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the AIC Funds' investments. The public securities markets have seen increased volatility and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil. It is unclear what the repercussions of this market turmoil may be. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present, and it may well continue to be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the recent volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that AIC Funds will be able to exit from their investments in portfolio companies by listing their

shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable an AIC Fund to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the AIC Funds to buy, sell and partially dispose of their portfolio company investments. The AIC Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and an AIC Fund may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more an AIC Fund's portfolio companies. The ability of portfolio companies to refinance debt securities depends on their ability to sell new securities in the public high yield debt market or otherwise.

Investments in Equity Securities Generally. An AIC Client may invest in preferred stock, common stock or other equity securities directly, or may hold such securities as the result of certain restructuring activities. Investments in equity securities of small or medium-sized market capitalization companies will have more limited marketability than the securities of larger companies. In addition, securities of smaller companies may have greater price volatility. All of an AIC Client's equity investments will be subject to normal market risks. While diversification among issuers may mitigate these risks, investors must expect fluctuations in value of equity securities held by an AIC Client based on market conditions. Because equity securities rank lower in the capital structure of an issuer, such investments may subject investors to additional risks not applicable to debt securities. In addition, holders of equity securities may be wiped out or substantially reduced in value in a bankruptcy proceeding or corporate restructuring.

Middle Market Companies. Certain AIC Clients may invest in small and/or less well-established companies. While smaller companies may have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification and competitive strength of larger corporations, all of which may contribute to illiquidity, which may, in turn adversely affect the price and timing of liquidation of the Adviser's investments.

Adverse Effect of Economic Conditions. AIC Clients and the companies in which AIC Clients may invest may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and may have other adverse effects. Deteriorating market conditions could result in increasing volatility and illiquidity in the global credit, debt and equity markets generally. The duration and ultimate effect of recent market conditions cannot be forecast, nor is it known whether or the degree to which such conditions may remain stable or worsen. Deteriorating market conditions and uncertainty regarding economic markets generally could result in declines in the market values of potential investments or declines in the market values of investments after they are made or acquired by the AIC Clients. Such declines may be exacerbated by other events, such as the failure of significant financial institutions or hedge funds, dislocations in other investment markets or other extrinsic events. In addition, such declines could lead to weakened investment opportunities for AIC Clients, could prevent AIC Clients from successfully meeting their investment objectives and/or could require AIC Clients to dispose of investments at a loss while such unfavorable market conditions prevail.

Interest Rate, Currency Exchange and Investment Risk Management. Certain AIC Clients may be authorized to use various investment strategies to hedge interest rate or currency exchange risks. These strategies are generally accepted as portfolio management techniques and are regularly used by many investment funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur. An AIC Client may use any or all such types of interest rate hedging transactions and currency hedging transactions at any time and no particular strategy will dictate the use of one transaction rather than another. The choice of any particular interest rate hedging transactions and currency hedging transactions will be a function of numerous variables including market conditions.

Although the Adviser intends to cause AIC Clients to engage in any interest rate hedging transactions and currency hedging transactions only for hedging purposes and not for speculation, use of interest rate hedging transactions and currency hedging transactions involves certain inherent risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in gain for an AIC Client had an interest rate hedging transaction or currency hedging transaction not been utilized, in which case it would have been better had such AIC Client not engaged in the interest rate hedging transaction or currency hedging transaction, (ii) the risk of imperfect correlation between the risk sought to be hedged and the interest rate hedging transaction or currency hedging transaction utilized, (iii) potential illiquidity for the hedging instrument utilized, which may make it difficult for the relevant AIC Client to close-out or unwind an interest rate hedging transaction or currency hedging transaction and (iv) credit risk with respect to the counterparty to the interest rate hedging transaction or currency hedging transaction.

The AIC Clients may also enter into certain hedging transactions for the purpose of protecting the market value of an investment made by such AIC Client for a period of time without having to currently dispose of such investment. Such defensive hedge transactions may be entered into when an AIC Client is legally restricted from selling an investment or when the Adviser otherwise determines that it is advisable to decrease its exposure to the risk of a decline in the market value of an investment. Such defensive hedging transactions may expose the relevant AIC Client to the counterparty's credit risk. There also can be no assurance that the Adviser will accurately assess the risk of a market value decline with respect to an investment or will advise or cause an AIC Client to enter into an appropriate defensive hedge transaction to protect against such risk. Furthermore, the AIC Clients are in no event obligated to enter into any defensive hedge transaction.

The AIC Clients may from time to time employ various investment programs including the use of derivatives, short sales, swap transactions, currency hedging transactions, securities lending agreements and repurchase agreements. There can be no assurance that any such investment program will be undertaken successfully.

Exposure to Originated Investments. An AIC Client may originate certain of its investments with the expectation of later syndicating a portion of such investment to other affiliated funds or third parties. Prior to such syndication, or if such syndication is not successful, such AIC Client's exposure to the originated investment may exceed the exposure that the Adviser intends for such AIC Client to have over the long-term or would have had it purchased such investment in the secondary market rather than originating it.

Third Party Litigation. In addition to litigation relating to the bankruptcy process as described above, the AIC Clients' investment activities subject them to the normal risks of becoming involved in litigation by third parties. This risk is somewhat greater where the relevant AIC Client exercises control or significant influence over a company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the relevant AIC Client and would reduce net assets.

Operating and Financial Risks of Investments. Companies in which AIC Clients invest may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, or a larger number of qualified managerial and technical personnel. As a result, portfolio companies which the Adviser expects to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position or may otherwise have a weak financial condition or be experiencing financial distress.

Portfolio companies may issue certain types of debt, such as mezzanine or high yield, in connection with leveraged acquisitions or recapitalizations in which the portfolio company incurs a substantially higher amount of indebtedness than the level at which it had previously operated.

Third-Party Involvement. The AIC Clients may co-invest with third parties through partnerships, joint ventures or other entities. 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 have financial, legal or regulatory difficulties, resulting in a negative effect on such investment, have economic or business interests or goals which are inconsistent with those of the relevant AIC Client, or may be in a position to take (or block) action in a manner contrary to the investment objective of the AIC Client. In addition, the AIC Clients may in certain circumstances be liable for actions of its third-party co-venturer or partner. In addition, an AIC Client may, in certain circumstances, be liable for the actions of its third-party co-investors or operating partners. Investments made with third parties in joint ventures or other entities also may involve compensation arrangements, including carried interest distributions and/or other fees and profit-sharing arrangements payable to such third-party co-investors or operating partners. There can be no assurance that minority rights will be available or that such rights will provide sufficient protection of the AIC Client's interests. Further, there can be no assurance that the return of an AIC Client participating in a transaction with a third-party would be equal to and not less than another AIC Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

By way of example, the terms and conditions of loan agreements and related assignments may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a supermajority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from loan agreements could be modified, amended or waived in a manner contrary to the preferences of an AIC Client if a sufficient number of the other lenders co-investing with and AIC Client concurred with such modification, amendment or waiver. There can be no assurance that any obligations arising from a loan agreement will maintain the terms and conditions to which an AIC Client originally agreed.

Toehold Investments. Although not intended, an AIC Client may accumulate minority positions in the outstanding voting stock or securities convertible into the voting stock, of potential investments or may otherwise accumulate positions in debt securities of issuers, with the intention of accumulating a sufficient position to enable an AIC Client to influence the activities of the issuers including through investor activism. While an AIC Client will seek to achieve such accumulation through open market purchases, registered tender offers, negotiated transactions or private placements, they may be unable to accumulate a sufficiently large position in a target company to execute the investment strategy formulated in respect of that company. In such circumstances, an AIC Client may dispose of its position in the target company within a short time of acquiring it; there can be no assurance that the price at which an AIC Client can sell such securities will not have declined since the time of acquisition. This may be exacerbated by the fact that securities of the companies that the AIC Client may target may be thinly traded and that an AIC Client's position may nevertheless have been substantial, and its disposal may depress the market price for such stock.

Fluctuations of Investment Values and Potential Illiquidity of Investments. The market value of the investments of each AIC Client will fluctuate with, among other things, changes in market rates of interest, general economic conditions and economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the AIC Client's investments. At times, certain sectors of the credit markets have experienced significant declines in liquidity. While such events may sometimes be attributable to changes in interest rates or other factors, the cause is not always apparent. During such periods of market illiquidity, the AIC Client may not be able to sell assets in its portfolio or may only be able to do so at unfavorable prices. Such "liquidity risk" could adversely impact the value of an AIC Client's portfolio and may be difficult or impossible to hedge against. In addition, the lack of an established, liquid secondary market for some of the AIC Clients' investments may have an adverse effect on the market value of such investments and on the AIC Clients' ability to dispose of them. Additionally, the AIC Clients' investments may be subject to certain transfer restrictions that may also contribute to illiquidity. Finally, assets of AIC Clients that are typically traded in a liquid market may become illiquid if the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason. Therefore, no assurance can be given that, if the Adviser is determined to cause the disposal of a particular such investment held by an AIC Client, it could dispose of such investment at the prevailing market price. Such illiquidity may adversely affect the price and timing of liquidation of the AIC Clients' investments upon the redemption of an investor's interest, to pay expenses of the AIC Clients or to pay the Advisory Fee.

An AIC Client may invest in securities and other obligations that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities and other obligations tend to be volatile and an AIC Client may not be able to sell such securities when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Because the markets for such securities are still evolving, liquidity in these securities is limited and liquidity with respect to lower-rated and unrated subordinated classes may be even more limited. As a result, calculating the fair market value of an AIC Client's holdings may be difficult and there can be no assurance that the Adviser's valuation will accurately reflect the value

that will be realized by an AIC Client upon the eventual disposition of such investment. The Adviser may not necessarily aggregate illiquid investments in classes, and the Adviser (or its designee) may use valuation methodologies for such assets involving subjective determinations.

A portion of an AIC Client's investments may consist of securities that are subject to restrictions on resale by such AIC Client because they were acquired in a "private placement" transaction or because such AIC Client is deemed to be an affiliate of the issuer of such securities. Generally, an AIC Client will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, an AIC Client may be deemed to be an underwriter or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act.

In addition, the Adviser may, from time to time, possess material, non-public information about a borrower or issuer or the Adviser may be an affiliate of a borrower or an issuer. Such information or affiliation may limit the ability of the applicable AIC Client to buy and sell investments.

Finally, investments in certain AIC Funds are subject to significant additional restrictions on liquidity. An investor's ability to withdraw is subject to certain lock-up periods and "gates," as more fully described in the applicable AIC Fund's Governing Documents.

Illiquidity. AIC Clients will invest in securities, bank debt and other claims, and other assets that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and an AIC Client at times will not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

Valuation of Investments. The Adviser (or its designee) is responsible for valuing the assets of an AIC Client in accordance with the Adviser's then-current valuation policy. Such valuation will affect an AIC Client's reported performance. Although the Adviser (or its designee) will be performing its valuation of the assets of an AIC Client pursuant to the Adviser then-current valuation policy, which generally is based on current market price information, there will be investments as to which current or reliable market price information is unavailable, in which event the Adviser (or its designee) has discretion in determining the appropriate means of valuation. There can be no assurance that the value assigned to an investment at a certain time will equal the value that an AIC Client is ultimately able to realize. Moreover, because the Adviser will determine in its discretion the value of certain assets (including, for instance, determination of when an investment should be written down or written off), the Adviser in certain situations will have a conflict of interest making that determination, given the potential impact of such valuations on Advisory Fees and an AIC Client's performance results.

For purposes of preparing an AIC Fund's annual audited financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP"), certain of the AIC Fund's assets and liabilities may be valued in a manner that, while consistent with GAAP, is different from the manner in which such assets are valued for purposes of the AIC Fund's Governing

Documents. Specifically, for purposes of financial reporting compliant with GAAP, the AIC Fund is required to follow the requirements for valuation set forth in Accounting Standards Codification 820 (“ASC 820”).

Generally, ASC 820 and other accounting rules applicable to investment funds and various assets they invest in are subject to change. As a result, the Adviser is regularly reviewing the application of relevant FASB Statements and guidance to the valuation of the AIC Fund’s assets and liabilities. Such changes may adversely affect the AIC Fund. For example, the evolution of rules governing the determination of the fair market value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair market value. This may, in turn, increase the costs associated with selling assets or affect their liquidity due to an inability to obtain a third-party determination of fair market value. In addition, as a result of such evolving rules, the Adviser may determine in certain instances to value a particular asset at a different value for financial reporting purposes than the value of that same asset as determined under the Adviser’s then-current valuation policy. Accordingly, to the extent that GAAP would require any of an AIC Fund’s assets or liabilities to be valued in a manner that differs from the Adviser’s then-current valuation policy, such assets or liabilities may be valued (x) in accordance with GAAP, solely for purposes of preparing the AIC Fund’s GAAP-compliant annual audited financial statements and (y) in accordance with the Adviser’s then-current valuation policy (without regard to any GAAP requirements relating to the determination of fair value) for all other purposes (including, without limitation, for purposes of allocating gains and losses among the investors, which is relevant to the determination of capital account balances and the calculation of the amounts payable by the AIC Fund in respect of a distribution to an investor).

In addition, Accounting Standards Codification 740 (“ASC 740”) provides guidance as to how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity’s financial statements. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net assets of an AIC Fund, including by reducing the net assets of an AIC Fund to reflect reserves for taxes, including withholding taxes, that may be payable by an AIC Fund. This could result in benefits or detriments to certain investors, depending upon the timing of their entry and exit from an AIC Fund.

Currency Exchange Risk. Investments or liabilities of the AIC Clients may be denominated in currencies other than the U.S. dollar, and hence the value of such investments, or the amount of such liabilities, will depend in part on the relative strength of the U.S. dollar. The AIC Clients may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of securities. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign exchange markets. These rates are also affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The AIC Clients are not obligated to engage in any currency hedging operations, and there can be no assurance as to the success of any hedging operations that an AIC Client may implement. See “Item 8: Risks - Interest Rate, Currency Exchange and Investment Risk Management.”

Participation on Creditors' Committees. The Adviser may participate on behalf of an AIC Client on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Adviser may seek to negotiate on behalf of an AIC Client directly with the debtors with respect to restructuring issues. If the Adviser does join a creditors' committee on behalf of an AIC Client, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the applicable AIC Client in such proceedings. By participating on such committees, the Adviser may be deemed to have duties to other creditors represented by the committees, which might thereby expose the AIC Clients to liability to such other creditors who disagree with the actions.

The Adviser may also be provided with material non-public information that may restrict the Adviser's ability to purchase or sell, or otherwise trade in, the company's securities on an AIC Client's behalf. While the Adviser and the AIC Clients intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Adviser may trade in the company's securities on an AIC Client's behalf while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the AIC Client to incur significant legal fees and potential losses.

Lender Liability Considerations and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the AIC Clients' investments, an AIC Client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of the AIC Clients' and their affiliates' investments, an AIC Client could be subject to claims from creditors of an obligor that such AIC Client's investments issued by such obligor should be equitably subordinated. The preceding discussion regarding lender liability is based upon principles of U.S. federal and state laws. With respect to an AIC Client's investments in European or other non-U.S. issuers, the laws of such non-U.S. jurisdictions may also impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under U.S. federal and state laws.

Some of the investments of the AIC Clients will involve investments in which the applicable AIC Client would not be the lead creditor. It is, accordingly, possible that lender liability or equitable

subordination claims affecting the investments of an AIC Client could arise without the direct involvement of such AIC Client.

If an AIC Client purchases debt securities of an affiliate in the secondary market at a discount, (i) a court might require such AIC Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (ii) such AIC Client might be prevented from enforcing such securities at their full-face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Fraudulent Conveyance and Preference Considerations. Various federal and state laws enacted for the protection of creditors may apply to the purchase of AIC Clients' investments, or payments or liens related thereto, by virtue of certain AIC Clients' role as creditors with respect to the borrowers under such investments. If a court, in a lawsuit brought by an unpaid creditor, a debtor-in-possession, a trustee in bankruptcy, or their respective representatives were to find that the borrower took any action to intentionally delay or frustrate recoveries by creditors, or did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness and/or grant of any security interest or other lien, the issuer or obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could, under certain circumstances, invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower and could allow the borrower to recover amounts previously paid by the borrower to the creditor (including to the applicable AIC Client) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness.

The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer or obligor would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets were less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer or obligor was "insolvent" after giving effect to the incurrence of the indebtedness and/or the granting of any security interest or other lien or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to such incurrence of indebtedness and/or grant of security interests or other lien.

AIC Clients may invest in bank debt or other indebtedness issued by a borrower which is guaranteed by other entities within the borrower's corporate family. In such circumstances, the borrower often has little or no assets other than the stock of its subsidiaries and, as a result, any recovery is often available only, if at all, from the entities that guaranteed the indebtedness. There is a risk, however, that the obligations of such guarantors and any security interests or other liens issued by the guarantors to secure such obligations may be avoided as fraudulent conveyances in the event that a court were to determine that such guarantors did not receive reasonably equivalent value in exchange for the issuance of the guarantees and for the security interests or other liens. A court could determine that the guarantors did not receive reasonably equivalent value or fair

consideration in incurring the obligations and granting the security interests or other liens despite the existence of “indirect” benefits to the guarantors, such as the strengthening of the corporate enterprise in the transaction. Additionally, provisions in guarantees and other similar documents governing similar obligations by which fraudulent conveyance exposure is sought to be reduced or eliminated, such as so-called “savings clauses,” may not be enforceable. As a result, AIC Clients’ investments in corporate bank debt or other indebtedness could be subject to avoidance as a fraudulent conveyance. Certain AIC Clients whose investment mandates include holding debt of portfolio companies of an Affiliate Adviser may bear a greater degree of exposure to the risks described herein.

If a transaction is found to have been a fraudulent conveyance, the transferee may be compelled to return the value of the assets transferred as of the time of the transfer, even if the then current value is substantially less. In addition, unless the transferee is deemed to be a “good faith” transferee, the return of the asset may not even provide for the compensation back to the transferee of the value paid to the transferor.

In addition, in the event of the insolvency (as determined by a court based on the law of the jurisdiction which is being applied) of an issuer of an investment, payments made on an AIC Client’s investment, or new liens granted, could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors.

In general, if payments on an AIC Client’s investment are avoidable, whether as a fraudulent conveyance or preference, such payments can be recaptured either from the initial recipient (such as the applicable AIC Client) or from subsequent transferees of such payments, including investors. Additionally, if the grant of a security interest or other lien is avoidable, whether as a fraudulent conveyance or preference, the value of the security interest or other lien can be recovered from the initial transferee or the entity for whose benefit such transfer was made (such as the applicable AIC Client), and such recovery could include the diminution in value of the property which was subject to the security interest or other lien from the date of transfer.

There can be no assurance that a successful cause of action for fraudulent conveyance or preference will not occur, or as to whether any fund, lending institution or other party from which an AIC Client may directly or indirectly acquire an investment engaged in any conduct to give rise to such causes of action, and if it did, as to whether such causes of action could be asserted against the AIC Clients and/or its investors.

Investment in Non-U.S. Issuers. Certain AIC Clients may invest in the securities of non-U.S. issuers. There may be less information publicly available about a non-U.S. issuer than about a U.S. issuer, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and practices comparable to those in the United States. In addition, with respect to certain countries, there is a possibility of expropriation, imposition of non-U.S. withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of an AIC Client, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

Bankruptcy law and process in non-U.S. jurisdictions may differ substantially from that in the United States, which may result in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain, while other developing countries may have no bankruptcy laws enacted, adding further uncertainty to the process for reorganization.

Political Uncertainty. It is unclear what changes governments around the world will enact and how they will impact us, the AIC Clients, the AIC Clients' investments and the AIC Funds' investors. Uncertainty around future political, legislative or administrative developments may cause volatility in the U.S. or global economies and financial markets more generally, which in turn may have an adverse effect on the values of the AIC Clients' investments and on the AIC Clients' ability to execute their investment strategies. While the AIC Client and their investment programs stand to benefit from certain potential regulatory changes, other potential changes may adversely affect the AIC Clients.

