

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**

**ATERIAN INVESTMENT MANAGEMENT, LP**

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**March 31, 2023**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Aterian Investment Management, LP (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (212) 897-2888. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

Aterian Investment Management, LP filed its most recent Form ADV Part 2 on March 31, 2022. This annual amendment updates certain business practices of Aterian (as defined below), including with respect to the description of certain risk factors and advisory services applicable to the Funds (as defined below).

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## ADVISORY BUSINESS

Aterian Investment Management, LP (the “**Management Company**”), the registered investment adviser, is a Delaware limited partnership. The Management Company commenced business operations in August 2013. The Management Company and its affiliated general partners, Aterian Investment Partners, LP, Aterian Investment Partners GP II, LP, Aterian Investment Partners GP III, LP, Aterian Investment Partners GP IV, LP and Aterian Opportunities GP I, LP (each, a “**General Partner**” and collectively, together with any future affiliated general partner entities, the “**General Partners**”), and its relying adviser Aterian Investment Advisors, LLC (the “**Relying Adviser**” and together with each General Partner, the Management Company and their affiliated entities, “**Aterian**”), are also subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Relying Adviser and General Partners, which operate as a single advisory business together with the Management Company.

Aterian provides discretionary investment advisory services to its clients, which consist of private investment-related funds. Aterian’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which Aterian and/or its affiliates provides investment advisory services, “**Funds**”):

- Aterian Investment Partners Distressed Opportunities, L.P.
- Aterian Opportunities I, LP
- Aterian Co-Invest I, L.P.
- Aterian Investment Partners II, LP (“**Fund II**”)
- Aterian Investment Partners III, LP
- Aterian Investment Partners III-A, LP (together with Aterian Investment Partners III, LP, “**Fund III**”)
- Aterian Investment Partners IV, LP
- Aterian Investment Partners IV-A, LP (together with Aterian Investment Partners IV, LP, “**Fund IV**”)

Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. The Funds invest through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**.” Aterian’s investment advisory services to Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Aterian expect to serve on

such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by Funds.

Aterian's advisory services for each Fund are detailed in the applicable offering memorandum (each, a "**Memorandum**"), investment management agreement (the "**Management Agreement**"), agreements of limited partnership (each, a "**Limited Partnership Agreement**") and, together with any relevant Memorandum and Management Agreement, the "**Governing Documents**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in Funds (generally referred to herein as "investors" or "limited partners") participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other applicable constraints pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between Aterian and any investor. The Funds or Aterian expect to enter into side letters or similar agreements ("**Side Letters**") with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents, including provisions relating to the Management Fee (as defined below), if any, and distributions.

Additionally, from time to time and as permitted by the relevant Limited Partnership Agreement, Aterian may provide (or agree to provide) certain current or prospective investors or other persons, including Aterian's personnel and or certain other persons associated with Aterian and/or its affiliates (to the extent not prohibited by the applicable Limited Partnership Agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) to invest in certain portfolio companies alongside a Fund. Such co-investments are expected to involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment, subject to certain exceptions set forth in the Governing Documents of such Fund. However, from time to time, for strategic and/or other reasons, a co-investor (or co-invest vehicle) may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or the use of a Fund credit facility. Any such purchase from a Fund by a co-investor (or co-invest vehicle) generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, but in certain instances could be well after the Fund's initial purchase. Where appropriate, and in Aterian's sole discretion, Aterian reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 31, 2022, Aterian managed approximately \$2.1 billion in client assets on a discretionary basis. The Management Company is principally owned by Brandon Bethea, Michael Fieldstone and Christopher Thomas (the "**Principals**").

## FEES AND COMPENSATION

The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds reserve the right not to charge certain fees, compensation or expenses that other Funds charge. The Limited Partnership Agreements of the Funds describe fees, compensation and expenses in greater detail.

In general, Aterian receives a management fee and/or a carried interest in connection with the provision of advisory services to its clients, as further described below. Aterian and/or its affiliates also generally receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will generally offset in whole or in part the Management Fees (as defined below), if any, otherwise payable to Aterian, as described in the applicable Governing Documents. Investors in the Funds also bear certain fund expenses, as described below.

### Management Fees

For Fund II, Fund III and Fund IV, during the Fund's investment period, the applicable Fund generally will pay Aterian an annual management fee (the "**Management Fee**") equal to 2% of aggregate investor capital commitments. Payment of the Management Fee will be made quarterly in advance. Generally, investors participating in a closing after the initial closing of a Fund bear the Management Fee from the date of the initial closing of such Fund, plus interest, as applicable. The Management Fee for a Fund typically will be reduced upon the expiration of its investment period or earlier upon the occurrence of certain other events as described in the applicable Governing Documents. As further described in the Governing Documents, during the reduction period, the Management Fee will equal 2% of the fee-paying partners percentage of (i) the aggregate amount of investment contributions with respect to investments that have not been disposed of, minus (ii) the aggregate amount of any permanent write downs that have not been disposed of; provided, that any investment in a portfolio company shall be treated as having been disposed of or permanently written down only to the extent that, as of the date of the disposition or write down, the aggregate value of the remaining investment in any such portfolio company is less than the aggregate investment contributions with respect to all existing and former investments therein. As a general matter, Management Fees will be payable during term extensions unless specified otherwise in the relevant Fund's Governing Documents.

