

**ITEM 1: Cover**

**PART 2A OF FORM ADV**

**FIRM BROCHURE**



**Angeles Equity Partners, LLC  
2425 Olympic Boulevard  
Suite 660E  
Santa Monica, CA 90404  
[www.angelesequitypartners.com](http://www.angelesequitypartners.com) / [www.angelesequity.com](http://www.angelesequity.com)**

**March 30, 2023**

This brochure (“**Brochure**”) provides information about the qualifications and business practices of Angeles Equity Partners, LLC and its affiliates (“**AEP**”). If you have any questions about the contents of this Brochure, please contact AEP’s **Chief Compliance Officer Annie Chau at 310-844-9205 or by email at [annie@angelesequity.com](mailto:annie@angelesequity.com)**. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority, and references in this Brochure to AEP as a “registered investment adviser” are not intended to imply a certain level of skill or training.

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

## ITEM 2 – MATERIAL CHANGES

AEP filed its most recent Form ADV Part 2A on March 30, 2022. This annual amendment updates the following sections:

- **Item 5 - Fees and Compensation:** Enhanced disclosures regarding management fees charge to clients.
- **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss:** Enhanced disclosure regarding risks associated with investment.

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## ITEM 4 – ADVISORY BUSINESS

### A. Introduction

AEP is a private equity firm that provides discretionary investment advisory services to a number of private pooled investment vehicles (including related co-investment vehicles) typically organized as limited partnerships (individually or collectively, as context may require, the “**Fund**” or the “**Funds**”). AEP is organized as a Delaware limited liability company, was founded in 2014, and is owned by the Jordan & Dori Katz Family Trust of 2006 dated September 1, 2006, and by the S + T Meyer Family Trust dated March 27, 2009. Timothy Meyer and Jordan Katz (the “**Principals**”) are Managing Members of AEP.

As of December 31, 2022, the Funds include Angeles Equity Partners I, L.P., Angeles Equity Partners (Parallel) I, L.P., Angeles Equity Partners (Parallel Blocked) I, L.P. (together, with Angeles Equity Partners (Parallel) I, L.P. and Angeles Equity Partners (Parallel Blocked) I, L.P. “**Fund I**”), AEP NVH Co-Investors, L.P., AEP NVH Co-Investors (Parallel), L.P., Angeles Equity Partners II, L.P., Angeles Equity Partners II-A, L.P. and Angeles Equity Partners II-Exec, L.P. (together with Angeles Equity Partners II, L.P. and Angeles Equity Partners II-A, L.P., “**Fund II**”).

Affiliates of AEP serve as the general partners of the Funds (the “**Affiliated General Partners**”). Each of the Affiliated General Partners is controlled by or under common control with AEP. As of December 31, 2022, the Affiliated General Partners include Angeles Equity GP I, LLC, Angeles Equity NVH GP, LLC, and Angeles Equity GP II, LLC. The Affiliated General Partners shall be included in all references to AEP as appropriate.

Each Fund is governed by a limited partnership agreement or equivalent governing agreement (each, a “**Fund Agreement**”) that specifies the material terms and conditions of the Fund, including the investment guidelines and investment restrictions applicable to the Fund. In addition, some of the Funds may have confidential private placement memoranda (each, a “**Memorandum**”) and, together with the Fund Agreement, the “**Governing Documents**”), prepared for the investors in such Funds, which contains additional information regarding the intended investment program for such Funds. AEP, together with the Affiliated General Partners, provide investment management and administrative services to the Funds in accordance with the applicable Fund Agreements. Each of the Affiliated General Partners retains management authority over the business and affairs, including investment decisions of the Funds, for which it serves as general partner.

The Funds are not registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the securities of the Funds are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”).

The investors in the Funds (generally referred to herein as “**Investors**” or “**limited partners**”) include, among others, family offices, individuals, public pension plans, sovereign wealth funds, fund of funds, endowments, and charitable organizations.

## **B. Investments**

AEP offers advice solely with respect to the investments made by the Funds, which generally consist of private company securities, by identifying investment opportunities and participating in the acquisition, management, monitoring, and disposition of investments for each Fund.