Changes in the Political Environment of the United Kingdom and Europe. The United Kingdom left the European Union on January 31, 2020 (commonly referred to as "Brexit"). During an 11-month transition period, the United Kingdom and the European Union agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the European Union and the United Kingdom as of January 1, 2021. The Trade and Cooperation Agreement does not provide the United Kingdom with the same level of rights or access to all goods and services in the European Union as the United Kingdom previously maintained as a member of the European Union and during the transition period. In particular, the Trade and Cooperation Agreement does not include an agreement on financial services, which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the United Kingdom and the European Union.

From January 1, 2021, European Union laws ceased to apply in the United Kingdom. However, many European Union laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the European Union and the United Kingdom on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on AIC Clients and their portfolio investments. Such changes could be materially detrimental to investors.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including current or prospective portfolio companies or other AIC Client assets.

The future application of European Union-based legislation to the private fund industry in the United Kingdom and the European Union will ultimately depend on how the United Kingdom renegotiates the regulation of the provision of financial services within and to persons in the European Union. There can be no assurance that any renegotiated terms or regulations will not

have an adverse impact on AIC Clients and their portfolio investments, including the ability of AIC Clients to achieve their investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of the Adviser and its affiliates to manage, operate and invest AIC Clients and increased legal, regulatory or compliance burden for the Adviser, its affiliates and/or AIC Clients, each of which may have a negative impact on the operations, financial condition, returns or prospects of AIC Clients.

Relevant areas where uncertainty is created by the United Kingdom's withdrawal from the European Union include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of AIC Clients' portfolio investments and the ability to achieve AIC Clients' respective investment objectives.

Terrorist Action. There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in global markets. As a result of such attacks, economic and diplomatic sanctions may be in place or imposed on certain countries and military action may be commenced. The impact of such events is difficult to predict but could have a material effect on general economic conditions and market liquidity.

Availability of Insurance. Certain losses of a catastrophic nature that can potentially impact all or any portfolio investments of AIC Clients, such as wars, natural disasters, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on such investments. AIC Clients is permitted to maintain insurance, where available on terms the Adviser believes to be commercially reasonable for AIC Clients' portfolio investments to protect against certain risks, such as business interruption insurance that is intended to offset loss of revenues during an operational interruption. Such insurance is likely to be subject to customary deductibles and coverage limits and there can be no assurance that it will be sufficient to recoup all losses with respect to the relevant investment. Additionally, there can be no assurance that an investment's insurance would cover liabilities resulting from claims relating to the design, construction, maintenance, or operation of the real assets and businesses in which AIC Clients invest, lost revenues, or increased expenses resulting from such damage. If a major, uninsured loss occurs, AIC Clients could lose both invested capital in and anticipated profits from the affected investments.

Exchange Rate Risk Exposure. Interests are denominated in U.S. dollars and cash distributions therefrom will be made in U.S. dollars. AIC Clients are permitted to invest a portion of assets in principal instruments denominated in currencies other than U.S. dollars, the price of which is determined with reference to currencies other than U.S. dollars. AIC Clients will, however, value its securities and other assets in U.S. dollars. To the extent unhedged, the value of AIC Clients' assets will fluctuate with U.S. dollar exchange rates, as well as the price changes of AIC Client's investments in the various local markets and currencies. Thus, an increase in the value of U.S.

dollars compared to the other currencies in which AIC Clients make its investments will reduce the effect of increases in the prices of AIC Clients' investments and magnify the U.S. dollar equivalent of the effect of decreases in the prices of AIC Clients investments in their local markets. Conversely, a decrease in the value of U.S. dollars will have the opposite effect on AIC Clients' non-U.S. dollar investments. AIC Clients are also permitted to utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be entered into, or, if entered into, will be effective. Prospective limited partners whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between U.S. dollars and such other currencies.

AIC Funds' Income. A substantial portion of AIC Funds' income may be derived from repayments of principal received in respect of loans. A wide range of factors have the potential to adversely affect an obligor's ability to make repayments or pay the interest on its debt, including: adverse changes in the financial condition of such obligor or the industries or regions in which it operates; the obligor's exposure to counterparty risk; systemic risk in the financial system and settlement; changes in law or taxation; changes in governmental regulations or other policies; natural disasters; terrorism; social unrest; civil disturbances; or general economic conditions. Default rates tend to accelerate during economic downturns.

Any defaults will have a negative impact on the value of AIC Funds' investments and could potentially reduce the return that AIC Funds receive from its investments in certain circumstances. While some amount of annual defaults is expected to occur in AIC Funds' portfolio, defaults in or declines in the value of the AIC Funds' investments in excess of these expected amounts would negatively affect AIC Funds' performance, including, to the extent AIC Funds have financing arrangements in place with recourse to AIC Funds, by causing breaches of covenants under such financing arrangements (to the extent permitted under the Partnership Agreements) or the financing arrangements of subsidiaries of AIC Funds' or special purpose entities, triggering credit enhancement requirements or accelerated repayment provisions and, if not cured within the relevant grace periods, permitting the finance provider to enforce its security over all the assets of AIC Fund or such subsidiary or SPV, as the case may be.

In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an obligor, holders of debt instruments ranking senior to AIC Funds' investment would typically be entitled to receive payment in full before AIC Funds receive any distribution in respect of its investment. After repaying the senior creditors, such obligor may not have any remaining assets to repay its obligations to AIC Funds. In the case of debt ranking equally with the loans or debt securities in which AIC Funds invest, AIC Funds would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant investee company. Each jurisdiction in which AIC Funds invest has its own insolvency laws. As a result, investments in similarly situated issuers in different jurisdictions could potentially confer different rights in the event of insolvency.

Reliance on Creditors' Committees. AIC Clients and/or the Adviser may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or Management of an AIC Client may seek to negotiate directly with the debtors with respect to restructuring issues. If an AIC Client does join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective

individual best interests and there can be no assurance of obtaining results most favorable to an AIC Client in such proceedings. By participating on such committees, an AIC Client may be deemed to have duties to other creditors represented by the committees, which might expose an AIC Client to liability to such other creditors who disagree with an AIC Client's actions.

Potential Early Redemption of Some Investments. The terms of loans acquired or originated by an AIC Client may be subject to early prepayment options or similar provisions which, in each case, could result in an AIC Client realizing such loans earlier than expected, sometimes with no or a nominal prepayment premium. Such prepayments may result in an AIC Client receiving a lower than anticipated yield on such investments. This may happen when there is a decline in interest rates, when the portfolio company's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt or when the general credit market conditions improve. In the event an AIC Client receives proceeds from an investment earlier than it had anticipated, an AIC Client may be permitted to reinvest such proceeds, but there is no assurance that an AIC Client will be able to reinvest such proceeds even where they are received during the investment period. An AIC Client's inability to reinvest such proceeds may materially affect the performance of an AIC Client.

Limited Amortization Requirements. AIC Clients may invest in loans that will typically have limited mandatory amortization and interim repayment requirements. While these loans may obligate an issuer to repay the loan out of asset sale proceeds or with annual excess cash flow, repayment requirements may be subject to substantial limitations that would allow an issuer to retain such asset sale proceeds or cash flow, thereby extending the expected weighted average life of the investment. A low level of amortization of any debt, over the life of the investment, may increase the risk that a portfolio company will not be able to repay or refinance the debt held by an AIC Client when it comes due at its final stated maturity.

Reliance on Management of the Adviser. The success of the AIC Clients is highly dependent on the financial and managerial expertise of the Adviser. Although the Adviser has attempted to foster a team approach to investing, the loss of key investment personnel of the Adviser could have a material adverse effect on the performance of the AIC Clients (or, as applicable, their accounts). Such individuals may not necessarily continue to be investment personnel of the Adviser during the entire period in which the Adviser provides advisory services to the AIC Clients. The Adviser may give advice or take actions with respect to the investments of one or more AIC Clients that may not be given or taken with respect to other AIC Clients with similar investment programs, objectives or strategies. As a result, AIC Clients with similar strategies may not hold the same securities or achieve the same performance. In addition, an AIC Client will, under certain circumstances, not be able to invest through the same investment vehicles or have access to similar credit or utilize similar investment strategies as another AIC Client. These differences may result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that certain of the individuals responsible for managing a particular AIC Client may also continue to have responsibilities with respect to other funds and accounts managed by the Adviser and other Affiliate Advisers (as defined in Item 10 below), including Clients (as defined in Item 11 below) managed on behalf of the Affiliate Advisers' personnel and their friends and family.

Widening Risk. For reasons not necessarily attributable to any of the risks set forth herein, the prices of the securities and other financial assets in which the AIC Clients invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It is not possible to predict, or to hedge against, such “spread widening” risk.

Financially Troubled Companies. AIC Clients may invest in the obligations of companies that are financially troubled and that are either engaged in a reorganization or expect to file for bankruptcy. Investments in financially troubled companies involve significantly greater risk than investments in non-troubled companies, and the repayment of obligations of financially troubled companies is subject to significant uncertainties. Such companies generally are more vulnerable to real or perceived economic changes, political changes or adverse industry developments, and if their financial condition deteriorates, accurate financial and business information may be limited or unavailable. In addition, securities of such companies may be thinly traded and there may be no established secondary or public market. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Partnership will correctly evaluate the value of the assets collateralizing an AIC Client’s loans or the prospects for a successful reorganization or similar action. Additionally, an AIC Client’s may invest in the securities of financially troubled companies that are non-U.S. issuers. Such non-U.S. issuers may be subject to bankruptcy and reorganization processes and proceedings that are not comparable to those in the United States and that may be less favorable to the rights of lenders.

An AIC Client may make investments that become distressed due to factors outside the control of the Adviser. There is no assurance that there will be sufficient collateral to cover the value of the loans and/or other investments purchased by an AIC Client or that there will be a successful reorganization or similar action of the company or investment which becomes distressed. In any reorganization or liquidation proceeding relating to a company in which an AIC Client invests, an AIC Client may lose its entire investment, may be required to accept cash or securities with a value less than an AIC Client’s original investment and/or may be required to accept payment over an extended period of time. Under these circumstances, the returns generated from an AIC Client’s investments may not compensate the limited partners thereof adequately for the risks assumed. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damage suffered by parties as a result of such actions. In addition, under circumstances involving a portfolio company’s insolvency, payments to an AIC Client and distributions by an AIC Client to the limited partners thereof may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Troubled company investments require active monitoring and may, at times, require significant participation in business strategy or reorganization proceedings by the Adviser. In addition, involvement by the Adviser in a company’s reorganization proceedings could result in the imposition of restrictions limiting an AIC Client’s ability to liquidate its position in the company.

Trading Risk. The Adviser’s trade error policy only requires the Adviser to reimburse AIC Clients for any losses resulting from the Adviser’s breach of the applicable standard of care (generally gross negligence or willful misconduct). Although the Adviser’s traders endeavor to take the

utmost care in implementing investment decisions on behalf of each AIC Client, trade errors do occur and could have a material adverse impact on the performance of any or all AIC Clients.

Different risks may exist with respect to investments in different AIC Funds and Separate Account Clients. The risks associated with an investment in any particular AIC Fund or Separate Account Client may be substantially impacted by the nature and timing of the market.

Business and Regulatory Risks of Private Investment Funds. Legal, tax and regulatory changes could occur during the term of an AIC Client that may adversely affect an AIC Client. The legal, tax and regulatory environment for private investment funds is evolving, and changes in the taxation or regulation of private investment funds may adversely affect the value of fund interests, including by adversely affecting the value of investments held by an AIC Client and the ability of an AIC Client to obtain the leverage it might otherwise obtain or to pursue its investment objective. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, the CFTC, the Internal Revenue Service, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on an AIC Client could be substantial and adverse.

The Adviser expects certain AIC Clients to invest in securities or obligations collateralized by assets located outside of the United States, or of issuers organized under the laws of jurisdictions other than the United States. Similarly, issuers of securities held by an AIC Client may have a principal place of business or substantial assets located outside of the United States. As a result, such securities or obligations may be subject to bankruptcy or insolvency laws of non-U.S. jurisdictions. These laws may be substantially less favorable to creditors than the U.S. Bankruptcy Code.

Regulated Industries. An AIC Client may invest in issuers that operate in regulated industries. Examples include, without limitation, communications, financial services, aerospace, energy and consumer-oriented healthcare. To the extent that an AIC Client makes investments in issuers that are involved in industries that are subject to greater amounts of regulation than other industries generally, such investments would pose additional risks relative to investments in other issuers. The operations of such issuers will be subject to compliance with applicable regulations, and such issuers may be subject to increased regulations resulting from both new requirements and re-regulation of previously de-regulated markets. Prices may be artificially controlled, and regulatory burdens may increase costs of operations. Additionally, such issuers may be highly dependent on government contracts, which could further increase the risks of investing in such issuers. Issuers also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on them. Governments have considerable discretion in implementing regulations that could impact an issuer's business, and governments may be influenced by political considerations and may make decisions that adversely affect an issuer's business. Additionally, certain issuers may have a unionized workforce or employees who are covered by a collective bargaining agreement, which could subject their activities and labor relations matters to complex laws and regulations relating thereto. Moreover, their operations and profitability could suffer if they experience labor relations problems. Upon the expiration of their

collective bargaining agreements, they may be unable to negotiate new collective bargaining agreements on terms favorable to them, and their business operations at one or more of their facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating their collective bargaining agreements. Work stoppages could have a material adverse effect on the business, results of operations and financial condition of any such issuers. Any such problems could impact the credit quality of any such issuer or otherwise adversely impact an investment in such issuer by an AIC Client and additionally may bring scrutiny and attention to an AIC Client itself, which could adversely affect an AIC Client's ability to implement its investment objectives.

Consumer lending is subject to greater regulatory complexity and regulatory attention than is commercial lending and engaging in consumer lending results in higher staffing and administrative costs and regulatory and litigation risks. The applicable federal consumer financial laws include, among others, the Truth in Lending Act, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, privacy protections of Title V of the Gramm-Leach Bliley Act, and the Bank Secrecy Act, and their implementing regulations and related supervisory guidance and interpretations. States have additional consumer protection laws regulating financial transactions, such as usury and fee limits, and laws that are analogous to the above listed federal laws. Additional legislation and regulation could amend or increase AIC Client obligations and regulatory oversight when engaging in consumer finance activities.

Lack of Sufficient Investment Opportunities. The business of identifying and structuring financial transactions is highly competitive and involves a high degree of uncertainty. It is possible that an AIC Client will never be fully invested if enough sufficiently attractive investments are not identified.

However, an AIC Client may nevertheless be required to pay Advisory Fees during the investment period of the applicable AIC Client based on the entire amount of their capital commitments.

Concentration of Investments. The AIC Clients will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, an AIC Client's investment portfolio could become highly concentrated and the impact on an AIC Client of adverse movements in the value of the securities or other obligations of a few issuers or a single issuer or market sector could be considerably greater than if an AIC Client were not permitted to concentrate its investments to such an extent. Furthermore, to the extent that the capital raised is less than the targeted amount, an AIC Client may invest in fewer investments and thus be less diversified.

Competition for Investments. An AIC Client's potential for current income and capital appreciation for its investors will depend, in large part, on the ability of the Adviser and/or its affiliates to source investments for an AIC Client on advantageous terms. An AIC Client intends to purchase securities and other obligations from investment banking firms, traders and portfolio managers, sponsors, borrowers and other parties. The AIC Clients expect to encounter competition from entities having similar investment objectives. Potential competitors include other investment funds, business development companies and other financial investors investing directly or through affiliates. Certain of these entities may possess competitive advantages over an AIC Client in pursuing investment opportunities, including greater financial, technical, marketing and other resources,

higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital and access to funding sources unavailable to an AIC Client. In addition, a substantial number of private investment funds have been formed over the past several years, and many funds have grown substantially in size, resulting in an unprecedented amount of capital available for investment in such opportunities. Increased competition for, or a reduction in the available supply of, qualifying investments could result in higher prices for, and thus lower yields on, such investments.

Material Non-Public Information. By reason of their responsibilities in connection with their other activities, including activities for Affiliate Advisers, the Adviser's senior professionals may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. Clients may not be free to act upon any such information. An AIC Client's investment flexibility may be constrained due to the inability of the Adviser to use such information for investment purposes. Moreover, the Adviser may be restricted from initiating transactions in certain securities or selling certain investments, due to its, or its Affiliate Advisers', acquisition of confidential or material, non-public information, at a time when the Adviser would otherwise take such action.

Tax-Related Risks. Investment in an AIC Client involves numerous tax risks. AIC Clients or their investors may be subject to income or other tax in jurisdictions in which AIC Clients invest. Additionally, withholding taxes or branch taxes may be imposed on earnings of AIC Clients from investments in such jurisdictions. Also, local tax incurred in a jurisdiction by AIC Clients or vehicles through which they invest may not entitle investors to either (i) a credit against tax that may be owed in their respective home tax jurisdictions or (ii) a deduction against income taxable in such home jurisdictions by the investors.

The Adviser typically takes into account tax consequences when structuring the activities of the AIC Client; however, there is a risk that the United States Internal Revenue Service (and similar state and international taxing bodies) will not concur with the Adviser as to these tax consequences, resulting in a less favorable tax outcome than the Adviser had anticipated. In addition, tax laws and regulations applicable to an AIC Client are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes.

Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in an AIC Client.

Tax Reform Risks. On December 22, 2017, P.L. 115-97, originally introduced in Congress as the U.S. Tax Cuts and Jobs Act, was enacted. There continues to be uncertainty regarding certain aspects of this law and its application, and the current administration has announced that it is contemplating further legislation that may result in significant changes to the Internal Revenue Code of 1986, as amended. In addition, under current law, capital gains in respect of a general partner's right to carried interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to capital gains that AIC Fund investors are allocated is one year. This carried interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause an AIC Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on carried interest, even if there are attractive realization opportunities prior

to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of “carried interest” in ways that may be adverse to partners in the general partner. A general partner and the Adviser may take these potential adverse consequences into account in their management and operation of the AIC Funds and in addressing these adverse consequences, the interests of the general partner and the Adviser, on the one hand, may diverge from the interests of the investors, on the other hand.

Hedging Transactions. An AIC Client may utilize a variety of financial instruments such as derivatives, swaps, caps and floors and forward contracts, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of an AIC Client’s investments resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect an AIC Client’s unrealized gains in the value of an AIC Client’s investments; (iii) facilitate the sale of any such investments; (iv) establish a position as a temporary substitute for other securities; (v) enhance or preserve returns, spreads or gains on any investment; (vi) hedge the interest rate or currency exchange rate on any of an AIC Client’s liabilities or assets; (vii) protect against any increase in the price of any securities an AIC Client anticipates purchasing at a later date; or (viii) for any other reason that the Adviser deems appropriate. Some of the hedging techniques that an AIC Client may utilize may result in an AIC Client incurring leverage and, as a result, entail many of the same risks associated with the AIC Client’s direct use of leverage.

Hedging against a decline in the value of an investment does not eliminate fluctuations in the values of investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the applicable investment’s value. Such hedging transactions also limit the opportunity for gain if the value of the investment increases. Moreover, it may not be possible for an AIC Client to hedge against an exchange rate, interest rate or security price fluctuation that is so generally anticipated that an AIC Client is unable to enter into a hedging transaction at a price sufficient to protect its assets from the decline in value of the investments anticipated as a result of such fluctuations.

An AIC Client is not required to attempt to hedge portfolio positions and, for various reasons, may determine not to do so. Moreover, an AIC Client is not obligated to hedge against fluctuations in the value of the AIC Client’s investments as a result of changes in market interest rates or any other developments. Furthermore, an AIC Client may not anticipate a particular risk so as to hedge against it. While an AIC Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for an AIC Client than if an AIC Client had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the investment(s) being hedged may vary. For a variety of reasons, an AIC Client may not seek to establish a perfect correlation between such hedging instruments and the investment(s) being hedged. Such imperfect correlation may prevent an AIC Client from achieving the intended hedge or expose the AIC Client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of an AIC Client’s investments. Moreover, it should be noted that the AIC Client’s investments will always be exposed to certain risks that cannot be hedged.