As is generally the case in private equity funds, the Governing Documents provide that a Fund's Management Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the Governing Documents, from the effective date of the relevant Fund until a date specified in the Governing Documents (generally representing the earlier of (i) the end of the Fund's defined investment period, (ii) the date the relevant General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria and (iii) the occurrence of certain other events as set forth in the Governing Documents) (such date, the "**Stepdown Date**"), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate commitments held by partners not designated as "affiliated partners" by the relevant General Partner (including any commitment of a limited partner of the relevant Fund that is admitted, or that increases its commitment, pursuant to the applicable Limited

Partnership Agreement). After the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made by the relevant Fund (or, if applicable, payable to the Fund pursuant to any outstanding capital call notice or capital call notice that the General Partner intends to issue to repay indebtedness incurred pursuant to the applicable Limited Partnership Agreement) with respect to investments that have not been disposed of or permanently written down.

Under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. However, where there has been a partial distribution, partial writedown or partial sale of an investment and the fair market value of such investment following such event falls below the total amount of investment contributions relating to such investment, the Governing Documents do not require Management Fees after the Stepdown Date to be reduced.

As a result, the amount of Management Fees generally will not correspond with fluctuations in the Fund's net asset value, including following the investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except, subject to certain limitations, in the case of investments permanently written down. Management Fees will not be reduced (in whole or in part) in the case of certain transactions not involving a return of capital, such as certain refinancings.

In many circumstances, the fair value component of such post-Stepdown Date Management Fees will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified Management Fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

Aterian Investment Partners Distressed Opportunities, L.P. does not pay a management fee, but Aterian maintains the right to call capital from investors to cover certain operating costs as further described in the Fund's Limited Partnership Agreement. Similarly, Aterian Investment Opportunities I, LP does not pay a management fee.

Aterian has the right to charge Aterian Co-Invest I, L.P. a management fee based on funded commitments as further described in such Fund's Limited Partnership Agreement.

As further described in Fund II's, Fund III's and Fund IV's Governing Documents, Aterian or its affiliate will be permitted to retain a portion of certain fees attributable to a Fund's investment (such fees, "**Supplemental Fees**") without offset against the Management Fee, including: (i) 20% of directors' fees; (ii) 20% of financial consulting, monitoring fees, advisory fees or other similar fees paid to Aterian by any portfolio company; and (iii) 20% of break-up

fees that are paid to Aterian with respect to Fund II or Fund III transactions that are not completed. The remaining 80% of such Supplemental Fees attributable to a Fund's investment will be credited as an offset against the Management Fee. To the extent that such an offset credit would reduce the Management Fee for the relevant period below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon liquidation, a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (*e.g.*, where an adverse tax consequence may result).

As a matter of practice, Aterian would be paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and, as a result, a Fund will, in most cases, only benefit with respect to the relevant allocable portion of any such fee related to General Partner or affiliated partner commitments or and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by Aterian, third parties, portfolio company management or employees and/or others), which have the potential to be significant. Supplemental Fee offsets generally are performed on a net basis, after giving effect to certain taxes and other expenses in connection with the receipt of such fees or the provision of related services, and to the extent Supplemental Fees are paid in kind (including through securities, option grants or other interests), Aterian is permitted to calculate the amount of offset based on the then-current value of the in-kind payment, rather than the ultimate value of the interests as of a future date. Unless otherwise agreed with investors, Supplemental Fees generally will be payable during term extensions, even if Management Fees are reduced or eliminated during the extended term, thus reducing the amounts of Management Fees actually offset. Supplemental Fees will be offset only to the extent they are paid during the holding period of the relevant Fund, and investors generally will not receive the benefit of Supplemental Fees paid prior to the Fund's acquisition of the relevant investment. In certain circumstances, Aterian expects that co-investors, lenders, consultants or other parties from time to time will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons. Additionally, as further described below and in the Governing Documents, it is Aterian's practice to use or retain an Operations Group (defined below) to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Members of such Operations Group generally receive compensation and other amounts described herein from the relevant portfolio companies or Funds to which they provide services, but no such amounts will offset or reduce the Management Fee. For the avoidance of doubt, Aterian also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

Generally, except in the case of Aterian Co-Invest I, L.P., the Management Fee, if any, for a Fund will commence as of the date of such Fund's effective date, regardless of when a limited partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the General Partner's discretion, from drawdowns that will reduce unfunded commitments.

## **Carried Interest**



For Fund II, Fund III and Fund IV, the applicable General Partner generally is entitled to a carried interest with respect to each Fund equal to 20% of all realized profits (subject to a specified, annually compounded preferred return with a related General Partner catch-up provision), as more fully described in the applicable Governing Documents. The carried interest distributed to such General Partner is subject to a potential clawback or giveback at the end of the life of a Fund (and/or certain interim periods, as described in a Fund's Governing Documents) if the General Partner has received excess cumulative distributions. For Aterian Opportunities I, LP, the General Partner is entitled to a tiered carried interest equal to up to 25% of realized profits based on the realized proceeds and distribution mechanics, as more fully described in the applicable Governing Documents. Aterian or an affiliate is entitled to a carried interest with respect to investments made by Aterian Investment Partners Distressed Opportunities, L.P. and Aterian Co-Invest I, L.P. Such carried interest generally varies from one deal to another.

### **Other Information**

Aterian is generally permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including Aterian and any other person designated by Aterian, such as "friends and family" of Aterian or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. The relevant General Partner reserves the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, a rebate by Aterian and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an Aterian professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and/or carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Limited Partnership Agreement, certain General Partners may have the right to permit investors, affiliated with Aterian or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees and/or carried interest. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

The Funds generally invest on a long-term basis. Accordingly, Management Fees and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the Funds and investors generally are not permitted to withdraw or redeem interests in the Funds.