AEP generally has broad and flexible investment authority with respect to the Funds. Each Fund's investment objectives and strategy is set forth in the relevant Fund Agreement and, in some instances, also in a Memorandum for such Fund. All Investors in a Fund are urged to carefully review the Fund Agreement and, if applicable, the private placement memorandum, for such Fund.

From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of AEP or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

The investment strategy for the existing Funds primarily targets platform investments in North American industrial businesses. AEP also will opportunistically look at opportunities in other industries and geographies.

## **C. Advisory Services**

As noted above, the clients of AEP are the Funds. AEP tailors its investment advice to each Fund in accordance with such Fund's investment objectives and strategy as set forth in the relevant Governing Documents.

Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to a Fund Agreement; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between AEP and any investor. The Investors are able to negotiate the terms of the applicable Fund Agreement in connection with, and prior to, their commitments to a Fund. In certain cases, the Affiliated General Partners have entered into side letter agreements with certain Investors to modify certain rights and privileges which are not available to other Investors (including, without limitation, information rights, reporting rights, capacity rights, approval rights and certain other protections and the right to receive certain special allocations) (the "**Side Letters**").

Once an Investor has been admitted to a Fund, it generally cannot seek additional investment guidelines or restrictions on such Fund.

## **D. Wrap Fee Programs**

AEP does not participate in wrap fee programs.

## **E. Client Assets**

As of December 31, 2022, AEP manages \$895 million of Fund assets on a discretionary basis. AEP does not currently manage any Fund assets on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

AEP is generally compensated by the Funds through the management fees from such Funds. In addition, the Affiliated General Partners are permitted to receive performance-based compensation from the Funds, which is discussed in further detail in Item 6 below. The specific compensation terms may vary from Fund to Fund, and the compensation terms for a Fund are set forth in the Fund Agreement for such Fund.

### A. Management Fees

The fees and expenses associated with an investment in the relevant Fund are described in detail in the Funds' Offering Documents. AEP may, in its sole discretion, manage other funds with higher or lower fees, different fee structures and different expense payment arrangements than the Funds. Management fees paid by the Funds are not open to negotiation after the final closing of such Funds.

AEP will receive an annual management fee that is generally calculated as a percentage based on capital commitments through the investment period and, thereafter, based on invested capital of the Fund. AEP reserves the right to waive or reduce the management fee for certain Limited Partners including employees, AEP-affiliated parallel funds (or the limited partners of such parallel funds), or affiliates of AEP.

In general, with respect to Fund I, AEP receives a management fee (the “**Management Fee**”) equal to 2.00% per annum of each Investor's (excluding Investors who are affiliates and related persons of AEP or otherwise designated as “**affiliated partners**”) aggregate capital commitment to Fund I (“**Commitments**”) generally during such Fund's active investment period. Thereafter (or upon certain events set forth in the relevant Fund Agreement), the Management Fee generally is reduced to 2.00% per annum of such Investor's invested capital in Fund I, (adjusted to reflect dispositions and investments that have, for Fund I, suffered a significant and permanent impairment in value), as set forth more fully in the relevant Fund Agreement. Additionally, Investor's invested capital is subject to adjustments of any outstanding borrowings made in anticipation or in lieu of the limited partners making investment contributions, less the aggregate amount of investment contributions with respect to the portion of each investment that has been realized or completely written off.

In general, with respect to Fund II, AEP receives a Management Fee equal to 2.00% per annum (1.00% per annum for Angeles Equity Partners II-Exec, L.P.) of the Investors' (excluding Investors who are affiliates and related persons of AEP or otherwise designated as “affiliated partners”) Commitments to Fund II generally during Fund II's investment period. Thereafter (or upon certain events set forth in the relevant Fund Agreement), the Management Fee generally is 2.00% per annum of aggregate investment contributions, plus the aggregate amount of any outstanding borrowings made in anticipation or in lieu of the limited partners making investment contributions, less the aggregate amount of investment contributions with respect to the portion of each investment that has been realized or completely written off.