Subscription Facility, Other Financings and Cross-Default Risk. An AIC Client may utilize indebtedness or another asset-level financing. An AIC Clients’ use of borrowings to create leverage

subjects the AIC Clients to additional risks. For example, depending on the type of facility, a decrease in the market value of the AIC Clients' investments, which, among other things, can be caused by a decrease in the credit rating or asset value of the investments, would increase the effective amount of leverage and could result in the possibility of a "margin call," pursuant to which the AIC Clients must either deposit additional funds or collateral with the lender, which could require the investors to make additional capital contributions to AIC Clients, cause sales of AIC Clients' assets at prices below what the Adviser may believe is the intrinsic value if held to maturity or suffer mandatory liquidation of the pledged collateral to compensate for the decline in value. Liquidation of their investments at an inopportune time in order to satisfy a "margin call" would adversely impact the performance of AIC Clients and could, if the value of their collateral has declined enough, cause AIC Clients to lose all or a substantial amount of their capital. Moreover, if additional capital contributions were required to satisfy a "margin call," this would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of AIC Clients' portfolios. In the event of a sudden, precipitous drop in the value of AIC Clients' assets, AIC Clients might not be able to liquidate assets quickly enough to pay off their debts.

In addition, the indebtedness or financing used by an AIC Client may be structured in a way that (i) AIC Clients are jointly responsible on a cross-collateralized basis for the repayment of the indebtedness or financing and (ii) the commitments of the investors in an AIC Client are pledged to secure indebtedness or financing obtained for the benefit of other AIC Clients. To the extent that providers of such indebtedness or financing require that it be secured by, or have the credit support of, a particular AIC Client, the investors may be called upon to fund their entire commitment to repay indebtedness, which may or may not be indebtedness of the AIC Client in which such investor is a limited partner, and the failure of other investors to honor their commitments may result in an investor's payments exceeding its pro rata share of the indebtedness. In addition, an AIC Client may be subject to cross-default risk with respect to other parties in connection with repurchase agreements or other asset financings to which they are a party. The AIC Clients intend, where appropriate, to enter into back-to-back agreements with such other parties in respect of any such credit support.

Bank Debt Ratings. In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings may be used by the Adviser, in part, for the selection of portfolio securities. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of such credit rating agency, circumstances so warrant. With respect to mortgage-backed securities, such ratings do not represent any assessment of the likelihood that future prepayments will differ from current prepayment assumptions or historical prepayment rates. Hence, such ratings will not address the possibility that prepayment rates from an investment that are higher or lower than what was anticipated by an investor may cause such investment to experience a lower than anticipated yield.

Longer Settlement for the Purchase of Bank Loans. The settlement process for the purchase of bank loans can take several days and, in certain instances, several weeks longer than a bond trade. The longer a trade is outstanding between the counterparties may increase the risk of additional operational and settlement issues and the potential for an AIC Client's counterparty to fail to perform.

CLOs. To finance investments, an AIC Client may securitize certain of its investments, including through the formation of one or more collateralized loan obligations (“CLOs”), while retaining all or most of the exposure to the performance of these investments. This would involve contributing a pool of assets to a special purpose entity and selling debt interests in such entity on a non-recourse or limited-recourse basis to purchasers.

If an AIC Client creates a CLO, the AIC Client will depend on distributions from the CLO’s assets to enable it to make distributions to investors. The ability of a CLO to make distributions will be subject to various limitations, including the terms and covenants of the debt it issues. For example, tests (based on interest coverage or other financial ratios or other criteria) may restrict an AIC Client’s ability, as holder of a CLO’s equity interests, to receive cash flow from these investments. There is no assurance any such performance tests will be satisfied. Also, a CLO may take actions that delay distributions in order to preserve ratings and to keep the cost of present and future financings lower, or the CLO may be obligated to retain cash or other assets to satisfy over-collateralization requirements commonly provided for holders of the CLO’s debt. As a result, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in, and the distribution of cash out of, a CLO, or cash flow may be completely restricted for the life of the CLO. In addition, a decline in the credit quality of loans in a CLO due to poor operating results of the relevant borrower, declines in the value of loan collateral or increases in defaults, among other things, may force a CLO to sell certain assets at a loss, reducing its earnings and, in turn, cash potentially available for distribution to an AIC Client for distribution.

To the extent that any losses are incurred by the CLO in respect of any collateral, such losses will be borne first by an AIC Client as owner of equity interests. Finally, any equity interests that an AIC Client retains in a CLO will not be secured by the assets of the CLO and the AIC Client will rank behind all creditors of the CLO.

Risk Retention Regulations for Asset-Backed Securities. Effective December 24, 2016, the final rules adopted by the U.S. regulators in October 2014 to implement the credit risk retention requirements of Section 941 of the Dodd-Frank Act for asset-backed securities, including CMBS (the “Risk Retention Rules” and together with any future modification or supplementation in respect of the Risk Retention Rules, and any third party purchaser agreements entered into by AIC Clients, or any vehicle through which an AIC Client invests, in connection with any portfolio investment, which contains provisions relating to the Risk Retention Rules, the “Risk Retention Requirements”), require a “securitizer” or “sponsor” of a CMBS securitization (a “Risk Retention Sponsor”) to retain, directly or indirectly through a majority-owned affiliate (including an entity that is considered a majority-owned affiliate based on the holding of a controlling financial interest in such entity as determined under GAAP), at least 5% of the credit risk of the securitized assets collateralizing the CMBS. A Risk Retention Sponsor may satisfy the Risk Retention Requirements by holding (1) a single vertical security or an interest in each tranche of CMBS issued in connection with the CMBS securitization equal to 5% of the face value of each tranche of CMBS issued in connection with the CMBS securitization (the “vertical risk retention option”), (2) an eligible horizontal residual interest in the first loss tranches (which will be comprised of the Risk Retention Securities) equal to 5% of the fair value (as determined in accordance with GAAP) of all tranches of CMBS issued in connection with the CMBS securitization (the “horizontal risk retention option”) or (3) a combination of the vertical risk retention option and the horizontal risk retention option. In addition, a Risk Retention Sponsor (or its majority-owned affiliate) may satisfy some or all of the Risk Retention Requirements if a third-party purchaser, such as an AIC Client (or a

holding company, as a majority-owned affiliate thereof), purchases and holds for its own account the eligible horizontal residual interest (or Risk Retention Securities) in the same form, amount, and manner as would be held by the Risk Retention Sponsor. In order to satisfy the horizontal risk retention option by transferring the eligible horizontal residual interest to an eligible third-party purchaser, the following conditions must be met: (i) at any time, there are no more than two third-party purchasers of an eligible horizontal residual interest, and each such third-party purchaser's interest must be *pari passu* with the other third-party purchaser's interest; (ii) the third-party purchaser must pay for the first-loss subordinated interest in cash at the closing of the securitization; (iii) the third-party purchaser cannot obtain financing, directly or indirectly, from any other person party to the securitization transaction (including, but not limited to, the Risk Retention Sponsor, depositor, or an unaffiliated servicer), other than a person that is a party solely by reason of being an investor; (iv) the third-party purchaser must perform a review of the credit risk of each asset in the pool composing the securitization prior to the sale of the asset-backed securities; (v) except for an affiliation with the special servicer in the securitization transaction or an originator of less than 10% of the unpaid principal balance of the securitized assets, the third-party purchaser cannot be affiliated with any other party (other than investors) to the securitization transaction; (vi) the transaction documents must provide for the appointment of an operating advisor, subject to certain terms and conditions; (vii) the Risk Retention Sponsor must provide, or causes to be provided, to potential purchasers certain information concerning the third-party purchasers and other information concerning the transaction; and (viii) any third-party purchaser acquiring an eligible horizontal residual interest must comply with the hedging, transfer, financing and other restrictions applicable to such interest as if such third-party purchaser was a Risk Retention Sponsor who had acquired the interest under the horizontal risk retention option.

Although compliance with the Risk Retention Requirements with regard to CMBS was required beginning December 24, 2016, there remains general uncertainty as to what the implementation of these requirements will mean in the long run with respect to the types of investments which AIC Client intends to make (including Risk Retention Securities). This uncertainty, as well as other aspects of the Risk Retention Requirements, may have a negative impact on CMBS (including Risk Retention Securities) generally, including without limitation by increasing the relative appeal of other investments not impacted by the Risk Retention Requirements. Accordingly, the Risk Retention Rules may adversely affect the value of certain financial instruments acquired by AIC Clients. The risk retention requirements may also have adverse consequences on the commercial mortgage and CMBS markets generally and may affect different participants, including sponsors and third-party purchasers, in those markets differently, including potentially increased cost of CMBS, additional trust expenses, increased cost of commercial mortgages to borrowers, decreased availability of commercial mortgages and fewer CMBS securitizations, all of which could have a material adverse effect on AIC Clients' performance.

If a Risk Retention Sponsor utilizes an AIC Client, as an eligible third-party purchaser, to satisfy the Risk Retention Requirements, the AIC Client will be required pursuant to the Risk Retention Requirements to hold the related Risk Retention Securities, without transferring or hedging such Risk Retention Securities, for a significant period of time (at least five years), which could prevent the AIC Client from mitigating losses on such Risk Retention Securities. Even if the AIC Client sought to transfer such Risk Retention Securities after five years, any subsequent purchaser of such Risk Retention Securities will be required to satisfy the same conditions that the AIC Client was required to satisfy when it acquired the eligible horizontal residual interest from the CMBS sponsor

(as described above). Accordingly, no assurance can be given that any secondary market liquidity will exist for such Risk Retention Securities.

Prospective investors should note that the Adviser and AIC Clients will be constrained by the Risk Retention Requirements. As a result, the Adviser may not be able to take certain actions it would otherwise be permitted to take under the Governing Documents, even where such actions could be considered beneficial to an AIC Client.

E.U. Risk Retention Requirements. Risk retention and due diligence requirements (the “E.U. Risk Retention Rules”) apply in respect of various types of investors regulated in the E.U., including credit institutions, investment firms, authorized alternative investment fund managers and insurance and reinsurance undertakings (together, “Affected Investors”). Amongst other things, such requirements restrict an investor who is subject to the E.U. Risk Retention Rules from investing in securitizations issued on or after January 1, 2011 (or securitizations issued before that date to which new underlying exposures are added or substituted after December 31, 2014) (together, “Affected Securitizations”) unless: (i) the originator, sponsor or original lender in respect of the relevant securitization (the “Risk Retention Holder”) has explicitly disclosed that it will retain, on an ongoing basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or securitized exposures; and (ii) the investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including but not limited to (a) its note position, (b) the underlying assets, and (c) (in the case of certain types of investors) the relevant sponsor or originator. Risk Retention Holders must hold the retained net economic interest throughout the life of the securitization and may not enter into any arrangement designed to mitigate the credit risk in relation thereto. Failure to comply with one or more of these requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge.

Investments by AIC Clients which involve the tranching of credit risk associated with an exposure or pool of exposures are likely to be treated as “securitizations” under the E.U. Risk Retention Rules. If such investments involve Affected Investors, the sponsor or originator of the transaction (which could be an AIC Client or the Adviser) may be required to act as the Risk Retention Holder. This could increase the costs of such investments for AIC Clients and, where such AIC Clients act as Risk Retention Holders, reduce the AIC Clients’ liquidity and prevent the AIC Clients from entering into any credit risk mitigation in respect of such investments.

The current E.U. Risk Retention Rules are contained in the Regulation (EU) 2017/2402 (the “Securitization Regulation”). The Securitization Regulation repealed and replaced the prior E.U. Risk Retention Rules and applies from January 1, 2019 (subject to certain transitional provisions regarding securitizations the securities of which were issued before January 1, 2019). Investors should be aware that there are material differences between the E.U. Risk Retention Rules imposed prior to January 1, 2019, and the Securitization Regulation. For example, the Securitization Regulation imposes a direct retention obligation on sponsors and originators of securitizations. Failure by the sponsor or originator to comply with this retention obligation could result in criminal sanctions and fines of up to 10% of total annual turnover (calculated on a consolidated basis). Moreover, the Securitization Regulation expands on the types of Affected Investor to which the due diligence and ongoing monitoring requirements apply. The Securitization Regulation does not explicitly provide for sanctions for failure by an Affected Investor to comply with the due diligence requirements, although sanctions or other adverse implications may apply under the relevant

sectoral E.U. legislation governing the Affected Investor. Prospective investors should be aware that the range of investment strategies and investments that AIC Clients are able to pursue may be limited by the Securitization Regulation, and that there may be other adverse consequences for investors and their capital investments in AIC Funds as a result of changes to the E.U. risk retention and due diligence requirements introduced through the Securitization Regulation.

Prospective investors belonging to any category of Affected Investor should consult with their own legal, accounting, regulatory and other advisors and/or regulators to determine whether, and to what extent, the information set out herein and in any relevant Governing Documents or investor report is sufficient for the purpose of satisfying their obligations under the E.U. Risk Retention Rules, and such investors are required to independently assess and determine the sufficiency of such information. Prospective investors are themselves also responsible for monitoring and assessing changes to the E.U. Risk Retention Rules, and any regulatory capital requirements applicable to the investor, including any such changes introduced through the Securitization Regulation.

Expedited Transactions. Investment analyses and decisions by the Adviser will often be undertaken on an expedited basis in order for an AIC Client to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the Adviser may rely upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

Provision of Managerial Assistance. The Adviser, by virtue of the assets it manages for an AIC Client and other funds, may obtain rights to participate substantially in and to influence substantially the conduct of the management of issuers in which an AIC Client invests. The Adviser may designate directors (and non-executive chairmen) to serve on the boards of directors of issuers. The designation of directors and other measures contemplated could expose the assets of an AIC Client to claims by an issuer, its security holders and its creditors. The provision of managerial assistance could expose an AIC Client to certain risks, including the risk of litigation. As a result, an AIC Client could suffer losses in its investments.

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

Cybersecurity Risk. The Adviser, the AIC Clients' 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 AIC Clients and their investors, despite the efforts of the Adviser and the AIC Clients' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the security, confidentiality, integrity and availability of information belonging to the AIC Clients and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the AIC Clients' service providers and counterparties, as well as the data stored by these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the AIC Clients' investors. A successful penetration or circumvention of the security of the Adviser's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the AIC Clients, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Adviser may incur substantial costs related to investigation of the origin and scope of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

Similar types of operational and technology risks are also present for the companies in which the AIC Clients invest, which could have material adverse consequences for such companies, and may cause the AIC Clients' investments to lose value.

Environmental, Social and Governance Matters. While environmental, social or governance ("ESG") is only one of the many factors the Adviser will consider in making an investment, there is no guarantee that the Adviser will successfully implement and make investments in companies that create positive ESG impact while enhancing long-term shareholder value and achieving financial returns. To the extent that the Adviser engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of the Adviser will depend on the Adviser's skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the Adviser's view of certain ESG-related and other factors and carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by the Adviser.

Consideration of ESG factors may affect the Adviser's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Adviser's performance depending on whether such investments are in or out of favor. Applying impact

investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser, or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or the Adviser's assessment of such practices may change over time.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and the Adviser's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. The Adviser's ESG policies could become subject to additional regulation in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements.

Climate Change. The AIC Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the AIC Funds' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the AIC Funds may be vulnerable to the following: risks of property damage to the AIC Funds' investments; indirect financial and operational impacts from disruptions to the operations of the AIC Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the AIC Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the AIC Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

Possibility of Fraud and Other Misconduct of Employees and Service Providers. Misconduct by employees of the Adviser, service providers to the Adviser or the AIC Funds and/or their respective affiliates could cause significant losses to such AIC Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such AIC Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such AIC Funds and noncompliance

with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such AIC Funds. The Adviser has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Adviser will be able to identify or prevent such misconduct.

Market Disruption, Health Crises, Terrorism and Geopolitical Risk. The AIC Clients are subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of an AIC Client's investments. Those events as well as other changes in world economic, political and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of an AIC Client's investments. At such times, an AIC Client's exposure to a number of other risks described elsewhere in this section can increase.

Russian Invasion of Ukraine. On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). The following day, the United States, United Kingdom and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, United Kingdom, and European Union imposed further sanctions designed to target the Russian financial system, and thereafter a number of countries have banned Russian planes from their airspace. Further sanctions may be forthcoming, and the U.S. and allied countries have recently announced they are committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of the AIC Clients' investments. Furthermore, given the ongoing and evolving nature of the conflict between the two nations and its ongoing escalation (such as Russia's recent decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the AIC Clients and the performance of their investments or operations, and the ability of the AIC Clients to achieve their investment objectives.

Coronavirus Outbreak Risks. The ongoing global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, vaccine mandates, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. The global impact of COVID-19 has been evolving over the course of the pandemic and, at different points of time has, and may continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. The spread of COVID-19 among the Adviser's personnel and its service providers would also significantly affect the Adviser's ability to properly oversee the affairs of the AIC Clients (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent

suspension of an AIC Client's investment activities or operations. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

Data Protection and Privacy Law Compliance. On January 1, 2020, many companies doing business in California (regardless of their physical location) became subject to the California Consumer Privacy Act of 2018 (the "CCPA"), which imposes a number of obligations related to the privacy of natural persons who are California residents (or "consumers"). Though this law will have the biggest impact on consumer-focused business, the CCPA also has implications for private fund managers, including the Adviser. Compliance with current and future privacy, data protection and information security laws could increase costs and significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of the current and planned business activities of the Adviser, its affiliates, the accounts and their portfolio companies. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Item 9. Disciplinary Information

Item 9 is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

Related General Partners

Various limited liability companies (the "General Partners") serve as general partners of the AIC Funds and each has ultimate responsibility for the management, operations and the investment decisions made on behalf of the relevant AIC Fund. The General Partners include:

- Angel Island Capital GP, LLC
- AIC Credit Opportunities Partners Fund II GP, LLC

The General Partners are deemed registered with the SEC under the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance.

For a description of material conflicts of interest created by the relationship among the Adviser and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

Affiliated Advisers

The Adviser is an indirect subsidiary of NAM, which is owned by Nassau Group. NAM is also the owner of Nassau Alternative Investments LLC and the majority owner of Nassau Corporate Credit LLC, which is itself the owner of Nassau Private Credit LLC (collectively (but excluding NAM), the "Nassau Advisers"), each of which is registered as an investment adviser with the SEC.

Current or future Affiliate Advisers (and/or the clients thereof) will work collaboratively with the Adviser and/or other Affiliate Advisers (and/or the clients thereof) from time to time, and/or the Adviser may add additional investment teams and lines of business, and conflicts of interest may arise as a result. Such conflicts from time to time include, but are not limited to, conflicts related to the sharing of material non-public information, co-investments, follow-on investments, ownership of investments at different levels of the capital structure, disposition of investments at different times or on different terms, business relationships between investments and the allocation of investment opportunities. The Adviser intends to address any such conflicts as they arise in accordance with the Adviser's compliance policies and disclosure. For a description of material conflicts of interest created by the relationships between the Adviser and its Affiliate Advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

The Adviser will under certain circumstances also serve as an adviser or sub-adviser to certain portfolio companies of the Golden Gate Funds or their affiliates (or to entities managed by Golden Gate) and will under certain circumstances receive fees in connection with such advisory relationship. In addition, the Adviser may, and does currently, provide certain "back-office" support services to such portfolio companies (or such entities managed by Golden Gate) and may receive an asset-based fee in connection with such services and will under certain circumstances otherwise receive other fees from such portfolio companies. See Item 11 below for more detail on conflicts of interest and associated fees and Item 5 above for more detail on potential fees received from portfolio companies.