Affiliates of Aterian, including Principals and other employees, generally receive a portion of the Management Fee, carried interest or other compensation received from a Fund and/or its portfolio companies.

In addition to the Management Fee, if any, and carried interest payable to the General Partner, each Fund generally bears certain expenses. As set forth more fully in the Governing Documents, each Fund will pay, or reimburse the General Partner for all other fees, costs, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries' and intermediate entities') activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with

respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Fund's portfolio companies and the Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence and deal sourcing software and service providers, consultants and similar professionals in connection therewith); (ii) indebtedness of, or guarantees made by, the Fund, the General Partner, the Management Company or any "affiliated partner" on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar activities; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement, sales, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account, registered office and similar services (including any depository appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), and any Swiss representative or paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended, including any law, rule or regulation relating to the implementation thereof), trustee, record keeping, account and similar services; (vi) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD or any similar law, rule or regulation (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto), including secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (vii) legal, accounting, research, auditing, technology administration (including costs associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services as well as costs related to the establishment or maintenance of such other services), consulting (including consulting and retainer fees, salary and other compensation paid to, and benefits or personnel costs provided to or on behalf of, the Operations Group or any of its members, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax and other professional services (including costs related to the establishment or maintenance of any such activities or services); (viii) reverse breakup, termination and other similar arrangements; (ix) insurance (including directors and officers liability, fidelity bond, portfolio company management liability, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory costs, including costs related to any retention or deductibles and broker costs and commissions) and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance; (x) filing, title, transfer, survey, registration and other similar activities; (xi) printing, communications, mailing, courier, marketing and publicity; (xii) the preparation, distribution or filing of Fund related or investment related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with

Partners, any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis Reports) or other information, including costs of any third-party service providers and professionals related to the foregoing; (xiii) compliance with any tax or financial account reporting regime including the “Foreign Account Tax Compliance Act” or “FATCA,” the OECD Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard and any similar laws, rules and regulations, including any costs of any third-party service providers and professionals related to the foregoing; (xiv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the limited partners; (xv) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs incurred in connection with compliance with the General Data Protection Regulation (EU 2016/679 (as amended) or the Freedom of Information Act, 5 U.S.C. § 552)); (xvi) to the extent provided in the Governing Documents, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the advisory board (including any reasonable out-of-pocket costs incurred by representatives of the General Partner, the advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory board); (xvii) indemnification (including legal and any other costs incurred in connection with indemnifying any Partner or other person pursuant to the Governing Documents and advancing costs incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Governing Documents), except as otherwise set forth in the Governing Documents; (xviii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xix) any annual, periodic or special meeting of the partners, any other conference, meeting or webcast or other video conference with any limited partners and any periodic executive forum of portfolio company management and other persons, in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers, and other meeting or conference-related costs, in each case, to the extent incurred by the Fund, the General Partner or any other affiliate of the General Partner; (xx) except as otherwise determined by the General Partner in its sole discretion, any cost relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with the Fund, any costs incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs related to any structuring or restructuring of the Fund and/or its affiliated entities; (xxi) the termination, liquidation, winding up or dissolution of the Fund and any persons owned directly or indirectly by the Fund, including portfolio companies and related entities; (xxii) defaults by partners in the payment of any capital contributions; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities, any entities owned directly or indirectly by the Fund (including portfolio companies) and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof (in each case, other than any amendments that constitute ordinary overhead and

administrative expenses as described in the Governing Documents); (xxiv) (A) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto, any regulatory costs of the General Partner or any of its affiliates incurred in connection with the operation of the Fund and any costs related to compliance with any environmental, social or governance or other investment considerations and policies applicable to the Fund, the General Partner and/or any of their respective affiliates and/or (B) the validation or other confirmation of any payments made to the Fund or the General Partner (including as a result of any anti-money laundering laws, rules or regulations); (xxv) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Governing Documents; (xxvi) any consultants, experts or advisors engaged including independent appraisers, engaged in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates; (xxvii) unreimbursed costs incurred in connection with any transfer or proposed transfer by a limited partner or any limited partner's name change, internal restructuring or change in trust registered agent or custodian; (xxviii) any taxes, fees and other governmental charges levied against the Fund and/or any alternative investment vehicle and all costs incurred in connection with any tax audit, inquiry, investigation settlement or review of the Fund and/or any alternative investment vehicle (except to the extent that the Fund is reimbursed therefor by a partner) and any costs of or related to the "partnership representative" of the Fund; (xxix) distributions to the partners and other costs associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxx) unreimbursed and unpaid costs of the Operations Group or its members, employees or other persons engaged by the Operations Group; (xxxi) compliance or regulatory matters, except as otherwise set forth in the Governing Documents, including compliance with the Governing Documents and/or any side letter or similar agreement; (xxxii) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with limited partners and "most-favored-nations" election processes in connection therewith; (xxxiii) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner or any of its affiliates at any trade conference, including any applicable registration costs and exhibition, sponsorship or other presentation costs; (xxxiv) any travel (including, where appropriate as determined by the General Partner, the cost of using or chartering private aircraft or other private air travel at a cost above the cost of first class commercial airfare, other air travel, car or ride sharing services, other modes of transportation, meals, lodging and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxv) any of the items listed in clauses (i) through (xxxiv) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any expenses related to an investment or other opportunity not consummated); (xxxvi) any organizational expenses; (xxxvii) any placement fees; (xxxviii) regulatory related fees and expenses of the General Partner and the Management Company (including expenses of operating as an investment advisor, but excluding, for the avoidance of

doubt, compliance expenses attributable to the Fund, such as costs of custodians, audit fees and expenses, preparation of required governmental reports or filings of the Fund and other Fund compliance and similar expenses) not to exceed \$850,000 over the life of the Fund; provided that the Fund shall not bear any regulatory related fees and expenses incurred by the General Partner or the Management Company on account of any enforcement or civil litigation action brought by the SEC or any criminal action regarding the General Partner's or the Management Company's investment adviser regulatory compliance brought by the U.S. Department of Justice or any state securities regulator; provided further, for the avoidance of doubt, that nothing contained in this clause (xxxviii) shall prevent the General Partner, the Management Company or other applicable indemnitee from receiving any payments pursuant to the Governing Documents and (xxxix) any other costs approved by the advisory board. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices." Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. The General Partner reserves the right to agree with operating partners, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. Each Fund also generally will bear the costs of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Fund. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests.