Currently, Funds that are co-investment vehicles do not pay Management Fees to AEP. Management Fees for each Fund are charged quarterly in advance to AEP.

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.

## **B. Method and Frequency of Payment**

The Affiliated General Partner that controls a Fund causes the Management Fee payable by such Fund to be deducted from the assets of such Fund and paid over to AEP. The management fees are typically paid by the Funds quarterly in advance.

## **C. Other Fees or Expenses**

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 the end of the Fund's defined investment period and the date the relevant General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria) (the "Stepdown Date"), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied, (a) with respect to Fund II, to the amount of aggregate investment contributions made by the limited partners, plus the aggregate amount of any outstanding borrowings made in anticipation or in lieu of the limited partners making investment contributions, less the aggregate amount of investment contributions made with respect to the portion of each investment that has been disposed of or completely written off for U.S. federal income tax purposes and, (b) with respect to Fund I, the cost basis of the Fund I portfolio investments that theretofore have not yet been disposed by Fund I (which generally is equal to the investment contributions made with respect to such portfolio investments plus the aggregate amount of any outstanding borrowings made in anticipation or in lieu of the limited partners making investment contributions), as reduced to reflect the impact of any significant permanent impairment in the value of any such portfolio investment that is determined by the General Partner and would cause the carrying value of such portfolio investment to be written down below its cost basis).

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 (in the case of Fund II) and such cost basis (in the case of Fund I). However, with respect to Fund II, where there has been a partial distribution, partial write-off or partial sale of an investment and the fair market value of such investment following such event exceeds 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. Following the Stepdown Date, the amount of Management Fees otherwise payable will be reduced based on the ratio of the fair market value of the relevant remaining

investment(s) as compared, with respect to Fund II, to the amount of total investment contributions relating to such investment(s).

As a result, with respect to Fund II, the amount of Management Fees generally will not correspond with fluctuations in Fund II'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 in the case of investments completely written off for U.S. federal income tax purposes. In the case of Fund I, in the event of a partial disposition of a portfolio investment, the portion of such portfolio investment that is disposed and the portion of such portfolio investment that is retained will be deemed to be two separate portfolio investments, and the cost basis of such portfolio investment shall be allocated between the two portions in any manner reasonably determined by the General Partner. As a result, with respect to Fund I, the amount of Management Fees generally will not correspond with fluctuations in Fund I's net asset value, including following the investment period, and will not be reduced in connection with any write downs, except in the case of significant permanent write downs determined by the General Partner that causes the carrying value of a portfolio investment to fall below its cost basis. Except where the Governing Documents expressly provide to the contrary, Management Fees with respect to Fund II will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments, but Management Fees with respect to Fund I generally will be reduced in the case of partial dispositions of investments in a manner consistent with how the cost basis of the relevant partially disposed investments is allocated between the disposed portion and the retained portion.

#### Management Fee Offsets

AEP and its affiliates and related persons have, and are permitted in the future, to extent specified in a Fund's Fund Agreement, to receive certain transaction fees, advisory fees, directors' fees, financial consulting fees, break-up fees or other similar fees (collectively, "**Transaction Fees**") in connection with the Funds' investment activities. Typically, to the extent provided in the Fund Agreements, a specified portion of Transaction Fees is applied as an offset against the Management Fees (if any) payable by the Funds to which such Transaction Fees relate. Typically, under the Fund Agreements, if Transaction Fees relate to two or more Funds, then such Transaction Fees will typically be allocated for purposes of such offset in accordance with the applicable Affiliated General Partner's good faith determination of the proportion in which the respective Funds participated or were intended to participate in the transaction that gave rise to such Transaction Fees. Funds and Investors that do not pay Management Fees do not enjoy the benefit of such offset. AEP is also typically paid Transaction Fees on behalf of or with respect to other co-investors or other investors in an investment. The receipt of such fees from such an investment will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment. Accordingly, a Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to the relevant allocable portion on a fully diluted basis of any such fees and not the portion of any such fees related to General Partner or "affiliated partner" commitments or allocable to any other person (including co-investors) that holds an economic interest in (or, in the case of an unconsummated transaction, would have held an economic interest in) the applicable investment or potential investment. Transaction 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 Transaction Fees paid prior to the Fund's acquisition of the relevant investment.