Share Services Agreement

The Adviser has entered into a shared services agreement (the "***Shared Services Agreement***") with certain of its affiliates (the "***Shared Services Providers***") pursuant to which the Shared Service Providers and their agents perform certain back-office, credit analysis and reporting functions among other functions that are delegated to them by the Adviser. In performing its services, the Adviser depends, in large part, upon the skill and expertise of certain personnel of the Shared Service Providers that are made available to the Adviser pursuant to the Shared Services Agreement who are responsible for the day-to-day operations and management of the Adviser and who provide services to other affiliates of the Adviser as well as to the Adviser.

The Adviser does not recommend or select other investment advisers for its clients, nor does the Adviser have other business relationships with advisers that create material conflicts of interest.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser has adopted a written Code of Ethics that is applicable to all of its officers, principals, employees and other personnel of the Adviser, as well as officers, principals, employees and other personnel of its affiliates and certain independent contractors (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including a general restriction on personal securities transactions with only limited exceptions (*e.g.*, for sale transactions and purchases in limited offerings where pre-clearance obligations are satisfied). Adviser Personnel and certain of their family members and/or members of their households may

hold assets for their own accounts, including the same assets as may be held by an AIC Client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent certain potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, a letter of censure or suspension or termination of the employment of the violator. Adviser Personnel are required to annually acknowledge compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any AIC Client or prospective client upon written request to:

Natasha Salins
Angel Island Capital Management, LLC
One Embarcadero Center, Suite 2150
San Francisco, CA 94111
415-616-7500

Participation or Interest in Client Transactions

The Adviser and certain employees and affiliates of the Adviser may invest in and alongside Angel Island Capital or the AIC Clients, either through the Adviser, through the Nassau Funds, through the Golden Gate Funds, as direct investors in the AIC Funds or otherwise. An AIC Fund or the Adviser, as applicable, has in the past and will in the future reduce all or a portion of the Advisory Fee and Incentive Allocation related to investments held by such persons or any other person. For further details regarding conflicts of interest presented by these arrangements, please see “Code of Ethics” above and “Potential Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in an AIC Fund (or purchasers of an investor’s interests in a secondary transaction) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors.

Conflicts of Interest

The Adviser and its related entities, including the Affiliate Advisers, engage in a broad range of activities, including investment activities for their own account (and/or for certain accounts of their family members or related persons) and for the account of other investment accounts or investment vehicles and provide transaction-related, investment advisory, legal, management and other services to funds and operating companies.

Each of the Affiliate Advisers focuses primarily on a different investment strategy, although such investment strategies overlap from time to time.

The investment accounts and investment vehicles managed by the Affiliate Advisers and the Adviser are referred to herein as “Clients.” The investment accounts and investment vehicles managed by the Adviser are referred to herein as the “AIC Clients.” In the ordinary course of conducting its activities, the interests of an AIC Client will, from time to time, conflict with the

interests of the Adviser, other Clients or their respective affiliates. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

In addition, the Adviser may under certain circumstances, from time to time, establish certain investment vehicles through which certain employees of the Adviser or its affiliates, certain business associates or other third parties may invest alongside one or more AIC Clients in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” may, in certain instances, be contractually required to purchase and sell certain investment opportunities at substantially the same time and substantially the same terms as the applicable AIC Client that is invested in that investment opportunity. Co-Investors (as defined below) will under certain circumstances are not subject to or otherwise charged any management fees and/or performance fees or other performance compensation.

Resolution of Conflicts

Each of the Adviser and Affiliate Advisers will deal with all conflicts of interest using its best judgment, but in its sole discretion. When conflicts arise between an AIC Client and other Clients, the Adviser will represent the interests of the AIC Client, and the other participating Affiliate Adviser will represent the interests of the other Client it advises. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) An AIC Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such AIC Client (and investors in the AIC Client, if applicable);
- (2) Certain AIC Clients have established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- (3) Where the Adviser or one or more of the Affiliate Advisers deems appropriate in its sole discretion, unaffiliated third parties may be used or referenced in resolving conflicts, such as the use of an investment banker, independent agent, advisor or accounting or valuation firm to opine as to the fairness of a purchase or sale price or transaction pricing established by knowledgeable third parties. In addition, the willingness of a third party to make an investment on the same terms as an AIC Client or other Client would demonstrate the fairness of the transaction to such AIC Client or other Client; and
- (4) The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest.

While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. There can be no assurance that the Adviser will identify or resolve all conflicts in a manner that is favorable to the AIC Funds and the AIC Funds’ investors may not be entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

In addition, there may be provisions of an AIC Client's Governing Documents which are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to an AIC Client and its ability to achieve its investment objectives.

Sources of Conflicts of Interest

There are numerous perceived and actual conflicts of interest among the Adviser, the Affiliate Advisers, other Clients and the AIC Clients. The conflicts of interest that may be encountered by an AIC Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by such AIC Client. Other conflicts may be disclosed throughout this Brochure and the Governing Documents, and the Brochure and the Governing Documents should be read in their entirety for other conflicts of interest. In addition, new and difficult types of conflicts of interest may subsequently arise.

It is expected that most or all of the officers and employees responsible for managing the AIC Funds or accounts for Separate Account Clients will have responsibilities with respect to other funds or accounts managed by the Adviser, including funds and accounts that may be raised in the future. Substantial time will be spent by such officers and employees monitoring the investments of other AIC Clients. Conflicts of interest may arise in allocating time, services or functions of these officers, employees and Investment Committee members.

In addition, the other Affiliate Advisers perform advisory and other services for, and will receive compensation from, a number of entities, which may include entities in which AIC Clients have interests. These fees will not be shared with the AIC Clients.

Business with and Among Portfolio Companies and Investors

The Affiliate Advisers have existing and potential advisory and other relationships with a significant number of portfolio companies and other parties, and will under certain circumstances provide financing, operations, compliance, legal and other services, advice or otherwise deal with third parties whose interests conflict with the interests of a company in which an AIC Client may have invested, such as competitors, suppliers or customers of a company in which an AIC Client has invested. An Affiliate Adviser may recommend or cause such a third party to take actions that are adverse to an AIC Client or companies in which it has invested.

Given the collaborative nature of the Adviser's business and the portfolio companies in which the AIC Clients have invested, there are often situations where the Adviser is in the position of recommending the services of a portfolio company to other portfolio companies of the AIC Clients or funds managed by the Adviser's affiliate, which will under certain circumstances involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate, or a portfolio company. The Adviser will generally have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the AIC Clients, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the AIC Clients. The benefits received by a portfolio company providing a service may be greater than those received by the AIC Client(s) and its portfolio companies receiving the service.

The Adviser generally has an incentive to recommend the products or services of certain investors or prospective investors in the AIC Clients, certain third parties, or their related businesses to the AIC Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the AIC Clients or the portfolio companies.

Portfolio companies controlled by an AIC Client will under certain circumstances provide services to the Adviser, certain AIC Client investors or prospective investors. This creates a conflict of interest, as the Adviser has an incentive to cause the portfolio company to favor itself, or those investors or prospective investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the AIC Client. Additionally, the portfolio company could recommend to its clients or customers that they invest in an AIC Client.

Current and former officers and executives of portfolio companies will under certain circumstances also invest in an AIC Fund. While the Adviser believes this aligns portfolio company management teams with the best interests of the AIC Fund, the Adviser may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain the goodwill with such portfolio company management team investor.

In addition, certain portfolio companies controlled by an AIC Client will from time to time engage in activities that could adversely affect another AIC Client and/or its portfolio company, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of an AIC Client and/or a portfolio company being used to satisfy the obligations or liabilities of another an AIC Client or its portfolio company.

The Adviser and/or its affiliates will from time to time engage in business opportunities arising from an AIC Client's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from an AIC Client's investment and may vary from the applicable AIC Client's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to an AIC Client).

In certain instances, an AIC Client's portfolio company competes with, is a customer of, or is a service provider to, another AIC Client's portfolio company. In providing advice to a portfolio company's business, the Adviser may consider the interests of one portfolio company or AIC Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or AIC Clients. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a separate portfolio company owned by another AIC Client. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company; withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price; increase its own prices, purchase assets from,

or sell assets to, another portfolio company; commence litigation against another portfolio company; or prevent one portfolio company from commencing litigation against another portfolio company.

An AIC Client's portfolio companies will from time to time be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Clients or certain of the Adviser's affiliates that, although the Adviser determines to be consistent with the requirements of such AIC Clients' Governing Documents, may not have otherwise been entered into but for the affiliation with the Adviser, and which may provide economic or other benefits to affiliates of the Adviser that are not subject to an Advisory Fee offset. For example, the Adviser may cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While the Adviser may have a conflict of interest because its or its affiliate's economic benefit may incentivize the Adviser to maintain or pursue such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits on at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated, with the Adviser will only take actions that are beneficial to, or not opposed to, the interests of an AIC Client and its portfolio companies.

Expense Sharing Arrangements

Certain AIC Client portfolio companies (or a business unit thereof) are presently a party to, have previously entered into and may in the future enter into, expense sharing agreements with certain other AIC Client portfolio companies (or a business unit thereof), including, for the avoidance of doubt, portfolio companies owned or controlled by different AIC Clients. Such expense sharing agreements generally provide for, among other things, a portion of the salaries of certain employees and a portion of other overhead, rent and certain administrative expenses of one portfolio company (or a business unit thereof) to be borne by another portfolio company (or a business unit thereof) to the extent such other portfolio company (or a business unit thereof) utilizes the employees, office space and/or other resources of another portfolio company (or a business unit thereof). The allocation of such expenses is provided for in the applicable expense sharing agreement, and it is generally expected that the portfolio company utilizing such employees, office space and/or other resources shall bear its pro rata portion of the expenses associated therewith (generally based on a reasonable assessment by the Adviser or its affiliates in their sole discretion from time to time).

Valuation

An AIC Client's assets and liabilities are valued in accordance with the Adviser's valuation policy. In making valuation determinations, the Adviser may be deemed subject to a conflict of interest,

as the valuation of such assets and liabilities, including valuation of any designated assets purchased from an affiliate of the Adviser, affects its compensation and the compensation of the Adviser with respect to an AIC Client. In addition, the valuation of certain of the designated assets may have a differential tax impact on another AIC Client or affiliate of the Adviser and the AIC Client itself, which may also give rise to a deemed conflict of interest for the Adviser. There is no guarantee that the value determined with respect to a particular asset or liability by the Adviser will represent the value that will be realized by AIC Client on the eventual disposition of the related investment or that would, in fact, be realized upon an immediate disposition of the investment.

The Adviser will value investments to determine how distributions should be made in any AIC Client. No independent appraisal is required to be obtained, though certain third parties may, from time to time, be retained in order to assist with valuations. All other assets of an AIC Client will be assigned such value as the Adviser may reasonably determine. The exercise of such discretion may give rise to conflicts of interest since the Adviser's Advisory Fees and Incentive Allocation are calculated based on these valuations.

Diverse Investor Base

The AIC Funds and other AIC Clients may have tax-exempt, taxable, non-U.S. foreign and other investors, whereas most members of the Adviser are taxable at individual U.S. rates. Potential conflicts of interest exist with respect to various structuring, investment and other decisions because of divergent tax, economic or other interests, including conflicts among the interests of taxable and tax-exempt investors, conflicts among the interests of U.S. domestic and non-U.S. foreign investors, and conflicts between the interests of investors and management with regard to the AIC Clients. For these reasons, among others, decisions may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations.

Services Provided by the Adviser

The Adviser and/or its affiliates perform operations and accounting, legal and other services for an AIC Client and a variety of services with respect to the AIC Client's investments and will be reimbursed for these services. The Adviser may have a conflict of interest in determining the respective portions of the costs of such services that will be charged to the AIC Client.

Service Providers

Certain advisors and other service providers, and/or their respective affiliates (including accountants, administrators, lenders, bankers, brokers, attorneys (including attorneys from law firms retained by the Adviser or its affiliates on secondment at the Adviser's or its affiliates' offices), consultants and investment or commercial banking firms), to an AIC Client and the issuers of the AIC Client's investments will under certain circumstances also provide goods or services to or have business, personal, political, financial or other relationships with the Adviser and/or its affiliates. Such advisors and service providers may be investors in other AIC Clients, sources of investment opportunities for the Adviser and/or its affiliates, or other AIC Clients or may otherwise be co-investors with or counterparties to transactions involving the foregoing. These relationships may influence the Adviser in deciding whether to select or recommend any such advisor or service provider to perform services for the AIC Client or an issuer (the cost of which will generally be borne directly or indirectly by the AIC Client or issuers of the AIC Client's

investments, as applicable). Notwithstanding the foregoing, the Adviser will generally seek to engage advisors and service providers in connection with investment transactions for the AIC Client that require their use on the basis of the overall quality of advice and other services provided, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the Adviser believes to be of benefit to the AIC Client. In certain circumstances, advisors and other service providers or their affiliates may charge rates or establish other terms in respect of advice and services provided to the Adviser and/or its affiliates, other AIC Clients or the issuers in which they invest that are different and more favorable than those established in respect of advice and services provided to an AIC Client and its portfolio investments.

Other Affiliated Service Providers

In addition to the services described herein, certain other services will under certain circumstances be provided by the Adviser and its affiliates (and certain other businesses in which the Adviser or its affiliates have minority or other non-control or non-affiliate interests). The Adviser and its affiliates may also, in the future, acquire an interest in (including a minority or other non-control or non-affiliate interest) or establish other businesses and service providers not contemplated herein that will also be entitled to fees from Nassau Funds, Golden Gate portfolio companies, portfolio companies and other issuers in which AIC Clients invest and/or to other parties participating in transactions with AIC Clients.

Fees and other compensation paid to the Adviser and its affiliates (and other entities and businesses in which the Adviser holds interests) for services to portfolio companies and other issuers in which AIC Clients invest and/or to other parties participating in transactions with AIC Clients, are (or are expected to be, as applicable) believed by the Adviser to be reasonable and generally at market rates for the relevant activities. Such compensation, however, is (or is expected to be) generally determined through negotiations with related parties and not on an arm's-length basis and may be in excess of the cost of comparable services provided in an arm's-length transaction. In connection with such arrangements, the Adviser will make determinations of market rates based on its consideration of a number of factors, which are generally expected to include the Adviser and/or general partner's experience with non-affiliated service providers, which may, for the avoidance of doubt, be at the top of the range the Adviser determines to be reflective of rates in the applicable market and certain similar markets as well as benchmarking data and other methodologies determined by the Adviser to be appropriate under the circumstances. The particular methodology used to allocate such amounts where services are provided are expected to vary depending on the types of services provided and could, in certain circumstances, change from one period to another. Any methodology chosen by the Adviser involves inherent conflicts of interest and could result in a greater expense to the AIC Funds and portfolio companies than would be the case if such services were provided by third parties. While the Adviser and its affiliates will generally seek to obtain benchmarking data regarding the rates charged or quoted by third parties for similar services, appropriate comparisons may not be available for a number of reasons, including, for example, a lack of a substantial market of providers or users of such services or the confidential and/or bespoke nature of such services. Accordingly, any such market comparison efforts by the Adviser may not result in accurate information regarding market terms for comparable services. Expenses to obtain benchmarking data will be borne by the relevant portfolio company or other issuer (and indirectly by AIC Clients participating in the relevant transactions) or directly by the AIC Client.

No amounts paid in connection with these services will reduce the Advisory Fee or otherwise be shared with investors.

Except with respect to Transaction Fees that are subject to offset, none of the fees charged by the Adviser or its affiliates or any other service providers in which the Adviser and its affiliates have or acquire an interest, will be shared with AIC Clients or offset against the Advisory Fees or Incentive Allocation distributions. The Governing Documents specifically provide that Transaction Fees do not include fees or other payments paid to the Adviser or its affiliates relating to loan administration, loan or asset servicing, resolution, restructuring, reconstruction, capital markets and other services that are provided or performed by asset recovery companies, other asset recovery firms or similar companies. Fees that are not specifically contemplated as included within the definition of Transaction Fees will not offset an AIC Client's Advisory Fee or Incentive Allocation. Accordingly, investors will not receive any benefit from such fees. The fee potential inherent in a particular investment or transaction could be viewed as an incentive for the Adviser to seek to refer, allocate or recommend an investment or transaction to an AIC Client.

The Adviser will under certain circumstances, in its discretion, recommend to an AIC Client or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of an AIC Client) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Loan Servicing Activities

The Adviser and its affiliates will under certain circumstances provide loan services to AIC Clients that invest in loan participations, or investments that may also be in Nassau Funds, Golden Gate portfolio companies, portfolio companies or other issuers in which AIC Clients invest or to lending syndicates in which they participate and will generally be entitled to servicing fees and expense reimbursements for such activities. Such services will under certain circumstances include sourcing of loans, due diligence of loans and general servicing or administration services in respect of loan portfolios.

Conflicts Relating to Golden Gate, Nassau Advisers and other Affiliate Advisers

As discussed elsewhere herein, both the Adviser and the AIC Funds are owned by Nassau, which is part of a portfolio company that is owned and controlled by Golden Gate Capital Opportunity Fund, L.P. ("GGCOF") and Golden Gate Capital Opportunity Fund-A, L.P. ("GGCOF-A", and together with GGCOF and any other investment funds formed to invest alongside GGCOF and GGCOF-A, the "Opportunity Fund"), which are investment funds that are managed and controlled by Golden Gate. Given that Angel Island Capital is owned by a portfolio company of the Opportunity Fund, all Advisory Fees paid by certain AIC Funds, and all of the Adviser's expenses (including compensation for its personnel), as further described in Item 5, are indirectly borne by the Opportunity Fund. Such Angel Island Capital costs and expenses are in addition to advisory fees and other compensation (e.g., incentive allocation) received by Golden Gate. As Golden Gate

earns advisory fees and incentive allocation from the Opportunity Fund, Golden Gate will benefit from the assets, income and gains of Angel Island Capital.

In addition, certain AIC Clients will not invest in Golden Gate affiliated companies (i.e., issuers of portfolio investments in which Golden Gate and/or its affiliates own or control, immediately prior to the AIC Client's investment, more than 20% of the voting securities). This limitation will not apply to other AIC Clients. Subject to the foregoing, such an AIC Client may invest in portfolio companies or other issuers in which Golden Gate and/or its affiliates have material equity investments or otherwise have a material influence on management and may invest in portfolio companies and other issuers in which Golden Gate and/or its affiliates invest in different parts of the capital structure and the AIC Client may finance or refinance a potential sale by Golden Gate pursuant to which Golden Gate indirectly receives proceeds.

The Adviser, the Nassau Advisers, Golden Gate and/or the AIC Clients and their portfolio companies and other affiliates will from time to time engage in business opportunities arising from the relationship among the Nassau Advisers, Golden Gate and the Adviser, including business opportunities arising from an AIC Client's investment in a portfolio company. For example, the AIC Clients will from time to time co-invest alongside, and participate in syndications with, Nassau Advisers and/or Golden Gate portfolio companies. Such investments may involve risks and conflicts in investments where such an entity is not involved. Specifically, the AIC Clients that invest in Nassau Advisers and/or Golden Gate portfolio companies will from time to time include proprietary accounts and funds. Investments by the Adviser and persons related thereto can present potential conflicts of interest. The Adviser has established policies and procedures governing the investment activities of its proprietary accounts. However, the potential exists for securities transactions by the Adviser and its related accounts to generate significantly higher investment returns to such entities than any of the third-party AIC Clients' investment transactions generate for their investors. See "Conflicts Relating to the Purchase and Sale of Investments," "Investments in which other Clients Have a Different Principal Interest," "Allocations of Trades and Investment Opportunities," "Allocation of Financing and Refinancing Opportunities" and "Allocation of Co-Investments" in this Item 11.

With respect to Affiliate Advisers more generally, certain Clients will under certain circumstances invest in an AIC Fund as limited partners. The Adviser may from time to time in its sole discretion provide the Affiliate Adviser of any such Clients certain information about the applicable the AIC Fund's investment portfolio, although it is under no obligation to do so and may decide not to provide any such information at any time.