As described above, in certain circumstances, the relevant General Partner reserves the right to permit certain investors to co-invest in portfolio companies alongside one or more Funds subject to Aterian's related policies and practices and the Governing Documents and/or Side Letter(s). If a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all expenses relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. To the extent that such co-investors have already invested in a co-invest or other

vehicle in connection with such transaction, such vehicle is expected to bear its share of such expenses where permitted by such vehicle's governing documents. To the extent that a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

Aterian and/or its affiliates generally have discretion over whether to charge Supplemental Fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of Supplemental Fees generally will give rise to potential conflicts of interest between the Fund(s), on the one hand, and Aterian and/or its affiliates on the other hand.

### **Operating Partners**

Additionally, as further described herein and in the Governing Documents, Aterian has established an operations group (the "**Operations Group**"), which consists of certain persons employed or retained by Aterian. It is Aterian's practice to utilize members of the Operations Group (including entities formed for the benefit of such persons and/or to facilitate the provision of their services) to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Operations Group members generally provide manufacturing, sales, marketing, technology, human resources, identification, acquisition integration/rationalization, operational improvement, finance and accounting, due diligence and other similar services to the Fund(s), portfolio companies and prospective portfolio companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operations Group members receive compensation, including, but not limited to cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, profits, participation or equity interests in one or more portfolio companies and/or holding companies, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from Aterian and/or its Funds or affiliates or other compensation (including an allocation for overhead and other fixed costs). Any compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all Operations Group compensation as well as fees, costs and expenses of structuring Operations Group arrangements. Members of the Operations Group also generally will be reimbursed for certain travel and other costs in connection with their services. No such amounts will offset or reduce the Management Fee. The use of the Operations Group subjects Aterian to potential conflicts of interest, as discussed under "Conflicts of Interest," below.

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

As described under "Fees and Compensation," the relevant General Partner generally receives a carried interest allocation on certain realized profits in the relevant Fund. A carried interest allocation represents an investment adviser's compensation based on a percentage of net

profits of the funds it manages. Aterian does not currently advise Funds not subject to a carried interest.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Aterian generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund's life or at certain interim intervals.

## **TYPES OF CLIENTS**

Aterian provides investment advice solely to its Fund clients, and references throughout this Brochure to "clients" and to Aterian's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds generally include investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act. The investors participating in the Funds generally include individuals, banks or thrift institutions, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, Principals or other employees of Aterian and its affiliates and members of their families, members of the Operations Group other service providers retained by Aterian.

The Funds generally have a minimum investment amount of \$5 million for third-party investors. Generally, investors must be "accredited investors" as defined under Regulation D of the Securities Act of 1933, and may also be required to be either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act. Aterian generally is permitted to waive such minimum investment amounts and qualification requirements.

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

### **General**

Aterian seeks to invest primarily in middle market companies and build active, hands-on partnerships with management teams to create significant long-term value for all stakeholders. Aterian will generally focus on investing with a focus on: primarily control investments, turnarounds, companies or industries in transition, supporting untapped market opportunities, companies in need of operational support, restructurings, carve-outs, underperformers and other unique investment situations in middle market companies.

The following is a summary of the investment strategies and methods of analysis generally employed by Aterian on behalf of the Funds. There can be no assurance that Aterian will achieve the investment objectives of the Funds and a loss of investment is possible.

### **Investment and Operating Strategy**

Aterian is an operationally-focused middle market private equity firm, providing resources to further enhance operations, growth and investment initiatives. Aterian generally invests in businesses generating \$50 million to \$750 million in annual revenues with strong, well-established franchises in need of up to approximately \$100 million of capital. Aterian's Principals have extensive experience investing in complicated situations including corporate carve-outs, restructurings both in and out of bankruptcy, and strategic investments necessary to build and enhance value for all stakeholders. Aterian intends to invest across a broad range of industries, in both control and non-control situations across the capital structure in addition to bridging the entire purchase price, providing sellers speed and certainty of closing.

## **Risks of Investment**

The Funds and their investors bear the risk of loss that Aterian's investment strategy entails. Although the following risk factors are generally applicable to Aterian's Funds, investors should also refer to a Fund's Memorandum for risk factors specific to that Fund. The risks involved with Aterian's investment strategy and an investment in the Funds include, but are not limited to:

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

*Future and Past Performance.* The performance of Aterian's prior investments is not necessarily indicative of a Fund's future results. While Aterian intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

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

*Concentration of Investments.* The Funds 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, a Fund's investment portfolio could become highly concentrated, and the



performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, regardless of the extent to which the commitments of the limited partners are invested (or drawn down to be invested), limited partners will be required to pay annual Management Fees during the investment period based on the entire amount of their commitments.

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

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the annual Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.