An AIC Fund may under certain circumstances waive Advisory Fees with respect to Clients that are limited partners in such AIC Fund. Affiliate Advisers may receive advisory fees and performance allocations from the AIC Clients. The AIC Clients may own equity in issuers of the loans to be held by an AIC Client, which will create a conflict of interest if the loans become distressed.

An AIC Client will, from time to time, make co-investments in transactions sourced by other Affiliate Advisers (including, transactions in which an AIC Client purchases debt securities and the other Affiliate Adviser Client purchases equity securities of the same issuer). When such an AIC Client makes a private equity investment, the Affiliate Advisers may perform management, advisory, investment banking, financial advisory and other services for, and will receive fees from,

actual or prospective portfolio companies. Additionally, a portfolio company of an AIC Client advised by an Affiliate Adviser may reimburse such Affiliate Adviser for expenses incurred by such Affiliate Adviser in connection with its performance of services for such portfolio company. Although an Affiliate Adviser receives these fees and reimbursements from actual or prospective portfolio companies, the opportunity to earn these fees creates a conflict of interest between the Affiliate Adviser, on the one hand, and, to the extent such AIC Client co-invests in the transaction, the AIC Client on the other hand, because the amounts of such fees may be substantial and the AIC Client will not share in such fees and reimbursements.

Warehousing

Investments are from time to time, in whole or in part, warehoused in one AIC Client (or investment vehicles of the Adviser and/or Angel Island Capital) for the benefit of one or more other AIC Clients (or investment vehicles of the Adviser and/or Angel Island Capital).

If a warehoused investment is not ultimately consummated by such other AIC Client, the warehousing AIC Client would end up holding a larger portion of the investment than it otherwise expected or desired to hold and, accordingly, without limitation, the AIC Client's portfolio investments would be concentrated in fewer companies, industries or markets, and the AIC Client would have fewer available assets to pursue other potential investment opportunities. The risk of an investment not being consummated generally would increase in the event an investment decreases in value during the warehousing period, including, but not limited to, due to currency fluctuations and market factors, potentially requiring the warehousing AIC Client to bear the losses in connection with the investment. Conversely, in the event an investment increases in value following the warehousing period, an AIC Client would lose the benefit of any such future increase. In addition, if an AIC Client borrows in order to make an investment that is then syndicated to affiliated investors or otherwise warehoused for a party other than the AIC Client, such AIC Client will bear the entire interest cost from the borrowing, notwithstanding that the party for whom the investment is warehoused receives an indirect benefit from such borrowing. The Adviser typically determines the cost of the investment in its sole discretion, taking into account its cost to the relevant AIC Client, the cost of capital and other factors, and may not charge such other AIC Client or investment vehicle an amount that accurately reflects any appreciation in the value of the investment or appropriately compensates the warehousing AIC Client for the costs and risks incurred during the holding period.

Allocations of Trades and Investment Opportunities

Certain Clients will under certain circumstances invest in securities and other assets in which an AIC Client may invest. The Adviser has sole discretion to determine the manner in which investment opportunities (including follow-on investments) are allocated among AIC Clients. Allocation of identified investment opportunities among an AIC Client and other Clients presents inherent conflicts of interest where demand exceeds available supply. As a result, an AIC Client's share of investment opportunities may be materially affected by competition from other Clients. Investors should note that the conflicts inherent in making such allocation decisions may not always be resolved to the advantage of the AIC Clients.

It is the policy of the Adviser to allocate investment opportunities to AIC Clients and to any other Clients on a fair and equitable basis, to the extent practical and in accordance with the AIC Clients'

applicable investment strategies, Governing Documents and the Adviser's policies and procedures, over a period of time. Investment opportunities will generally be allocated first to certain Clients (including those established for the purpose of participating in a "continuation transaction") that have a right to priority allocation as specified under the Adviser's allocation policies and procedures and subject to capacity, respective investment guideline compliance and investment criteria (collectively, "Primary Accounts") on a pro rata basis. Investment opportunities will generally be allocated among those Clients for which participation in the respective investment opportunity is considered appropriate, taking into account, among other considerations: investment objectives and focus; target investment size and target returns, available capital and anticipated co-investment (if any), financing arrangements, the timing of capital inflows and outflows and anticipated capital commitments and subscriptions; liquidity profile, including during a ramp-up or wind-down period; applicable concentration limits (including, without limitation, limits such as geography, industry, issuer, volatility, leverage or other similar risk metrics) and other investment restrictions and client instructions (including, without limitation, the need to resize positions to avoid breaches of applicable investment restrictions); timing expected necessary to execute an investment; the use of leverage in the proposed capital structure; mandatory minimum investment rights and other contractual obligations applicable to participating funds, vehicles and accounts and/or to their investors; portfolio diversification; applicable investment periods and proximity to end of the term of relevant funds, vehicles and accounts; the management of actual or potential conflicts of interest; limitations on participants imposed by an issuer or other counterparty involved in making an investment opportunity available; likelihood of current income; whether an investment opportunity requires specific advisory committee or other consents on behalf of relevant funds, vehicles and accounts; lender covenants; tax efficiencies and potential adverse tax consequences; accounting implications; regulatory restrictions applicable to participating funds, vehicles and accounts and investors that could limit an AIC Client's ability to participate in a proposed investment; policies and restrictions (including internal policies and procedures) applicable to participating funds, vehicles and accounts; the avoidance of odd-lots or cases where a pro rata or other defined allocation methodology would result in a de minimis allocation to one or more participating funds, vehicles and accounts; the potential dilutive effect of a new position; the overall risk profile and composition of a portfolio; the potential return available from a debt investment as compared to an equity investment; the potential effect of an AIC Client's performance (positive and negative); and any other considerations deemed relevant by the Adviser and its affiliates. The relevance of each of these criteria will vary depending on investment opportunities with no single factor outweighing the other. The Adviser makes allocation determinations based solely on the Adviser's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another AIC Client in hindsight.

Additionally, if a potential investment is deemed appropriate and suitable for more than one Primary Account, the award of the investment could in certain instances be based on a rotational ordering such that the investment will be allocated to the Primary Account with available capital to deploy and with the longest elapsed time since being offered the opportunity for the investment.

Once Primary Accounts have received their desired capacity amounts, investment opportunities will in certain circumstances be offered to co-investors, as outlined below in "Allocation of Co-Investments" below.

The Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, an AIC Client or other Clients solely because the Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to, another Client or an AIC Client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for the AIC Client or the other Client. The outcome of any allocation determination by the Adviser may result in the allocation of all or none of an investment opportunity to the AIC Client or in allocations that are otherwise on a non-pro rata basis and may result in the AIC Client co-investing in an investment opportunity alongside another Client, in either the same or different parts of the target's capital structure (see also "Investments in which Other AIC Clients Have a Different Principal Interest" below). In particular, when an AIC Client is ramping up its investment or trading strategies, it may receive larger allocations of certain securities than the other Clients in order to obtain its desired risk and portfolio size. Conversely, when other Clients ramp up their investment and trading strategies, the AIC Client may receive reduced or no allocations of certain securities. Such determinations may also result in the dilution of the AIC Client's interest in any existing investment by other Clients, the Adviser and/or Co-Investors to the extent that an investment opportunity constituting a follow-on investment in respect of an existing AIC Client investment arises (for example, the opportunity to participate in a refinancing of a loan or other debt position in a portfolio company already held by the AIC Client) and the AIC Client has insufficient available capital (including pursuant to reserves for follow-on investments following the end of the AIC Client's investment period) to take up all or any part of what would otherwise be its allocable share of such opportunity (which would generally be based on its participation in the initial investment). Any such dilution may be determined on the basis of a valuation in respect of the existing investment determined by the Adviser. Conversely, to the extent another Client participating in the original investment has insufficient capital or is otherwise unable to participate on a pro rata basis in any related follow-on investment opportunity, such excess opportunity may be allocated in whole or in part to the AIC Client increasing its concentration in the relevant investment, which may increase the losses incurred by the AIC Client to the extent such follow-on investment as a whole does not perform as anticipated.

The fact that carried interest is calculated at different rates among AIC Clients and other Clients or is subject to different hurdle rates or other similar terms, creates an incentive for the Adviser to disproportionately allocate investment opportunities to vehicles allocating carried interest at a higher rate (or subject to a lower hurdle rate).

Allocation of Financing and Refinancing Opportunities

While an AIC Client may have only a limited ability to invest in portfolio companies or other issuers that at the time of investment are also the issuers of investments of other Clients, the AIC Client is not restricted in its ability to provide financing to a third-party sponsor or its acquisition vehicle or to another company for the purposes of acquiring a portfolio company or an interest in a portfolio company of another Client that represents an investment of such other Client. Although not limited to such arrangements, this type of financing may for example be provided through pre-arranged "staple" financing packages arranged and offered by the Adviser and its affiliates to potential bidders for such investments. The Adviser will face conflicts of interest where an AIC Client provides such acquisition financing to any such bidder, in particular in respect of its incentives to maximize profits on the sale of the relevant investment by the relevant other Client (which will typically have a higher carried interest payable to its AIC-affiliated general partner

than the AIC Client) or to otherwise induce such bidder to make such acquisition and facilitate an exit of the investment by the other Client, by offering such financing on below-market pricing and/or other terms. Any such financings provided by an AIC Client will be subject to the Adviser's policies and procedures for addressing conflicts.

In addition, the AIC Client is not limited in its ability to provide financing to a borrower, or to provide debt or equity financing to a third-party sponsor or other person which in turn will use such financing to provide financing to a borrower, for the purposes of refinancing an existing loan or other debt or equity position in the relevant borrower held by another Client or a Nassau Adviser, Golden Gate and their affiliates. To the extent such investment opportunities arise, the Adviser may face actual or apparent conflicts of interest, in particular the incentive to use financing provided directly or indirectly by an AIC Client to facilitate a successful exit of any such investment by the relevant other Client. Moreover, nothing in the Governing Documents prohibit another Client from refinancing loans or other debt positions or from providing debt or equity financing to a third party which in turn will use such financing to refinance loans or other debt positions held by an AIC Client in a borrower prior to their stated maturity. Such prepayments may result in an AIC Client receiving a lower than anticipated yield on such investments which it may not recoup through the redeployment of the relevant investment proceeds or otherwise mitigate through any early repayment penalties negotiated with the relevant borrower. While not limited to such periods, debt refinancings are more likely to occur during periods of declining interest rates. To the extent that an AIC Client reinvests the proceeds of a prepayment in these circumstances, it will likely receive a rate of interest that is lower than the rate on the debt positions that were prepaid as a result of the refinancing. In considering such refinancing opportunities, the Adviser may face actual or apparent conflicts of interest, in particular in respect of its incentives to source attractive refinancing opportunities for the benefit of other Clients. The pricing and terms of any of the foregoing refinancing transactions may be established solely by the Adviser and its affiliates without the involvement of an independent third party. The Adviser may allocate the opportunity to refinance the loan or other debt position held by an AIC Client in a different proportion (which may be higher or lower) to the proportion in which the AIC Client participated in the position being refinanced and in certain circumstances, the AIC Client may have insufficient available capital or otherwise be unable to participate in such refinancing.

Similarly, an AIC Client may participate in a follow-on investment in an existing portfolio company or other issuer in which the AIC Client and/or other Clients or proprietary vehicles or other persons hold a loan or other debt position, which follow-on investment may be protective or a "new money" investment in the relevant issuer, in a different proportion (which may be higher or lower) to the proportion in which it participated in the prior loan or other debt investment, and in certain circumstances, the AIC Client may not participate in such investments. Such follow-on investments may be senior to the prior loan or debt investment in the relevant issuer, which may give rise to conflicts of interest to the extent the AIC Client invests in a lower or higher proportion than its original investment (or does not participate in such investments), and may otherwise disproportionately benefit other Clients or the Adviser relative to the AIC Client, for example where the AIC Client participates in a protective follow-on investment in a higher proportion than its participation in the original investment due to the inability of another Client to participate. Notwithstanding that the follow-on investment by an AIC Client may be senior to the original investment and therefore have structural priority relative to such original investment (and would therefore benefit the AIC Client in that regard), the original investment by such other Client may nonetheless benefit on a "free-ride" basis from the subsequent protective investment by the AIC

Client in the relevant portfolio company and the return from such investment may ultimately be higher than would have been the case had the AIC Client not participated in such investment and the return on the AIC Client's investment in such portfolio company may be lower than would have been the case if it had participated in such follow-on investment in the same proportion as it participated in the original investment. The reverse would be the case to the extent the AIC Client did not participate in any such investment.

Allocation of Co-Investments

The Adviser will under certain circumstances, to the extent it believes, in its sole discretion, that it is appropriate to do so, offer the opportunity to co-invest in any transaction in which an AIC Client has made or shall make an investment to: (i) co-investment vehicles (formed to invest in investments, a predetermined subset thereof or otherwise), (ii) other Clients, including Clients of an Affiliate Adviser and proprietary vehicles, (iii) affiliates of the Adviser (and/or their respective family members), (iv) investors in an AIC Client and/or (v) any other person, including any person who the Adviser believes, in its sole discretion, shall be of benefit to the AIC Client (or one or more investments) or who may provide a strategic, sourcing or similar benefit to the Adviser, the AIC Client, any investment or one or more of their respective affiliates, due to industry expertise or otherwise, including finders, senior advisors, operating executives, loan servicers, originators and/or consultants of the AIC Client (and may also organize one or more entities to co-invest alongside an AIC Client to facilitate personal investments by such persons) (collectively, "Co-Investors"). Allocation to third-party Co-Investors that do not have a co-investment relationship with the Adviser, or an Affiliate Adviser will generally be allocated co-investment opportunities after allocation of co-investment opportunities to Co-Investors with whom the Adviser or an Affiliate Adviser has a co-investment relationship. In such circumstances, together with any allocations made to Clients (as discussed above under "Allocations of Trades and Investment Opportunities"), the size of the investment opportunity otherwise available to the AIC Client may be less than it would otherwise have been. In certain circumstances, Co-Investors will not be subject to or otherwise charged any management fees and/or performance fees or other performance compensation, and in other circumstances Co-Investors will be subject to or otherwise charged management fees and/or performance fees or other performance compensation. The payment by some, but not all, Co-Investors of management fees or performance fees may create an incentive for the Adviser to disproportionately allocate opportunities to Co-Investors paying fees.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the AIC Clients and other potential co-investors, the Adviser may consider some or all of a wide range of factors, which include, but are not limited to, its own interests and/or one or more of the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise, and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the relevant AIC Client(s) without harming or otherwise prejudicing such AIC Client(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has

a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);

- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity.
- Whether a potential co-investment party has a history of participating in opportunities and the Adviser's perception of its past experiences and relationships with that potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser and the expected amount of negotiations required in connection with a potential co-investment party's commitment;
- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry).
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- The extent to which a potential co-investment party has been provided a greater amount of co-investment opportunities relative to others;
- Whether the potential co-investment party would require any governance rights that would complicate the transactions (or, alternatively, whether the potential co-investment party would be willing to defer to the Adviser and assume a passive role in governing a portfolio company);
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The ability of a potential co-investment party to hold investments for longer periods of time (or indefinitely);
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether a particular potential co-investment party has provided value in the sourcing, establishing relationships, participating in diligence

and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing;

- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the AIC Clients to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which an AIC Client wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of an AIC Client being able to capitalize on a potential investment opportunity);
- Whether the potential co-investment party will make commitments to invest in other AIC Clients, (including concurrently with the applicable co-investment) as well as commitments to future funds raised by the Adviser;
- Whether the co-investment opportunity is being provided in connection with a potential investment in or acquisition of interests through a secondary transfer of the AIC Funds (i.e., a stapled co-investment opportunity); and
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future AIC Clients and/or the Adviser and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future AIC Clients and/or the Adviser.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the AIC Clients, potential co-investors and third parties, and in the manner discussed above, often will not result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons (including, for example, whether the Adviser and/or the applicable general partners are entitled, under arrangements made with certain potential co-investment parties, to additional Advisory Fees and/or Incentive Allocations based on the availability of co-investment opportunities offered to such parties). While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that an AIC Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

In addition, certain Co-Investors co-investing with an AIC Client may invest on different (and more favorable) terms than those applicable to the AIC Client and may have interests or requirements that conflict with and adversely impact the AIC Client (for example, with respect to their liquidity requirements, available capital, the timing of acquisitions and dispositions or control rights). The Adviser will generally seek to ensure that an AIC Client, any Co-Investors and other Clients participate in any investment (and any related transactions) on comparable economic terms to the extent the Adviser determines appropriate and subject to legal, tax, regulatory and/or other similar considerations. Investors should note, however, that participation by an AIC Client in certain investments on comparable economic terms with Co-Investors and other Clients may not be appropriate in all circumstances and that an AIC Client may participate in such investments on different and potentially less favorable economic terms than such parties if the Adviser deems such participation as being otherwise in an AIC Client's best interests (e.g., by allowing the AIC Client to participate in an investment with respect to which it would otherwise not have been able to participate due to, among other reasons, required minimum commitment amounts). This may have an adverse impact on the AIC Client.

In order to facilitate an investment, an AIC Client may make (or commit to make) an investment with a view to selling a portion of such investment to Co-Investors or other persons prior to or within a brief period after making such investment. In such event, the AIC Client 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, the AIC Client may hold a larger portion than expected in such investment or may realize lower than expected returns from such investment. In addition, if a Co-Investor chooses not to participate in an investment (or an investment is not ultimately consummated), and unless otherwise agreed with such Co-Investor, the AIC Client may bear the entire amount (including any amount otherwise allocable to any such Co-Investor) of any break-up fee or broken deal expense or other fees, costs and expenses related to such investment. The AIC Client will also bear the risk that any Co-Investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that may not reflect the then-current value of such investment. The AIC Client may also borrow to fund the portion of an investment that it intends to sell to Co-Investors. If the prospective Co-Investors do not ultimately invest in such investment, the AIC Client will bear the interest and other expenses relating to any such borrowing or investment as well as any broken deal expenses.

Allocation of Secondary Transfers

To the extent we have discretion or influence over a secondary transfer of interests in an AIC Client, we will consider the factors listed above under "Allocation of Co-Investments" in exercising such discretion or making such identification.

Conflicts Relating to the Purchase and Sale of Investments

The Adviser will under certain circumstances cause an AIC Client to purchase investments from, sell investments to make investments in, accept investments from, or engage in transactions alongside another AIC Client, other Clients, including the Opportunity Fund, or their portfolio companies. The Adviser will only cause an AIC Client to engage in such transactions if it determines that the terms and conditions of such transactions are substantially advantageous to the AIC Clients as the terms it would obtain in a comparable arm's length transaction with a third party or if such transactions are effected at prices determined in accordance with the Adviser's

valuation procedures. Conflicts may also arise in connection with loans or other assets originated by an AIC Client and sold to other Clients. An AIC Client may sell a portion of any loans or other assets originated by an AIC Client or other Clients; thus, an AIC Client's initial participation in such loans or other assets may be greater than it would have been if such an AIC Client did not expect to ultimately sell part of such loans or other assets to another AIC Client. To the extent an AIC Client purchases loans or other assets in order to sell a portion, an AIC Client will bear the risk of changes in the value of such loans or other assets during the period it holds such loans or other amounts and the amount of capital available to an AIC Client to pursue other investment opportunities may be reduced. Furthermore, it may be difficult to determine the value of the loans or other assets transferred by an AIC Client and hence the consideration due to an AIC Client from other AIC Clients when it sells the loans or other assets. The valuation of loans or other assets to be transferred from an AIC Client to other AIC Clients involves inherent conflicts of interest for the Adviser.

The Adviser sponsors and manages various investment vehicles, and the Adviser or the other Affiliate Advisers may form new investment vehicles in the future. Other Clients may make certain investments that are appropriate for each AIC Client, whether such transaction is consistent with the Adviser's best execution obligation, the cost of execution through a third party, and the pricing methodology. Other Clients may invest in assets eligible for purchase by an AIC Client. The investment policies, fee arrangements, carried interest, investments owned by employees of the Adviser or the other Affiliate Advisers, and other circumstances of such AIC Client, may vary from those of other Clients. These relationships may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to the AIC Client. Subject to any requirements of the Governing Documents of the AIC Clients and other Clients, opportunities for investments will be allocated between an AIC Client and other Clients in accordance with the written policies and procedures adopted by the Adviser relating to the allocation of investment opportunities. The Adviser also reserves the right to make independent decisions with regard to when an AIC Client should purchase and sell investments, and the other Affiliate Advisers reserve similar rights with respect to the AIC Clients that they advise. As a result, an AIC Client may be purchasing an investment at a time when another Client is selling the same or a similar investment, or vice versa. An AIC Client may invest in opportunities that other Clients have declined, and likewise, an AIC Client may decline to invest in opportunities in which other Clients have invested.

Conflicts of interest arise if an AIC Client liquidates an investment that is also held by another AIC Client. The sale of such investment by such other AIC Client may not be optimal timing for the AIC Client and could negatively impact the value of such investment if it continues to be held by the AIC Client, especially in the case of illiquid investments. If the sale by another AIC Client of a common investment would require the sale of such investment by the AIC Client, such sale may be at a price and/or on other terms that are less favorable than the price and/or other terms that could have been received such AIC Client if it was able to continue to hold such investment and sell it at a later time. In addition, it is possible that an AIC Client may not be able to dispose of a common investment because the disposition is not in the best interest of the Other AIC Clients holding such investment, in which case AIC Client may be required to continue holding the investment, including, potentially, after the expiration of the AIC Client's term.

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more AIC Clients, prospective investors in an AIC Client, co-investors, or third parties to dispose of all or a portion of certain investments held by one or more Clients. In exercising its

discretion to select the purchaser(s) of such investments, the Adviser will comply with the requirements set forth in the Governing Documents of the applicable AIC Client(s), or to the extent not address in the Governing Documents of the applicable AIC Client(s), the Adviser may consider some or all of the factors listed above under “Allocation of Co-Investment Opportunities”. The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable AIC Client (s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable AIC Client(s). Any such transactions will comply with the Governing Documents of the applicable AIC Client(s).

In addition, where more than one Client of the Adviser (or its affiliates) invest in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time and on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each AIC Fund may realize different returns as compared to the same investment held by another AIC Fund. These variations in timing may be detrimental to an AIC Fund. At the same time, if the Adviser determines it is advisable for an AIC Fund to exit an investment at the same time as another AIC Fund of the Adviser or its affiliates, the term of which may expire sooner than the former AIC Fund’s, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments. In addition, investors may receive different consideration (for instance, investors in one Client may receive cash whereas investors in another Client may be provided the opportunity to receive distributions in-kind), which may impact the realized return ultimately received by each Client.

Finally, in certain circumstances, if more than one AIC Client is participating in an investment, one AIC Client may bear more than its pro rata share of expenses relating to such investment if the other AIC Client or AIC Clients does not have the resources to bear such expenses (including, for instance, as a result of insufficient reserves and/or the inability to call capital to cover such expenses).

In such circumstances described above, the Adviser could take steps to reduce the potential conflicts of interest between the various AIC Clients, including causing an AIC Client to take certain actions that, in the absence of such conflict, it would not take (e.g., an AIC Client may divest itself of an asset it otherwise may have retained, the Adviser may establish information barriers, certain matters may be referred to an advisory committee or a third party, or an AIC Client may only invest in securities that seeks to align the interests with other investing AIC Clients). Any such steps could have the effect of benefiting one AIC Client or the Adviser at the expense of another AIC Client.

In addition, a conflict may arise in allocating an investment opportunity if the potential target could be acquired by another Client or a portfolio company of another Client. Investments by more than one client of the Adviser or its affiliates in a portfolio company also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates, or that a client may remain passive in a situation in which it is entitled to vote. In

addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may be detrimental to an AIC Client.

The applicable Governing Documents and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

Employees and related persons of the Adviser and the other Affiliate Advisers have made or may choose to personally invest, directly and/or indirectly, in an AIC Client, each of which may be in possession of information relating to the AIC Client that is not available to other investors and prospective investors. The senior investment professionals and senior management of the Adviser are not required to invest any minimum investment in an AIC Client and may invest in other AIC Clients. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the investors. Investments by the senior investment professionals and senior management of the Adviser in an AIC Client could incentivize the senior investment professionals and employees of the Adviser to increase or decrease the risk profile of an AIC Client. There can be no assurance that the return on an AIC Client's investments will not be less than the returns obtained by other Clients participating in the transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Adviser will under certain circumstances obtain a revolving credit facility in order to establish a loan program through which certain eligible employees of the Adviser or its affiliates will be offered "leverage" to fund up to 100% of their commitments to an AIC Client. Leverage provided under the loan program may incentivize such employees to make larger commitments to an AIC Client than they would have absent such program, and such leverage, while having the effect of increasing the potential returns to such participating employees, will also magnify the potential losses realized by those investors. The terms of the loan program, such as the repayment terms and maturity date, have not been designed to and may not align with the terms of an AIC Client. Participating in the loan program may create an incentive for such employees to take risks and make decisions in managing an AIC Client, to the extent such persons affect such decisions, that they would not otherwise take or make in the absence of such arrangement. In particular, such employees may have a more immediate need for cash flow to meet their debt service obligations and related costs and expenses under the loan program, which could affect the selection and allocation of investment opportunities and how and when investments are exited.

Clients from time to time invest in securities of companies in which officers, principals, employees and other related persons of the Adviser and its affiliates have previously invested for their own accounts. While the significant interests of the officers and employees of the Adviser generally aligns the interest of such persons with the AIC Funds, such persons may have differing interests from the AIC Fund with respect to such investments (for example, with respect to the availability and timing of liquidity), creating conflicts of interest. Each Affiliate Adviser will determine all matters relating to structuring transactions and capitalizing their portfolio companies, including the amount and terms of securities and allocation of securities among the involved Clients, using its best judgment considering all factors it deems relevant, but in its sole discretion.

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In connection with the Adviser’s management of the AIC Clients, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including those disclosures required by Section 206 of the Advisers Act be made to the applicable AIC Client regarding any proposed principal transactions and that any required prior consent to the transaction be received.

Continuation Transactions

From time to time the Adviser may determine that it is in the best interest of an AIC Client holding the investment (the “selling Fund”) to transact with another AIC Client (the “purchasing Fund”) in order to provide the selling Fund’s investors with an option to either: (1) receive cash proceeds from the selling Fund’s sale or transfer of such portfolio company and/or (2) “roll” (i.e., retain) their interest in such portfolio company. These types of transactions are often referred to as “continuation transactions.” In connection with such continuation transactions, Adviser has in the past and is likely in the future may require the investors in the purchasing Fund to make an additional investment in an AIC Client or commit to invest a future AIC Client. In addition to those conflicts of interest described below under “Cross Trades; Related Party Transactions”, conflicts of interest arise in these continuation transactions because (i) the Adviser and its affiliates are charging investors in the purchasing Fund an Advisory Fee and carried interest (which economics are likely to be different than the selling Fund) and the transactions have the potential to result in the receipt of additional Advisory Fees and carried interest by the Adviser and its affiliates; (iii) the Adviser and Adviser Personnel are expected to have the ability to make material investments in the purchasing Fund, which may cause them to take actions that benefits the purchasing Fund; (iv) the Adviser is actively involved in negotiating the terms of the sale on behalf of the selling Fund, on the one hand, and the purchasing Fund, on the other hand (including allocation of expenses incurred in the transaction); and/or (v) of the requirement for an investor in the purchasing Fund to make an investment in an AIC Client or a commitment to invest in a future AIC Client, which (a) incentivizes the Adviser to favor such investors because of the potential for the Adviser and its affiliates to earn additional Advisory Fee with respect to any such investment or commitment to invest, and (b) could affect the price such investors offer to purchase the asset from the selling Fund. Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and expenses will be incurred in connection with the transaction, and the Adviser might determine to allocate bankers’ fees and certain other fees and expenses solely to selling investors and not to the “rolling investors” or “new investors” in the purchasing Fund or vice versa.

To the extent not addressed in an AIC Client’s Governing Documents, the Adviser will address conflicts of interest that arise in connection with continuation transactions as set forth below under “Cross Trades; Related Party Transactions.”

Investments in which Other Clients Have a Different Principal Interest

Clients and their portfolio companies invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. As a result, an AIC Client may invest in portfolio investments or other issuers in which other Clients and their portfolio companies may invest in different parts of the capital structure.

For example, with respect to an AIC Client's investments in certain issuers, other Clients will under certain circumstances invest in different classes of debt or equity interests issued by the same issuers, including interests that are senior to the AIC Client's interests or convertible into such senior interests. The interests of an AIC Client may not be aligned in all circumstances with the interests of the other Clients to the extent they hold more junior or senior debt or equity interests, as the case may be, which could create actual or potential conflicts of interest or the appearance of such conflicts for the AIC Clients (including the AIC Client), the Adviser and/or its affiliates. In that regard, actions may be taken by the Adviser and/or its affiliates on behalf of other Clients that are adverse to an AIC Client. The interests of an AIC Client and/or other Clients investing in different parts of the capital structure of an issuer are particularly likely to conflict in the case of financial distress of the issuer (or increased financial stress after the AIC Fund invests in the issuer). For example, if additional financing is necessary as a result of financial or other difficulties, it may not be in the best interests of an AIC Client, as a holder of senior secured debt issued by such issuer, to provide such additional financing. If other Clients holding more junior debt or equity positions were to lose their respective investments as a result of such difficulties, the ability of the Adviser to recommend actions that are in the best interests of an AIC Client might be impaired. The reverse is true where another Client holds debt in an issuer that is more senior to that held by an AIC Client. In addition, it is possible that, in a bankruptcy proceeding, the AIC Client's interests may be subordinated or otherwise adversely affected by virtue of such other Clients' involvement and actions relating to their investment. There can be no assurance that the term of or the return on the AIC Client's investment will be equivalent to or better than the term of or the returns obtained by the other Clients participating in the transaction. This may result in a loss or substantial dilution of the AIC Client's investment, while another Client recovers all or part of amounts due to it. Similarly, the Adviser's ability to implement an AIC Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of the activities of the other Clients impose restrictions on an AIC Client engaging in transactions that the Adviser may be interested in otherwise pursuing.

Expenses

General; Investment Related Expenses

An AIC Client will pay or otherwise bear all legal, accounting, regulatory, and filing, capital raising, travel, accommodation, meal and similar expenses incurred in connection with organizing, marketing and establishing an AIC Client and, in the case of an AIC Fund, the general partner, and the offering of interests up to the organizational expenses cap, if applicable. In addition, an AIC Client will pay broken deal expenses, and all other expenses related to the operation of an AIC Client and its investment activities as described in Governing Documents.

As discussed herein, an AIC Client will under certain circumstances participate in specific investments together with one or more other AIC Clients and will under certain circumstances also co-invest with affiliates of the Adviser and other co-investors. In addition, other AIC Clients may invest in accordance with similar investment strategies in respect of one or more categories of investments in which another AIC Client may invest. The Adviser and its affiliates will determine the appropriate allocation of investment-related expenses, including broken deal expenses incurred in respect of unconsummated investments and expenses more generally relating to a particular investment strategy, among the AIC Clients participating or that would have participated in such investments or that otherwise participate in the relevant investment strategy, as applicable, in accordance with an AIC Fund's Governing Documents and, to the extent not addressed in an AIC Fund's Governing Documents, in the Adviser's sole discretion, which as discussed below, may result in an AIC Client bearing more or less of these expenses than other participants or potential participants in the relevant investments.

Out-of-pocket expenses associated with a completed investment made by an AIC Client may be borne by the relevant portfolio companies or other issuers in which the AIC Client invests or a related investment vehicle through which the investment is made by the AIC Client and capitalized as part of the acquisition price of the relevant transaction to the extent not reimbursed by a third-party. Where the relevant portfolio company or other issuer bears such expenses, then each of its direct and indirect equity owners will indirectly bear a portion of such expenses. In certain transactions however, certain expenses, which may include fees and expenses payable to operating executives, as applicable, and transaction and monitoring fees and service costs payable to the Adviser and its affiliates, among others, may be allocated to and borne by (i) holding vehicles through which certain, but not all, of the direct and indirect equity owners of the underlying portfolio company or other issuer invest or (ii) by a specific AIC Client. Where such expenses are borne by holding vehicles through which the AIC Client invests or otherwise by the AIC Client, this will result in the AIC Client bearing a greater portion of such costs and expenses than would be the case if such costs were paid by the relevant underlying portfolio company or issuer.

Expenses related more generally to an investment strategy, including broken deal expenses, certain organizational expenses (e.g., those related to the establishment of a multi-investment platform for a strategy), fees and expenses of consultants (including operating executives) and costs and expenses of research relating to a strategy, will be allocated to AIC Clients participating in the relevant investment strategy in accordance with the allocation policies and methodologies of the Adviser, as applicable. Such allocation methodologies, which vary, generally are based on several factors including, but not limited to, the available capital of the AIC Clients for deployment in a given strategy (based on their respective investment mandates as well as their current net asset value). The allocation of such expenses among participants in a given strategy will be based upon a number of relevant factors, including, without limitation, the capital committed to the strategy and the amount of capital historically invested, or remaining invested, in similar investments. While as a general matter, the significant majority of expenses relating to a given strategy will typically be borne by the primary investment vehicles or accounts focusing on such strategy, the proportion of such expenses allocated to any relevant AIC Client may vary, including as a result of the applicable AIC allocation policies and methodologies, from period to period and for certain strategies, as applicable, resulting in one or more AIC Clients bearing more of the expense than others.

There will under certain circumstances be occasions when the Adviser, an AIC Client, a portfolio company, co-investors and/or a third party (each, an “Allocable Party,” and the payor Allocable Party, the “Payor Allocable Party”) pays an expense common to multiple Allocable Parties (the “Allocated Parties”) (e.g., legal expenses for a transaction in which multiple funds and/or co-investors participate). On such occasions, each Allocated Party will reimburse the Payor Allocable Party for its share of such expense, generally without interest, promptly after the payment is made by the Payor Allocable Party. In addition, there may be occasions where an AIC Client procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Allocable Party. Subject to the Governing Documents, the borrowing AIC Client will bear the entire cost of interest from the borrowing, even though the investment may ultimately be made by other Allocable Parties. Furthermore, while highly unlikely, it is possible that one of the Allocated Parties could default on its obligation to reimburse the Payor Allocable Party.

The Adviser and its affiliates will generally seek to allocate broken deal expenses to the AIC Clients that would have participated in the relevant transaction pro rata based on their expected participation. Potential co-investors in a particular transaction (if any) will not however generally be required to bear broken deal expenses relating to the transaction, with amounts that would otherwise be allocable to such co-investors being allocated to the AIC Clients as above. An AIC Client may be allocated and may otherwise bear broken deal expenses in respect of a particular transaction which is not ultimately consummated by the AIC Client and other AIC Clients, as applicable, notwithstanding that the Adviser or its affiliates may receive fees or other payments in respect of an alternative transaction subsequently consummated by the relevant borrower or any other third parties that would have participated in the unconsummated transaction.

AIC Insurance Costs

The Adviser expects to maintain one or more insurance policies that cover AIC Clients, the Adviser and its affiliates, and an AIC Client will bear an allocable portion of the premiums and fees for such policies as AIC Client expenses. The Adviser believes that employing such insurance policies enables the Adviser to achieve lower overall premiums and fees for AIC Clients, the Adviser and its affiliates. Such policies typically carry a per occurrence deductible, which would be expected to be borne by the relevant insured persons making a claim under the policy and not by other insured persons. On the other hand, such insurance policies typically have a maximum amount that will be paid to insured persons making any claim, and as such, it is possible that an AIC Client will have insufficient coverage to the extent that claims by other AIC Client, the Adviser and/or one or more of its affiliates are paid equal to such maximum amount or that otherwise reduce the maximum potential claim by an AIC Client below the amount of compensation required in any given circumstance. There can be no assurance that a different allocation would not result in one AIC Client bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Operational and Other Fund-Related Expenses

Operational and other AIC Client-related expenses (or a portion thereof to the extent operational resources giving rise to such costs are also used by the Adviser for proprietary purposes) will generally be borne by the Adviser or its affiliates out-of-pocket and then reimbursed by the AIC Client. Such expenses may include allocable compensation and overhead of applicable employees

of the Adviser that are members of the finance, tax and operations teams of the Adviser that spend time on AIC Client -related matters.

The Adviser and/or its affiliates may, in their sole discretion, consult with or refer to an AIC Fund's advisory committee, legal counsel, tax advisors, accountants, investment bankers and other similar advisors engaged by an AIC Client, or any of their affiliates regarding any determinations with respect to contractual interpretation or ambiguities relating to fees, costs and expenses, and the Adviser and/or its affiliates may rely on such advice. Such determinations, if made in good faith reliance on such consultation, will be binding on an AIC Client, all investors, and the Adviser.

Errors in Expense Calculations

In the event of any error by the Adviser in the calculation of allocable expenses for which reimbursement from an AIC Client is sought (which may result in an under or over reimbursement of expenses), the Adviser will endeavor to correct such error as soon as reasonably practicable, including by refunding any over reimbursement or netting such amount out of subsequent amounts payable to the Adviser or its affiliates. Interest will not accrue on any refunds or additional reimbursement payments between the Adviser and the AIC Client to rectify any such error.

Cross Trades; Related Party Transactions

From time to time, securities or other obligations to be sold on behalf of one or more AIC Clients will be suitable for purchase by another AIC Client and vice versa (a "cross-trade"). In connection with a cross-trade in respect of "Level 1 assets" or "Level 2 assets", such transaction will be entered into in accordance with the Adviser's policies and procedures in respect thereof in effect at such time. An AIC Fund's advisory committee will consider and, on behalf of the AIC Client, approve or disapprove, of a cross-trade in respect of "Level 3 assets" and, to the extent required by applicable law or deemed advisable by the Adviser, certain related party transactions and certain other transactions and matters involving potential conflicts of interest that the Adviser deems to be material. An AIC Fund's advisory committee can approve of such transactions prior to or contemporaneous with, or ratify such transactions subsequent to, the consummation of such transactions, and the AIC Client will be bound by the decisions of such advisory committee; provided, however, that, to the extent that such approval or disapproval of such advisory committee is not deemed sufficient by the General Partner in its good faith judgment, as required by applicable law, such advisory committee is permitted, in its sole discretion, to elect to select one or more persons, who will not be affiliated with the Adviser or the General Partner, to serve on a committee, the purpose of which will be to consider and, on behalf of the Limited Partners and the AIC Client, approve or disapprove, to the extent required by applicable law, any related party transaction and certain other transactions and matters involving potential conflicts of interest that the Adviser deems to be material. The person(s) so selected will be exculpated and indemnified by the AIC Client in the same manner and to the same extent as the Adviser is so exculpated and indemnified under the AIC Client's investment advisory agreement(s) with the Adviser, and the Adviser and the General Partner will have the authority to agree to reimburse members of any such committee for their out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging AIC Client (or the Adviser as a result of its interests in a particular AIC Client), and one AIC Client may incur expenses or forego gains that would have been obtained

had it not entered into such transaction. For example, the Adviser may be incentivized to support a less successful portfolio company of an older AIC Client by causing a newer AIC Client with a longer remaining term and investment period to purchase a part or all of such portfolio company in order to provide the Adviser additional time to potentially manage it to a successful exit and increase the likelihood of the Adviser or an affiliate receiving carried interest. Conversely, the Adviser may be incentivized to sell an attractive investment in an older AIC Client to a newer AIC Client to increase the amount of fees received by the Adviser or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to the Adviser's consideration of the particular terms (including the fee terms) of the AIC Clients and the Adviser's interest in such AIC Clients. Such acquisition or merger may result in the acquiring entity purchasing an AIC Client's portfolio company at a valuation that is: (a) not the highest price than could have been obtained in the market had there been a robust sales process with multiple third party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, the Adviser may wish to reduce the investment of one or more AIC Clients in an investment and increase the investment of other AIC Client(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such AIC Clients or through any other transaction structure (for example, distribution of portfolio company interests from one AIC Client and contribution of such interests to another AIC Client). Any costs and expenses associated with any such transaction will be borne by such AIC Clients in accordance with such AIC Clients' Governing Documents and to the extent not addressed in the applicable Governing Documents, on an allocation that the Adviser deems in good faith to be fair and reasonable.