*Leveraged Investments.* A Fund is permitted to make use of leverage by incurring or having a portfolio company or intermediate entity incur debt to finance a portion of its investment. In certain circumstances, the relevant General Partner of Fund II or Fund III will incur leverage in a facility in its own name that will be guaranteed by Fund II or Fund III, as applicable, and accounted for in a manner such that the relevant Fund receives the benefit of, and is responsible for, the borrowed amount. These borrowings are generally effected without compensation to the General Partner for the use of its facility. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage may also result in interest expenses and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and will constrain its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and

could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. A Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Funds and entities managed by Aterian or any of its affiliates, including through Fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

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

In addition, a subscription line will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee

for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, such borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. A portfolio company infusion of funds from a subscription line, rather than from an equity commitment from the Fund, generally will not be reflected in the Fund's performance figures, and as a result has the potential to increase the amount of such figures, particularly in instances where the relevant amount has been drawn for an extended period of time. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, and to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Fund subsidiary.

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

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

*Limited Transferability of Fund Interests.* There will be no public market for Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Governing Documents and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to the Fund partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the Fund partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined

pursuant to the Governing Documents, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of the Funds will be vested with the General Partner, and a Fund's future profitability will depend largely upon the business and investment acumen of Aterian. The loss or reduction of service of one or more of the Principals of Aterian could have an adverse effect on a Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

*Limited Operating History.* A Fund has no operating history and will be entirely dependent on the General Partner. Furthermore, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of the Principals. In addition, a Fund's investments may differ from previous investments made by the Principals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular sector, amount of leverage used, structure and holding period.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There can be no assurance that a Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party or co-investor invests in such portfolio company.

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

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

*CFIUS and National Security Clearance Considerations.* Certain investments are expected to be subject to or require review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS"), such as where CFIUS-related laws, regulations or guidance deem non-U.S. persons or entities under their control (such as a Fund, co-investors and/or rollover sellers) to be acquiring a U.S. business (including a business with assets, employees, facilities, and/or operations in the United States). CFIUS has the authority to review proposed or existing transactions or investments or to seek to impose limitations on or prohibit investments, and CFIUS filings and other considerations can materially impact transaction timing, feasibility, certainty and costs. In certain circumstances, CFIUS considerations have the potential to prevent a Fund from maintaining or pursuing investments, or limit the universe of available buyers for an existing investment. Any of these factors have the potential to adversely affect a Fund's performance, and the likelihood that CFIUS considerations will be implicated is expected to increase where non-U.S. limited partners comprise a substantial percentage of a Fund. Under the Governing Documents, the relevant General Partner generally is authorized, although not required, to excuse or otherwise limit non-U.S. limited partners' ability to invest in U.S. businesses (or to exercise voting or advisory board rights with respect thereto) in order to anticipate or comply with CFIUS considerations. However, there can be no assurance that invoking any such excuse provisions or other limitations will allow the Fund to proceed with or maintain any investment, or to avoid losses relating thereto. Similar considerations are expected to apply with respect to reviews by non-U.S. national security or investment clearance regulators.

*Hedging Arrangements.* Each General Partner is authorized (but is not obligated) to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks.

Certain hedging arrangements may create for the General Partner and/or one of its affiliates a registration or exemption obligation with the U.S. Commodity Futures Trading Commission or other regulator.

*Significant Adverse Consequences for Default.* The Governing Documents provides for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting limited partner may be forced to transfer its interest in a Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest. Whether and how to exercise each General Partner's remedies against a defaulting limited partner will be in the sole discretion of such General Partner, and such General Partner reserves the right to require the non-defaulting limited partners to contribute capital to make up for the shortfall created by such defaulting limited partner.

*Dilution.* Limited partners admitted or that increase their respective commitments to a Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of a Fund's existing investments at the time of such contributions.

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

*Director Liability.* A Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the portfolio companies in which it invests. In those instances where a Fund is not the sole shareholder of the applicable portfolio company, a board representative may have duties to persons and/or entities other than the Fund. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such

liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

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

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies. Additionally, market and other economic-related factors can result in inflationary pressures that have the potential to affect the valuation of a Fund's current holdings, acquisition valuations, the costs of doing business and other areas that are relevant to the Funds and their portfolio companies. There can be no assurance that any such inflationary pressures (or other market, economic or fiscal factors) will not have an adverse effect on a particular Fund or portfolio company.

*Environmental, Social and Governance ("ESG") Matters.* Aterian maintains a responsible investing policy and seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that Aterian will be able successfully to implement its ESG policy while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Aterian, or any judgment exercised by Aterian, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what ESG characteristics mean by region, industry and topic, as well as the interpretations of their scope and materiality. Aterian's interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment, Aterian expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Aterian to incorrectly assess a company's ESG practices and/or related risks and opportunities. Aterian does not intend independently to verify all ESG information reported by investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or



exclusion of certain investments based on Aterian's view of certain ESG-related and other factors and could cause the relevant Funds not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG Policies. For avoidance of doubt, however, Aterian does not expect to subordinate a Fund's investment returns or increase a Fund's investment risks as a result of (or in connection with) the consideration of any ESG factors.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Aterian'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. Aterian's ESG policies could become subject to additional regulation in the future, and Aterian cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Fund or its investments, including with respect to future administrative burdens and costs.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect a Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objectives.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. There can be no

assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, the relevant General Partner or Aterian generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Aterian's control. Decisions by Aterian or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Aterian and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and Aterian reserves the right to withhold certain information from investors subject to such laws for reasons relating to Aterian's public reputation, business strategy or other reasons.