Information Barriers, Material Non-Public Information and Contractual Restrictions

As a result of the expansive activities of the Clients of Affiliate Advisers, the Adviser and Affiliate Advisers regularly obtain non-public information regarding companies and other investment opportunities. For example, any partner or employee of the Adviser and its Affiliate Advisers will under certain circumstances serve as an officer, director, advisor or in comparable management functions for issuers in which an AIC Client invests, and any such partner or employee may obtain material non-public information in connection therewith, in connection with such partner's or employee's other activities in the financial markets.

The Adviser maintains information barriers to restrict the transfer of confidential information between or among personnel of the Adviser and the Affiliate Advisers. To the extent personnel of the Adviser or certain of the Affiliate Advisers agree from time to time to "cross" any such information barriers, the Adviser will be required to impose restrictions on transactions involving particular issuers in its sole discretion taking into account all factors it deems relevant in the collective interest of the Adviser, the AIC Clients, their respective portfolio companies and other Clients and in accordance with the Adviser's policies and procedures.

In addition, the Adviser and the Affiliate Advisers will under certain circumstances enter into agreements, including non-disclosure agreements, that may restrict from time to time the AIC Clients' investment activities. Provisions in these agreements can give rise to conflicts of interest in the event, for instance, an Affiliate Adviser's Client is presented with an investment opportunity involving a company in an AIC Client's portfolio. The Adviser and the Affiliate Adviser may

resolve the conflict in favor of the Affiliate Adviser's Client, and the contractual provisions could, for example, bar the AIC Clients from further trading a security already in their portfolio or in rare circumstances compel the AIC Clients to alter or completely exit their position.

Management of the AIC Clients

AIC Clients may have investment objectives, programs, strategies and positions that are similar to or may conflict with those of another AIC Client or may compete with or have interests adverse to another AIC Client. Such conflicts could affect the prices and availability of securities and other instruments in which an AIC Client invests. Even if an AIC Client has investment objectives, programs or strategies that are similar to those of another AIC Client, the Adviser may give advice or take action with respect to the investments held by, and transactions of, an AIC Client that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, another AIC Client for a variety of reasons, including, without limitation, differences between the investment strategy, financing terms, regulatory treatment and tax treatment of the other AIC Client. As a result, the AIC Clients may have substantially different portfolios and investment returns. Conflicts of interest may also arise when the Adviser makes decisions on behalf of an AIC Client or otherwise with respect to matters where the interests of the Adviser or one or more other AIC Clients differs from the interests of the AIC Client. In addition, the Adviser may cause an AIC Client to invest in a security or an issuer in which the Adviser or a person associated with the Adviser has a direct or indirect economic interest. In making such a decision, the Adviser may have been incentivized to cause an AIC Client to invest in such security or issuer partially because of such direct or indirect economic interest therein. See "Allocations of Trades and Investment Opportunities" above.

In connection with evaluating a potential investment that is not consummated an AIC Client will incur broken deal expenses. Such broken deal expenses are, from time to time, rolled forward and capitalized into the following subsequent consummated transaction. In such cases, another AIC Client and new co-investors may participate with the original AIC Client in the subsequent consummated transaction. As a result, the other AIC Client (and/or new co-investors) that were not participating in the unconsummated transaction may be responsible for bearing a portion of broken deal expenses incurred by the original AIC Client.

Additional Conflicts Relating to Existing Investments

An AIC Client will under certain circumstances participate in releveraging and recapitalization transactions involving companies in which other Clients have invested or will invest. Recapitalization transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. The Adviser and each other Affiliate Adviser will resolve all such conflicts using their best judgment but in their sole discretion, subject in certain cases when required to approval by the respective advisory boards, if any, or investment committees (which contain significant overlap in personnel) of the participating Clients.

Clients may in many cases own a significant or controlling percentage of the common equity of a portfolio company which, depending upon the amount of equity owned by such Client, any

relevant contractual arrangements between such portfolio company and the participating funds, and other relevant factual circumstances, could result in an extension of bankruptcy preference periods with respect to payments made to an AIC Client and/or subordination of its claims to other creditors and/or recharacterization of debt claims into equity claims. In addition, because of their equity ownership, representation on the boards of directors, and/or contractual rights, the AIC Clients and other Clients may be thought to control, participate in the management of or influence the conduct of portfolio companies. The effect of these relationships will vary from jurisdiction to jurisdiction. These factors could expose the assets of an AIC Client to claims by an AIC Client's portfolio company, its security holders, its creditors or governmental agencies.

If an AIC Client purchases debt securities or other forms of indebtedness of an affiliate in the secondary market at a discount, (a) a court might require the AIC Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities, or (b) the AIC Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Furthermore, a conflict of interest also arises because an AIC Client that participates in a follow-on investment in a portfolio company held by another AIC Client will benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original AIC Client and from operational or other information about such portfolio company acquired from the original AIC Client's ownership of interests in the portfolio company. In such circumstances, such benefitting AIC Client or AIC Clients will not be required to reimburse the original AIC Client for expenses incurred in connection with researching such investment. An investment by an AIC Client in a portfolio company in which another AIC Client invests at a later stage may be made at a higher or lower valuation than the investment in such portfolio company by such other AIC Client and an investment by one or more other AIC Clients in any such portfolio company may dilute the original AIC Client's interest in such portfolio company.

Conflicts Relating to the Adviser

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

In addition, Adviser Personnel will under certain circumstances also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, venture capital funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the AIC Funds and/or which may invest in similar industries and sectors as the AIC Funds (including investments for purposes of sourcing future investment opportunities). The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics and investors will not benefit from any such investments. Such Adviser Personnel have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same portfolio companies as the AIC Funds and there may be situations in which such investment vehicle purchases

securities from, or sells securities to, an AIC Fund. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the AIC Funds. In the event Adviser Personnel make an investment with the intent to source future investments for the AIC Funds, there is a greater likelihood that the AIC Funds will make investments in the same portfolio companies in which Adviser Personnel hold an interest as described above. Such personnel may be incentivized to cause an AIC Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles. If Adviser Personnel have made large capital investments in or alongside the AIC Funds, they will have conflicting interests with respect to these investments.

Adviser Personnel have family members that are actively involved in industries and sectors in which the AIC Funds invest or have business, personal, financial or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the AIC Funds or other counterparties of the AIC Funds and the portfolio companies. Moreover, in certain instances, the AIC Funds or the portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. The fees for services provided by such service providers may or may not be at the same rate charged by other third party service providers and the Adviser is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees). In most such circumstances, the AIC Funds' Governing Documents will not preclude AIC Funds from undertaking any of these investment activities or transactions.

Fee Structure

Because the Advisory Fee is payable through liquidation of an AIC Fund and there is a fixed investment period after which capital from investors in the AIC Funds will only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the AIC Funds, based upon capital invested by the AIC Funds, this fee structure creates an incentive to defer the realization of investments and/or deploy capital when the Adviser would not otherwise have done so.

Advisory Fee and Incentive Allocation

The Advisory Fee and Incentive Allocation, if applicable, have not been established on the basis of an arm's-length negotiation between the AIC Client and the Adviser. The existence of the Incentive Allocation may create an incentive for the Adviser to approve, and thereby cause an AIC Client to make, more speculative investments than it would otherwise make in the absence of such performance-based compensation. Gain in respect of the Incentive Allocation will be treated as short-term unless the AIC Client's holding period with respect to the relevant investment is more than three years, and, as a result, conflicts of interest may arise in connection with the Adviser's decisions as to how and when to exit the AIC Client's investments.

Furthermore, the Adviser and its affiliates could be incentivized to allocate investment opportunities to AIC Clients that pay performance-based compensation on terms that are preferential to other AIC Clients. For example, some AIC Clients pay higher performance-based

compensation as compared to other AIC Clients and some AIC Clients pay performance-based compensation periodically on realized and unrealized net gains as compared to other AIC Clients that pay performance-based compensation on a deferred basis as investments are realized and proceeds are distributed. In addition, some AIC Clients have a high-water mark, soft or hard hurdle and/or a preferred return, and the Adviser and its affiliates could be incentivized to allocate investment opportunities to those AIC Clients that are close to their respective high-water mark, soft or hard hurdle and/or preferred return, in order to begin or to continue accruing and/or receiving performance-based compensation with respect to such AIC Clients. Similarly, the Adviser and its affiliates could be incentivized to dedicate increased resources and/or allocate more profitable investment opportunities to AIC Clients that pay higher management fees. Notwithstanding the foregoing, the Adviser's investment allocation process does not take into account Advisory Fees and/or performance-based compensation terms when allocating investment opportunities among AIC Clients.

Pursuant to the Governing Documents, the Adviser may be required to return excess amounts of carried interest as a "clawback". This clawback obligation may create an incentive for the Adviser to defer disposition of one or more investments or delay the liquidation of an AIC Fund if the disposition and/or liquidation would result in a realized loss to the AIC Fund or would otherwise result in a clawback situation for the Adviser.

In addition, the Adviser is incentivized to hold on to investments that have poor performance in order to receive ongoing Advisory Fees in the interim, and potentially, a more likely or larger Incentive Allocation distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the Adviser.

Borrowing Arrangements Fund Level Borrowing

AIC Funds from time to time borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses and liabilities, to pay Advisory Fees, to pay organizational expenses, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If an AIC Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such AIC Fund on a pro-rata basis, including the general partner. The AIC Funds will also utilize under certain circumstances subscription facilities to benefit co-investment parties and joint venture partners. For example, an AIC Fund will under certain circumstances borrow to fund a co-investment party's and joint venture party's pro rata share of an investment or expense related to an investment. While the Adviser expects that all parties participating in an investment (including the general partner and any co-investment party and/or joint venture partner) will bear its pro rata share of the interests expenses but not necessarily origination and other costs allocable to the extension of credit, the AIC Fund will bear a disproportionate cost and amount of the credit risk in incurring the debt on behalf of the other parties.

In addition, credit facilities for certain AIC Funds are available to provide borrowed funds directly to the portfolio companies of such AIC Funds, in which case such borrowed funds would be guaranteed by such AIC Funds. In such instances the AIC Funds would bear the sole liability for the borrowed funds in the event of a default, and as a result, such portfolio company and any of its

other investors (including direct investments by the general partner and any co-investor, including co-investment vehicles) benefit from the credit risk taken by the AIC Fund's guarantee.

To the extent an AIC Fund uses borrowed funds in advance or in lieu of capital contributions, the AIC Fund's investors generally make correspondingly later capital contributions, but the AIC Fund will bear the expense of interest on such borrowed funds. As a result, an AIC Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant AIC Fund. Thus, while an AIC Fund will bear the expense of borrowed funds, such borrowings can also increase the Incentive Allocation or will result in the AIC Fund's general partner receiving the Incentive Allocation earlier than it would otherwise have by decreasing the amount of distributions required to be made to investors in satisfaction of any preferred return. The Adviser therefore has a conflict of interest in deciding whether to borrow funds because the Adviser may receive disproportionate benefits from such borrowings. Furthermore, the use of Fund-level borrowing for investment purposes are treated as investment capital for purposes of calculating the relevant AIC Fund's Advisory Fee. Therefore, investors pay Advisory Fees on borrowed amounts used to fund an investment even though such amounts would not accrue a preferred return as described above.

Borrowing by an AIC Fund will generally be secured by capital commitments made by the investors in the AIC Fund and/or by the AIC Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such fund-level borrowing.

The use of Fund-level borrowings will differ based on available credit facility capacity and contractual terms applicable to each AIC Fund and each such credit facility. Therefore, as the subscription credit facilities utilized by the AIC Funds may have different terms, while the AIC Funds may be invested in the same investment, and while the valuation of such investment would be consistently determined pursuant to the relevant Governing Documents, the investment return can, in certain circumstances, differ among the AIC Funds as a result.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in an AIC Fund as a result of restrictions imposed on such transfers by the lender.

The failure to satisfy the terms of debt incurred by the AIC Client can have negative consequences. For example, if such debt is secured by the right of the AIC Client's general partner to deliver notices to investors demanding capital contributions, the relevant lender, or an agent thereof, may call capital directly from the investors to the extent necessary to repay such borrowings in full. In

addition, the AIC Client might need to liquidate one or more of its investments at a time when it might not otherwise choose to do so, in order to satisfy the AIC Client's obligations under such indebtedness.

Moreover, tax-exempt investors should note that the use of borrowings by an AIC Fund will under certain circumstances cause the realization of UBTI.

Other Forms of Financing

In addition to fund-level borrowing, the Adviser may utilize leverage at the level of a portfolio company, or a special purpose vehicle formed to invest in or hold one or more portfolio companies. Borrowings by entities other than an AIC Client that are generally not directly or fully recourse to an AIC Client in the ordinary course will generally not constitute fund-level borrowing for the purpose of applying the Governing Documents limitations on borrowings.

AIC Clients invest from time to time in portfolio companies whose capital structures have significant leverage. Although the Adviser seeks to use leverage in a prudent manner, the leveraged capital structure of investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio companies or their industries. The incurrence of significant indebtedness could also subject portfolio companies to restrictive covenants, terms and conditions, the violation of which would be viewed by creditors as an event of default, and which could require the prepayment of debt using excess cash flow. Any such restrictive covenants, terms and conditions could also limit such portfolio companies' ability to respond to changing industry conditions, make necessary capital expenditures, obtain additional financing, take advantage of growth opportunities or engage in strategic acquisitions.

A special purpose vehicle an AIC Client forms to hold one or more investments will under certain circumstances also engage in borrowing. For example, a special purpose vehicle could enter into a "margin loan" whereby it borrows money from a bank (distributing the proceeds to an AIC Client for further distribution to investors) and pledges the shares of the underlying portfolio company (or other asset) as collateral for the loan. Under these arrangements, the special purpose vehicle would typically be subject to a margin call if the value of the underlying assets decreases significantly. In order to meet the margin call, the special purpose vehicle would need additional assets to avoid foreclosure. Even if the margin loan is not recourse to an AIC Client, the Adviser may have an AIC Client contribute additional capital to the special purpose vehicle to avoid adverse consequences to the investment, including foreclosure on the collateral at a lower valuation.

An AIC Client may enter into guarantees or other forms of surety with respect to the indebtedness of third parties, including portfolio companies. In these circumstances, the creditor typically would have recourse to the AIC Client to satisfy the obligations of the third party. These arrangements pose many of the same risks and conflicts associated with fund-level borrowings. Although Governing Documents typically cap an AIC Client's ability to enter into such guarantee or surety arrangements, the caps are generally incremental to the fund-level borrowing limits.

In addition, an AIC Client may under certain circumstances enter into contractual arrangements, including deferred purchase price payments, staged funding obligations, earn outs, milestone

payments, and equity commitment letters and other forms of credit support, that obligate it to fund amounts to special purpose vehicles, portfolio companies or other third parties. Such arrangements may not constitute borrowings or guarantees under the applicable Governing Documents and may not be subject to the related caps, even though these arrangements pose many of the same risks and conflicts associated with the use of leverage that the caps intend to address.

Cross-Default

AIC Clients and related vehicles, including parallel investment entities and lockstep vehicles, may will under certain circumstances engage in fund- or asset-level financing whereby (i) the AIC Client and/or such vehicles are jointly responsible on a cross-collateralized basis for the repayment of the financing and/or (ii) the commitments of investors in the AIC Client and/or such vehicles are pledged to secure the financing obtained for the benefit of the other such vehicles. When the Adviser calls capital to satisfy the indebtedness, an AIC Client investor may contribute in excess of its pro rata share of the indebtedness if other AIC Client investors or the investors in the related vehicles fail to honor their commitments. While the Adviser intends for the AIC Client, where appropriate, to enter into back-to-back agreements with related vehicles in respect of certain types of credit support, an AIC Client would still be subject to the risk of default by such other vehicles.

Similarly, to the extent an AIC Client invests in the same or related assets as another AIC Client or related fund, the Adviser may structure the investment financing so that the AIC Client is jointly and severally liable for the financing with the other AIC Clients or related funds. It is expected that this to arise, for example, if an AIC Client and related fund were to invest in the same portfolio company and provide a joint and several guarantee for its indebtedness. Joint and several liability could result in the AIC Client repaying all, or more than its proportionate share, of the indebtedness, exacerbating some of the risks and conflicts described above.

In addition, an AIC Client may utilize indebtedness to pay for deposits or other investment expenses and costs in advance of the final determination of the investment allocations among the AIC Client and other AIC Clients and related funds. In such a circumstance, although the other AIC Client and related funds would be expected to repay the AIC Client for its portion of these amounts (including related interest expense) in the event it ultimately participates in the investment, the AIC Client would be subject to risk of default by the other AIC Client and related funds. Similarly, an AIC Client may utilize indebtedness for purposes of warehousing co-investment opportunities. As described above in “Allocation of Co-Investments,” this presents additional risks and conflicts of interest.

Board Participation

The Adviser’s managing directors, senior investment professionals, employees and any of their respective affiliates may under certain circumstances serve as directors of certain issuers. In addition to any duties the Adviser’s managing directors, senior investment professionals, employees and any of their respective affiliates owe to an AIC Client, as directors of issuers, these managing directors, senior investment professionals, employees and any of their respective affiliates will also owe duties to the shareholders of the issuers and persons other than an AIC Client. In general, such positions are often important to an AIC Client’s investment strategy and may enhance the ability of the Adviser to manage the AIC Client’s investments. However, such positions may have the effect of impairing the ability of the AIC Client to sell the related securities

when, and upon the terms, the Adviser may otherwise desire. In addition, such positions may place the Adviser's managing directors, senior investment professionals, employees and any of their respective affiliates in a position where they must make a decision that is either not in the best interests of an AIC Client or not in the best interests of the shareholders of the issuer. Should a managing director, senior investment professional or employees of the Adviser make a decision that is not in the best interests of the shareholders of an issuer, such decision may subject the Adviser and/or the AIC Client to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In general, an AIC Client will indemnify such persons and entities from such claims in accordance with the terms of the AIC Client's Governing Documents.

Side Letter Arrangements with Limited Partners

When seeking investments from limited partners, an AIC Fund and the Adviser will be authorized, without the approval of any limited partner, to enter into side letter agreements with certain limited partners in the AIC Fund. Such agreements may waive certain terms or allow such limited partner to invest on different terms than those applicable to other limited partners in an AIC Fund, including, without limitation, terms relating to greater portfolio transparency, fee waivers or reductions, minimum investment amounts, reports and other information, modification of representations, indemnification and/or liability and other obligations, and other more favorable investment terms. Under certain circumstances, these agreements could create preferences or priorities for certain limited partners over other limited partners in the AIC Fund. To the extent that compliance with any of the provisions of any side letter agreements would cause an AIC Fund, the Adviser or any of their respective affiliates to violate their respective duties or obligations or to violate any applicable laws, any non-compliance with any such provision will not be deemed to be a breach of such written agreements. Also, investors will have no recourse against an AIC Fund, the applicable AIC Fund's general partner, the Adviser or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of the AIC Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by the applicable AIC Fund.