*Material, Non-Public Information; Other Regulatory Restrictions.* As a result of the operations of Aterian and its affiliates, as well as in connection with officerships or directorships of Aterian personnel, Aterian frequently comes into possession of confidential or material, non-public information. Aterian and its affiliates may have access to material, non-public information that may be relevant to a Fund's investment decision. In certain circumstances, the possession of such information by Aterian and its affiliates may restrict such Fund from initiating a transaction or selling an investment which, if such information were not known to Aterian, may otherwise have been undertaken.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Aterian or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by

OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

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

In an effort to contain such health emergencies, national, regional and local governments, as well as private businesses and other organizations, have taken or have the potential to take restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the General Partners and Aterian may be significantly impacted, or even temporarily or permanently halted, as a result of any such

health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company, Fund, General Partner, Aterian or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Aterian, the General Partners, the Funds and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Aterian's, the General Partners', the Funds', portfolio companies' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Aterian or one of its service providers holding its financial or investor data, Aterian, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Aterian's policies and practices.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "**Privacy Laws**") could significantly impact current and planned privacy- and information security-related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Aterian, the General Partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to

compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for Aterian, the General Partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include Aterian, the General Partners, the Funds and/or their portfolio companies.

*Russia-Ukraine Conflict.* The ongoing military conflict between Russia and Ukraine which has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives.

*U.S. Taxation of Carried Interest.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or Aterian who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for Aterian to cause a Fund to hold investments for a

longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

*LIBOR and other Benchmark Rates.* To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate ("**LIBOR**") or other benchmark or reference rates (each, a "**Benchmark Rate**"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

*Secondaries and other GP-Led Transactions.* There continues to be a significant market in the private fund sector for secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by Aterian following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Aterian believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by the Aterian and its affiliates). However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of Aterian or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Aterian or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction, their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Aterian, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. Further, the relevant General Partner is expected to be incentivized to make investments in portfolio

companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances Aterian reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that Aterian will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of the relevant Fund or any individual limited partner or group of limited partners. However, Aterian reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents.

### **Conflicts of Interest**

Aterian and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, management and other services to Funds and portfolio companies. Aterian will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Limited Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these resources over time. In the ordinary course of Aterian conducting its activities, the interests of a Fund likely will conflict with the interests of Aterian, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Aterian will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committee of a participating Fund.

During the investment period of a Fund, Aterian generally pursues all appropriate investment opportunities through such Fund, subject to certain limited exceptions, as described in the applicable Governing Documents and Aterian's allocation policies. However, Aterian may manage other investment funds and investments similar to those in which the Funds invest, and expects to direct certain relevant investment opportunities or resources to those investment funds and investments. Aterian's investment staff will continue to manage and monitor such investment funds and investments. Aterian's significant investment in a Fund, as well as Aterian's interest in any Management Fee or carried interest with respect to such Fund, operate to align, to some extent, the interest of Aterian with the interest of the partners of such Fund, although Aterian may have economic interests in such other investment funds and investments as well and receive Management Fees and carried interests relating to such interests. Such other investment funds and investments that Aterian expects from time to time to control or manage generally have the potential to compete with a Fund or companies acquired by such Fund. Following the commitment period of a Fund, Aterian reserves the right to, and likely will, focus

its investment activities on other opportunities and areas unrelated to such Fund's investments. Additionally, Aterian and its personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. To the extent an advisory opportunity is received that is unsuitable for a Fund, in Aterian's sole discretion, Aterian and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the relevant Fund's Governing Documents, Aterian personnel are permitted to serve on boards or act in other roles unaffiliated with Aterian, the General Partners, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Management Fees.

From time to time, Aterian will be presented with investment opportunities that would be suitable for more than one of the Funds and/or other investment vehicles operated by advisory affiliates of Aterian. In determining which investment vehicles should participate in such investment opportunities, Aterian and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, Aterian is not obligated to recommend any investment to any particular investment vehicle. Aterian attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Aterian's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among such entities in a fair and equitable manner. Where necessary, Aterian consults and receives consent to conflicts from an advisory board consisting of limited partners of the applicable Fund(s) and such other investment vehicles, if any.

Aterian is permitted, in its sole discretion, to provide or commit to provide co-investment opportunities to one or more limited partners of a Fund and/or other persons. Co-investment funds ("**Co-Invest Funds**") may be established in order to invest alongside one or more other Funds, and Aterian typically will have limited discretion to invest the assets of these Co-Invest Funds independently of the limitations set forth in the Limited Partnership Agreement of such Co-Invest Funds and the associated Fund. Participation in co-investment opportunities or Co-Invest Funds typically will be limited based on the circumstances and a variety of factors, including as may be set forth in a Fund's Governing Documents.

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

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by Aterian or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be



proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Aterian. The Funds generally have different expense reimbursement terms, which is expected from time to time to result in the Funds bearing different levels of expenses, including with respect to the same investment.

In certain cases, Aterian will have the opportunity (but, subject to any applicable restrictions or procedures in the Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Aterian will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors. Subject to the applicable Governing Documents, Aterian reserves the right to engage in a secondary sale, continuation vehicle or other similar transaction relating to all or a portion of a Fund's portfolio. There are a number of experienced buyers and related pooled investment vehicles active in the secondary market, and any such transaction process is subject to negotiations with the applicable counterparties, market conditions and other case-by-case factors. Although such processes typically are undertaken, in part, to provide enhanced liquidity options to limited partners, various conflicts can arise relating to the terms of the offers made by any secondary buyer, the valuation of the applicable portfolio, the quality of the options available to limited partners and whether Aterian has any incentives to recommend and effectuate such a transaction that may not be aligned with those of limited partners. Aterian intends to pursue any such transaction in a manner that is fair and equitable, but there can be no assurance that such transaction will be as favorable to limited partners as it would be if the potential for such conflicts of interest did not exist.

As a result of the Funds' controlling interests in portfolio companies, Aterian and/or its affiliates typically have the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Aterian and/or its affiliates. Except to the extent such amounts are subject to the Limited Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Aterian.

Additionally, a portfolio company typically will reimburse Aterian or service providers retained at Aterian's discretion for expenses (including without limitation travel expenses) incurred by Aterian or such service providers in connection with its performance of services for such portfolio company. This subjects Aterian and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. Aterian determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Aterian or such service providers

generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

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

Aterian generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Aterian or a related person of Aterian (which may include a portfolio company of such Fund); (ii) an entity with which Aterian or its affiliates or current or former members of their personnel has a relationship or from which Aterian or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Aterian personnel are seconded, or from which Aterian receives secondees; or (iii) certain limited partners or their affiliates. For example, Aterian expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or a related business. This subjects Aterian to conflicts of interest, because although Aterian selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Aterian has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that

Aterian, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Fund(s) or Aterian), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Aterian will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Aterian generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Whether or not Aterian has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to, and reimburse expenses of, members of the Operations Group and other consultants (including consultants introduced or arranged by Aterian and/or its affiliates that regularly provide services to one or more portfolio companies), and such amounts do not offset or reduce the Management Fee, as described herein. Members of the Operations Group generally make use of Aterian's resources or otherwise are associated with Aterian. Aterian and/or its affiliates reserve the right agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Members of the Operations Group generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the Management Fee of any Fund, as described herein, and the use of the Operations Group is expected to fluctuate and/or expand over time. Although the use of members of the Operations Group and the allocation of compensation paid to them by Aterian, its affiliates and/or the portfolio companies subjects Aterian and/or its affiliates to potential conflicts of interest, Aterian believes that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the members of the Operations Group is lower than market rates for the services provided and/or if the services of the members of the Operations Group align with Aterian's model for the portfolio company and improve portfolio company performance. Although Aterian seeks to retain members of the Operations Group with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Aterian also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Aterian believes will align such persons' interests with those of the Funds' limited partners. In addition, Aterian seeks to retain only members of the Operations Group and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, Aterian typically does not evaluate an Operations Group member's rate against market alternatives, and there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Aterian and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Aterian and/or its affiliates; conversely, former personnel or executives of Aterian and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Aterian. Similarly, Aterian, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions or other service providers, including but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or be affiliated with an investor that invests) in or engage in transactions with and/or provide services (including services at reduced rates) to Aterian and/or its affiliates and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Aterian entities, whether or not relating to financing Aterian personnel obligations to fund General Partner commitment obligations) to Aterian personnel and their estate planning vehicles. Aterian expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Aterian information about markets and industries in which Aterian operates (or is contemplating operations) or will provide other services that are beneficial to Aterian or one or more other Funds. Aterian expects to be subject to a potential conflict of interest in making such recommendations, in that Aterian has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the Fund or its portfolio companies. In addition, portfolio companies may from time to time pay certain fees to third party consultants (including consultants introduced or arranged by Aterian and/or its affiliates that may regularly provide services to one or more Fund portfolio companies), and such fees generally will not offset or reduce the Management Fee as described herein. Any of these situations may subject Aterian and/or its affiliates to potential conflicts of interest.

A General Partner is generally permitted to elect to receive a distribution in kind from the Fund, including in connection with (i) investment dispositions in a Fund portfolio company (or a subsidiary thereof) with approval of the relevant Fund's advisory board or (ii) the payment in kind of all or any portion of any cash distributions that otherwise would be made to the General Partner on account of its carried interest (which generally will be made using the value of the relevant securities on the date of distribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than Aterian deems suitable for the Fund. Although the General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the

increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

Except to the extent prohibited by the applicable Fund's Governing Documents, Aterian and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or special purpose acquisition companies the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by a Fund's Governing Documents and anti-"assignment" provisions of the Advisers Act, Aterian and its personnel are also permitted to offer, restructure and monetize interests in Aterian.

Because Aterian's carried interest is based on a percentage of net realized profits, it may create an incentive for Aterian to cause a Fund to make riskier or more speculative investments than would otherwise be the case; however, Aterian also believes that its carried interest operates to align substantially the interests of Aterian with those of the Funds. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when Aterian may not otherwise have done so. Since the applicable General Partner is permitted to receive certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, Aterian could have a conflict of interest in connection with approving transactions.

Since Aterian is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. Additionally, Aterian, its personnel, affiliates or others designated by Aterian (*e.g.*, Operations Group personnel) are permitted from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Governing Documents are applied, Aterian and/or such other recipients will be permitted to retain such securities, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Aterian) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund. In addition, to the extent such portfolio company securities represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or

similar instruments), the receipt of such compensation in the form of securities has the potential to dilute a Fund's relative ownership of the portfolio company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Aterian reserves the right to accrue, defer or forego payments of Supplemental Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the relevant Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

Aterian and/or its affiliates reserve the right to enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Aterian's compensation, none of which generally will be subject to the "most-favored nation" provisions of a Fund's Governing Documents), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic procedural and other terms.

Aterian is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Aterian, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Aterian, its affiliates and personnel, or the Funds. Further, Side Letters may also relate to strategic relationships under which an investor agrees to make Commitments to multiple Funds. Except where required by Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, Aterian, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. Side Letters subject Aterian to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments, similar considerations apply in the event a

limited partner defaults on a drawdown in respect of an investment. Although Aterian believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

The relevant liability standards under insurance coverage procured by Aterian are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in Aterian's insurance coverage are higher or lower than that set forth in the Governing Documents.