Side Letter Agreements Relating to the AIC Fund's Investments

When making investments, the Adviser may have an opportunity to negotiate side letter arrangements that provide more advantageous investment terms for an AIC Fund. While the Adviser endeavors to negotiate the same terms on behalf of all of its clients for whom such an investment is deemed by the Adviser to be an appropriate investment, there may be situations where regulatory, investment objectives, historical relationships with the Adviser or other considerations result in differences among clients in the terms or availability of the benefits of any such side letter. Furthermore, there may be circumstances where the benefit provided cannot be taken advantage of by an AIC Fund. Also, while the Adviser may negotiate terms that it considers more advantageous overall, concessions may be required to obtain such terms. For example, the Adviser may only be able to secure investment capacity for an AIC Fund if, in exchange, the AIC Fund agrees to increase the period during which an investment is held.

Creation of Other Entities; Restructuring

The Adviser will be permitted to market, organize, sponsor, act as advisor, general partner or manager or as the primary source for transactions for other pooled investment vehicles, which may be offered on a public or private placement basis, and to restructure and monetize interests in the Adviser, or to engage in other investment and business activities. Such activities may raise conflicts of interest for which the resolution may not be currently determinable.

Conflicts Related to Sharing of Data

The Adviser and its affiliates receive and generate various kinds of portfolio company data and other information, including related to or created in connection with financial, industry, research, market, credit analyses, business operations, trends, budgets, customers, suppliers, competitors, ESG and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information and data and/or data analytics, some of which is sometimes referred to as “big data.” This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Client’s investment (or prospective investment) in a portfolio company. The Adviser also intends to utilize such data for purposes of identifying new investments opportunities for the AIC Clients. Information from a portfolio company owned by an AIC Client may enable the Adviser to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for the Adviser and other AIC Clients that do not own an interest in such portfolio company, without compensation or benefit to such AIC Client or its portfolio companies. Further, data is expected to be aggregated across AIC Clients and their respective portfolio companies and, in connection therewith, the Adviser is expected to serve as the repository for such data, including with ownership, use and distribution rights therein. The Adviser may also share data from a portfolio company of one AIC Client with a portfolio entity of another AIC Client, which may increase a competitive disadvantage for, and indirectly harm, such portfolio company. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to the Adviser (which expenses are indirectly borne by the AIC Clients). Under certain circumstances, the Adviser and its affiliates will from time to time enter into formal or informal arrangements with portfolio companies and with the Adviser’s affiliates (including Affiliate Advisers and their Clients) to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory, and contractual requirements, these information sharing arrangements are generally designed to allow the Adviser and its affiliates (including Affiliate Advisers), the AIC Clients, and the AIC Clients’ portfolio companies better discern economic or other trends and developments. The Adviser believes that all AIC Clients benefit from these arrangements in ways that would be impossible without the ability to aggregate data across the Adviser’s and its affiliates’ businesses and the AIC Clients’ portfolio companies. However, information sharing may involve conflicts of interest between the AIC Clients and/or between the AIC Clients and the Adviser and its affiliates (including Affiliate Advisers and their Clients). The Adviser will, from time to time, use this information in a manner that may provide a material benefit to the Adviser, its affiliates (including an Affiliate Adviser and its Clients), or to certain other AIC Clients without directly compensating or otherwise benefiting the AIC Client or AIC Clients from which such information was obtained. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use or distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws

prohibiting insider trading, anti-competition laws and laws protecting national security interests, the Adviser is generally free to use data and information from an AIC Client's activities in its sole discretion for the benefit of the Adviser and other AIC Clients. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by the Adviser, or its personnel will not be subject to the Advisory Fee offset provisions or otherwise shared with an AIC Client or its investors. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Adviser or its affiliates) based on the data that may be accessible as a result of owning such investments, and/or to utilize data in a manner that benefits the Adviser, its Affiliates and/or investments held by other Clients.

Other Conflicts of Interest

An AIC Client will from time to time enter into or invest in investment platforms, joint ventures, build-ups and other arrangements with third-party managers or persons to manage specified portfolio investments or categories of portfolio investments and in connection therewith receive performance-based compensation in vehicles through these investments. AIC Clients will from time to time also hold certain portfolio investments through investment vehicles managed in whole or in part by third-party managers or persons where the Adviser determines this is necessary or appropriate due to investment, regulatory or similar reasons. Any compensation of such third-party managers or of joint venture partners will not offset fees paid to the Adviser.

In addition, the Adviser will from time to time compete against, or engage in business with (i.e., through co-investments and joint ventures) another investment adviser with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit.

In addition, the Adviser may continue to receive other fees from a portfolio company after an AIC Fund has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment is not subject to the Advisory Fee offset described above, or otherwise shared with the AIC Funds and/or investors.

The Governing Documents of an AIC Fund establish complex arrangements among the AIC Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to an AIC Fund or its investors.

The AIC Clients will generally engage common legal counsel and other advisers to represent all of the AIC Clients in a particular transaction, including a transaction in which the AIC Clients have conflicting interests (e.g., cross transactions and other affiliated transactions) because they are investing in different securities of a single portfolio company. In the event of a significant dispute

or divergence of interest between an AIC Client and other AIC Clients, such as in a work-out or other distressed situation, separate representation may become desirable, in which case the Adviser and the other Affiliate Advisers may hire separate counsel in their sole discretion, and in litigation and other circumstances, separate representation may be required. Partners of the law firms engaged to represent the AIC Clients may be investors in the AIC Clients and may also represent one or more portfolio companies or limited partners of the AIC Clients.

In addition, the Adviser, the AIC Clients and their other affiliates will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the AIC Clients and their other affiliates may be investors in an AIC Client or one of its affiliates and may also represent one or more portfolio companies or investors in an AIC Client or one of its affiliates. In the event of a significant dispute or divergence of interest between AIC Clients, the Adviser and/or one of their affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser, the Affiliate Advisers, the AIC Clients, other Clients, and their other affiliates may engage other common service providers. In such circumstances, there may be a conflict of interest between the Affiliate Advisers, on the one hand, and the AIC Clients on the other hand, in determining whether to engage such service providers, including the possibility that the Affiliate Advisers will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the AIC Clients or one of their affiliates. In addition, the Adviser and its affiliates, including its employees, may, from time to time, receive discounts on services and/or products from portfolio companies affiliated or under common control with Angel Island. Such discounts are generally equal to, or less than, the discounts provided by the portfolio company to its own employees.

The Adviser from time to time may cause the AIC Clients to bear the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. In the event an AIC Client is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such AIC Client and will not reimburse the AIC Client for their pro rata portion of the cost of any such service provider.

The Adviser and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of an AIC Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as AIC Fund expenses may result in “miles” or “points” or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts (whether or not de minimis or difficult to value) will exclusively benefit the Adviser and/or such personnel even though the cost of the underlying service is being borne by the AIC Funds, its investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to offset or otherwise shared with such AIC Fund, its investors and/or the portfolio companies. In addition, airline travel incurred as an AIC Fund expense for an Adviser personnel traveling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company, or other AIC Fund-related matters) may benefit such Adviser personnel to the extent the trip also serves a personal purpose.

The Adviser may, from time to time, require, cause or invite the AIC Clients and/or a portfolio company to make contributions to charitable initiatives, or other non-profit organizations that the Adviser believes could, directly or indirectly, enhance the value of the AIC Clients' investments, assist in completing an acquisition of a portfolio company or other transaction (whether or not documented at the time of such acquisition or transaction) or otherwise serve a business purpose for, or be beneficial to, the AIC Clients or their portfolio company. Such contributions could be designed to benefit employees of a portfolio company, the community in which a portfolio company operates or a charitable cause essential to, or consistent with, the business purpose of a portfolio company. In certain instances, such charitable initiatives could be sponsored by, affiliated with or related to current or former employees of the Adviser, portfolio company management teams, advisors, service providers, vendors, joint venture partners, and/or other persons or organizations associated with the Adviser, the AIC Clients or the portfolio companies. These relationships could influence the Adviser's decision whether to require, cause or invite the AIC Clients or the portfolio companies to make charitable contributions. Further, from time to time, such charitable contributions by the AIC Clients or the portfolio companies could supplement or replace charitable contributions that the Adviser would have otherwise made. Also, in certain instances, the Adviser may, from time to time, select a service provider or other counterparty to the AIC Clients or their investments based, in part, on the charitable initiatives of such person where the Adviser believes such charitable initiatives could, directly or indirectly, enhance the value of the AIC Clients' investments or otherwise be beneficial to the portfolio companies.

Certain members of AIC Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another AIC Fund. The Adviser may from time to time utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

The Adviser and its affiliates will from time to time hire part-time or full-time employees (including interns or secondees) who are relatives of, or are otherwise associated with an investor, portfolio company or service provider. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest (including, for instance, preferential hiring practices).

While less common, from time to time an AIC Fund could hold an investment in a different layer of the capital structure than an investor or another party with which the Adviser has a material relationship, in which case the Adviser could have an incentive to cause the AIC Fund or the portfolio company to offer more favorable terms to such parties (including, for instance, financing arrangements).

Investors will under certain circumstances be introduced to the Adviser or will under certain circumstances be brought into an AIC Fund, by a third-party consultant from which the Adviser or a Related Person purchase products and to which the Adviser or a Related Person will under certain circumstances make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

The Governing Documents of certain AIC Clients permit the Adviser to withhold information from certain limited partners or investors in such AIC Client in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act

or similar requirements. The Adviser may elect to withhold certain information to such limited partners for reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

The Adviser will under certain circumstances permit newly admitted investors to participate in all investments held by certain AIC Clients at the time of such investor's admission, irrespective of when such investment was originally made. The existing investors' participation in each investment of such AIC Client will be reduced pro rata based on their respective capital account balances. In general, each capital contribution by a newly admitted investor will entitle such investor to an interest in the AIC Client equal to such contribution amount divided by such AIC Client's aggregate net asset value. Valuation of the AIC Client's assets may be difficult, as there generally will be no established market for the securities of privately held companies and other assets held by the AIC Clients. As a result, investors who make capital contributions to, or redeem their interests from, such an AIC Client on days when such AIC Client is holding assets without readily ascertainable market values may receive a greater or lesser interest in such AIC Client, or greater or lower redemption proceeds, than they would have received if such AIC Client had held liquid assets with readily obtainable market prices and/or narrower bid-ask spreads.

The Adviser or general partners of certain Clients (if applicable) will from time to time utilize the services of Separate Account Clients or limited partners of or investors in the AIC Clients and their affiliates on an arm's length basis, as they deem appropriate.

One or more AIC Clients or other Clients may hold "plan assets" subject to ERISA. With respect to those plan assets, if any, Angel Island and its Affiliate Advisers may be classified as "fiduciaries" under ERISA. ERISA imposes certain general and specific responsibilities and restrictions on fiduciaries with respect to plan assets. As a result, an AIC Client may be restricted from entering into certain transactions if the investment would violate ERISA with respect to the AIC Client or such other Clients or may be obligated to take certain actions or refrain from taking certain actions in order to avoid a violation of ERISA with respect to the AIC Client or such other Clients.

Different conflicts may exist with respect to investments in different AIC Funds and Separate Account Clients.

Please contact the Adviser's Compliance Department with any additional questions or concerns.

Item 12. Brokerage Practices

The Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Brokers and Dealers

For each of the AIC Clients, the Adviser has sole discretion over the broker or dealer, if any, to be used to effect transactions. In placing each transaction for an AIC Client involving a broker-dealer, the Adviser will seek "best execution" of the transaction. "Best execution" means obtaining for an AIC Client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and

reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration:

- A broker's execution capabilities with respect to the relevant type of order;
- The 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.
- The broker's reputation and responsiveness to requests for trade data and other financial information
- The amount of business with each broker-dealer and the justification for directing trades to those broker-dealers, such as the quality of research provided by the broker-dealer;
- The gross compensation paid to each broker-dealer;
- The competitiveness of commission rates and spreads, including the documentation to support such competitiveness, *i.e.*, comparison of "standard" commission rates or "minimum" transaction costs between broker-dealers offering comparable products and services;
- Statistics or other information by independent consultants on the relative quality of executions/financial services by each broker-dealer;
- The financial strength (net capital) of each broker-dealer, if relevant;
- The broker-dealer's ability to respond promptly to inquiries during volatile markets;
- The value of privacy considerations, liquidity, price improvement and lower commission rates on electronic communications;
- The broker-dealer's general reputation and ability to execute an order in an appropriate time frame (*i.e.*, the overall responsiveness of the broker-dealer, as expressed in how well the broker-dealer serves the Adviser and the AIC Clients); and
- To the extent consistent with achieving best execution, the Adviser may consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals.

To the extent consistent with achieving best execution, the Adviser may also consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the

Adviser's principals. The Adviser may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer's brokerage commission (*i.e.*, soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the AIC Clients, or may be relevant and useful for the management of one or only a few AIC Clients' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interest of the AIC Client. A conflict of interest exists when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions.

Directed Brokerage

Clients that establish custodial accounts at a broker-dealer may direct the Adviser to effect portfolio transactions through that broker-dealer at a rate agreed upon between the client and the broker-dealer. If a client is referred to the Adviser by a broker-dealer, has opened a custodial account with a broker-dealer, or otherwise directs the Adviser to use a certain broker-dealer, it is the Adviser's practice not to negotiate commission rates with such broker-dealers unless specifically requested to do so by the client. Clients may select broker-dealers at their discretion.

A client who directs the Adviser to use a particular broker-dealer, including a client who directs the use of a broker-dealer as custodian of the client's assets, should consider whether such a direction may result in costs or disadvantages to the client, as further described below. Accordingly, a client should satisfy itself that the broker-dealer provides adequate price and execution of transactions.

If a client directs the Adviser to place securities transactions through a broker-dealer, the client should consider the following: (1) the client may compromise the Adviser's ability to seek best execution; (2) the Adviser may not attempt to negotiate commissions on the client's behalf which may result in higher commissions, greater spreads or less favorable net prices than would be the case if the Adviser alone selected the broker-dealers; (3) the client's trades may not be blocked with similar trades for other the Adviser client accounts and thus the client will not receive any benefits that may accrue from such blocked orders; (4) as a result of not being blocked, directed transactions will be traded after non-directed accounts, on a First-In, First-Out ("FIFO") basis. If a trader receives another order for the same security while actively working a previous order, the trader can deviate from the FIFO method only if, in his/her professional judgment, both accounts would be treated in a fair and equitable manner. The trader should complete and allocate the partial order of the first trade and then block the remaining order with the new order. The trade shall be documented appropriately; (5) the client may pay more in commissions than if it had not directed the Adviser to use a particular brokerage firm; (6) the loss of other factors that the Adviser considers in selecting its broker-dealers; and (7) because of this direction the client account may not generate returns equal to those of the Adviser's clients who do not direct brokerage. As a result,

such clients may pay higher commissions and/or receive less favorable net prices than might be attained if the Adviser were able to maintain trading discretion. The Adviser requires written client instructions to direct overall brokerage or specific transactions to a specific broker, including affiliated brokers.

Aggregation of Trades

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Client for the purchase or sale of the same publicly traded security. The Adviser often employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Clients with orders for other Clients for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates may, but are not required to, aggregate trade orders for publicly traded securities so that each participating Client receives the average price for each execution of a transaction.

When an aggregated order is filled through multiple trades at different prices on the same day, each participating AIC Client will receive the average price, with transaction costs generally allocated pro rata based on the size of each AIC Client's participation in the order (or allocation in the event of a partial fill) as determined by the Adviser. In the event of a partial fill, allocations may be modified on a basis that the Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Adviser. As a result, certain trades in the same security for one AIC Client (including an AIC Client in which the Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another AIC Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

If an order for more than one AIC Client for a security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

Item 13. Review of Accounts

Oversight and Monitoring

The Adviser regularly reviews and analyzes its existing positions to attempt to identify issues early on and to take action where necessary. The Adviser's investment team and industry-based organization is structured to produce in-depth credit analysis and allow for rapid response to developing situations. The industry teams and the Investment Committee then review each investment in a formal setting periodically. Each industry analyst updates buy/sell recommendations on a periodic basis and all credit work is shared throughout the Adviser. The industry teams also normally produce detailed investment reviews and financial models on every investment on a periodic basis.

The portfolio of investments of each AIC Client is reviewed by a team of investment professionals. The team generally includes senior management and other investment professionals of the Adviser.¹

Reporting

Investors in the AIC Funds typically receive, among other things, a copy of audited financial statements of the relevant AIC Fund within 90 days after the fiscal year end of such AIC Fund, as well as quarterly performance reports within 45 days after each fiscal quarter end. The Adviser may from time to time, in its sole discretion, provide additional information relating to such AIC Fund to one or more investors in such AIC Fund as they deem appropriate.

Separate Account Clients may negotiate reporting requirements specific to their account. In the event of individually negotiated terms for Separate Account Clients, the Adviser will provide the reporting mutually agreed to by the parties as evidenced in their Governing Documents.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Affiliate Advisers by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. The Adviser and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of AIC Clients and/or the customers or suppliers of such portfolio companies.

Item 15. Custody

As the Adviser relies on the “audit exemption” under the Advisers Act custody rule (*i.e.*, Rule 206(4)-2(b)(4)), investors in the AIC Funds will not receive account statements from the AIC Funds’ custodians.

The Adviser does not anticipate having “custody” of the assets of the Separate Account Clients, and Separate Account Clients receive account statements directly from a qualified custodian. The Adviser, in addition to the account statements sent by a qualified custodian, provides account statements directly to the Separate Account Clients. When doing so, the Adviser includes a statement that urges such Separate Account Clients to carefully review and compare the account statements sent by the Adviser with those they receive from the qualified custodian.

Item 16. Investment Discretion

Investment advice is provided directly to certain AIC Clients. Services are provided to the AIC Clients in accordance with each such AIC Client’s Governing Documents. Investment restrictions for the AIC Clients, if any, are generally established in the Governing Documents of the applicable AIC Client.

The Adviser may also provide investment advisory services on a non-discretionary basis to certain other AIC Clients in accordance with the terms and conditions of the applicable Governing

documents. The terms of these documents are generally established at the time of the formation of the applicable AIC Client and are the result of negotiations with the applicable AIC Client.

Item 17. Voting Client Securities

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the AIC Clients (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each AIC Client by maximizing the economic value of the relevant AIC Client’s holdings, taking into account the relevant AIC Client’s investment horizon, the contractual obligations under the relevant Governing Documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the relevant Adviser investment professional after consulting with the Adviser’s Chief Compliance Officer (if deemed appropriate or necessary), the costs associated with voting such Vote outweigh the benefits to the relevant AIC Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant AIC Clients.

AIC Clients generally cannot direct the Adviser’s Vote.

All Voting decisions initially are referred to the appropriate investment professional(s) for a voting decision. In most cases, the investment professional(s) covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her as well as the standard Voting positions adopted by the Adviser pursuant to its Voting policies and procedures. If the investment professional is making the Voting decision, the investment professional will inform the Chief Compliance Officer or his designee of any such Voting decision and barring any issues from his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and the Chief Compliance Officer or his designee are unable to arrive at an agreement as to how to vote, then the Chief Compliance Officer may be consulted as to the appropriate vote. The Chief Compliance Officer will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant AIC Clients’ holdings.

The Adviser has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant AIC Clients.

Where deemed appropriate, unaffiliated third parties may be used to help resolve conflicts or to otherwise assist the Adviser in fulfilling all or part of its voting obligations. In this regard, the Adviser can retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to which Voting or consent powers may be delegated in accordance with its proxy voting policies and procedures.

Copies of relevant proxy logs, identifying how proxies were voted in connection with an AIC Client and copies of proxy voting policies are available to any AIC Client or prospective client upon written request to:

Natasha Salins
Angel Island Capital Management, LLC
One Embarcadero Center, Suite 2150
San Francisco, CA 94111
415-616-7500

Item 18. Financial Information

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

Item 19. Requirements for State-Registered Advisers

Item 19 is not applicable to the Adviser.