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

#### **DISCIPLINARY INFORMATION**

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

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As described under "Advisory Business" above, the Management Company is affiliated with the General Partners and the Relying Adviser, which will each be registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. The General Partners and the Relying Adviser operate as a single advisory

business together with the Management Company and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Certain owners or management persons of the Relying Adviser may be deemed to control the following registered investment advisers: Edge Principal Advisors, LLC, LS Power Equity Advisors, LLC, LSP Credit Advisors I, LLC and Luminus Management, LLC. Additional information about such advisers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Aterian has adopted a Code of Ethics and Regulatory Compliance Manual (the “**Code**”), which sets forth standards of conduct that are expected of Aterian Principals and employees and which addresses certain conflicts that may arise from personal securities trading. The Code requires Aterian personnel to:

- report personal securities transactions;
- pre-clear any proposed purchase of securities relating to certain industries and sectors;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material, non-public information.

A copy of the Code will be provided to any client or prospective client upon request to the Aterian Chief Compliance Officer at (212) 897-2888. Personal securities transactions by Aterian personnel are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

Aterian and its affiliated persons may come into possession, from time to time, of material, non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Aterian and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Aterian. Accordingly, should Aterian or any of its affiliated persons come into possession of material, non-public or other confidential information with respect to any public company, Aterian would be prohibited from communicating such information to clients, and Aterian will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and/or procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Aterian personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of Aterian and its affiliates generally are expected to directly or indirectly own an interest in the Funds or certain Co-Invest Funds. To the extent that Co-Invest Funds exist, such vehicles are expected to invest in one or more of the same portfolio companies as the Funds.



Co-invest opportunities are expected to be presented to certain affiliates of Aterian, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Additionally, the Funds may invest together with other Funds advised by an affiliated adviser of Aterian in the manner set forth in the Governing Documents. Aterian intends to allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations, the Governing Documents for the relevant Fund and the Code. In the case of co-investment opportunities, Aterian reserves the right to grant certain third party investors the opportunity to evaluate specified amounts of prospective co-investments in one or more Fund portfolio companies or otherwise to have priority in co-investment opportunities. Although Aterian reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by Aterian in identifying co-investors. Additionally, the Advisers reserve the right to permit the Operations Group, vendors or service providers to co-invest alongside the Funds. Certain investors likely will receive multiple opportunities to co-invest while others expressing interest have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and Aterian expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment.

In borrowing on behalf of a Fund, Aterian is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in

this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund utilizes such borrowing, makes the relevant investment or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, such borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

Aterian and its affiliates, Principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Funds.

#### **BROKERAGE PRACTICES**

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

If Aterian sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Aterian. In such event, Aterian will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Aterian reserves the right to consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) gross compensation paid to the broker; and (v) the financial strength of the broker.

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

Consistent with Aterian seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although Aterian generally does not make use of such services at the current time. As a general matter, research provided by these brokers would be used to service all of Aterian's Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by Aterian, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that Aterian allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds' interest in receiving most favorable execution.

Aterian does not anticipate engaging in significant public securities transactions; however, to the extent that Aterian engages in any such transactions, orders for the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for any Funds are completed independently, Aterian also reserves the right to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Aterian expects, but is not obligated, to purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

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

## **REVIEW OF ACCOUNTS**

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

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

## CLIENT REFERRALS AND OTHER COMPENSATION

As discussed in the “Fees and Compensation” section, Aterian expects to receive certain fees from a Fund’s portfolio companies. As described in the applicable Fund’s Governing Documents, this compensation may, in certain circumstances, offset all or a portion of the Management Fees paid by the Fund. However, in other circumstances, these fees would be in addition to Management Fees.

Aterian reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents (including any interest thereon) generally will be borne by Aterian indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment, typically are borne by the relevant Fund(s). Aterian retained UBS Securities LLC in connection with the placement of interests in Fund II and Fund III.

## CUSTODY

Aterian generally expects that it will be deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “**Custody Rule**”)) of funds or securities held in the name of one or more Funds, subject to certain exceptions set forth in the Custody Rule and related guidance, and intends to maintain such assets with the following qualified custodians:

- JP Morgan Chase Bank NA, New York, NY
- BMO Harris Bank NA, Chicago, IL

## INVESTMENT DISCRETION

Aterian has discretionary authority to manage investments on behalf of the Funds. As a general policy, Aterian does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Aterian has entered, and expects to enter, into side letter arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in a Fund are altered or varied, including, in some cases, the right to opt out of certain investments for legal, tax, regulatory or other agreed-upon reasons. Aterian assumes this authority pursuant to the terms of the Governing Documents.

## VOTING CLIENT SECURITIES

Aterian has adopted proxy voting policies and procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for a Fund’s portfolio investments. The Proxy Policy seeks to ensure that Aterian votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Aterian generally believes its interests are aligned with those of a Fund’s investors through the Principals’ beneficial ownership interests in the Funds and therefore will not seek investor

approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Aterian may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board is authorized to approve Aterian's vote in a particular solicitation. Aterian does not consider service on portfolio company boards by Aterian personnel or Aterian's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Aterian when voting proxies on behalf of a Fund. Clients or investors that would like a copy of Aterian's complete Proxy Policy or information regarding how Aterian voted proxies for particular portfolio companies may contact the Aterian Chief Compliance Officer, at (212) 897-2888, and it will be provided at no charge.

#### **FINANCIAL INFORMATION**

Aterian 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.