Transaction Fees do not include any amount received by the relevant General Partner, the Operations Group (as defined below) or other person from a portfolio company (i) as reimbursement for expenses directly related to such portfolio company, (ii) as Bona Fide Service Compensation or (iii) as compensation, including fees, incentive equity or other stock awards, for services rendered by the Operations Group (or a member thereof) to a portfolio company or prospective portfolio company (or their respective subsidiaries). Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees.

To the extent provided in a Fund Agreement for a Fund, the Management Fee payable by such Fund also may be offset by placement agent fees paid by such Fund in connection with the offering of interests in such Fund and organizational expenses paid by such Fund that exceed the cap on organizational expenses to be borne by such Fund.

AEP and/or its affiliates generally have discretion over whether to charge Transaction Fees 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 Transaction Fees generally will give rise to potential conflicts of interest between the Funds, on the one hand, and AEP and/or its affiliates on the other hand.

### Fund Expenses

In addition to the Management Fee and carried interest payable to AEP and the Affiliated General Partners, respectively, each Fund bears certain expenses. As set forth more fully in the relevant Fund Agreement, a Fund bears all fees, costs, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries' and intermediate entities') activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce Management Fees, including: fees, costs, expenses, liabilities and obligations (referred to collectively in this definition as "**costs**") relating to the Funds and/or their subsidiaries' and intermediate entities' activities, business, alternative investment vehicles, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all costs relating or attributable to: activities with respect to the sourcing, identifying, pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Fund's portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence, software and service providers, consultants and similar professionals in connection therewith and any costs related to transactions that were offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; indebtedness of, or guarantees made by, the Fund, the relevant Affiliated General Partner or any "affiliated partner" on behalf of the Fund (including any credit facility, letter of credit or similar

credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; financing, commitment, origination and similar fees and expenses; broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services (including buy- and sell-side finders' fees as well as similar deal sourcing payments); brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account, registered office and similar services (including any depository appointed pursuant to the AIFMD 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); (vi) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD or any similar law, rule or regulation (other than 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; legal, accounting, research (including expert consultants, research reports, subscriptions to any periodicals, databases and/or research services, research calls and meetings and research or industry conferences), auditing, technology, administration (including costs associated with the Fund's 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, including with respect to portfolio company transactions entered into between the Fund and other investment vehicles affiliated with AEP), consulting (including consulting and retainer fees, salaries, bonuses, guaranteed minimums and other compensation or expense reimbursements paid to, and benefits or personnel costs (including employee benefits, payroll taxes, insurance, paid time-off and other office space) provided to, or on behalf of, the Operations Group (as defined below) 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); reverse breakup, termination and other similar arrangements; insurance, including directors and officers liability, fidelity bond, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance (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; filing, title, transfer, survey registration and other similar activities; printing, communications, mailing, courier, marketing and publicity; 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, Bureau of Economic Analysis Reports and any filings or reports contemplated by the AIFMD or any similar law, rule or regulation), or other information, including costs of any third-party service providers and professionals related to the foregoing; compliance with any Foreign Account Reporting Requirements, including, without limitation, FATCA and the OECD Standard for Automatic Exchange, and any costs of any third-party service providers and professionals related to the foregoing; developing, licensing, implementing, maintaining or upgrading any web portal, website, extranet tools, computer software (including accounting, investor tracking, 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 partners; any activities with respect to protecting the confidential or non-public nature of any information or data; to the extent provided in the Fund Agreement, or otherwise approved by the Affiliated 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 Affiliated General Partner, the advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory board); indemnification (including legal and any other costs incurred in connection with indemnifying any partner or other person pursuant to the Fund Agreement 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 Fund Agreement), except as otherwise set forth in the Fund Agreement; 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; any annual, periodic or special meeting of the partners, any other conference, meeting or webcast or other video conference with any partner(s) (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) and any other activities necessitated by and incidental to the Fund's global investor base, in each case to the extent incurred by the Fund, the Relevant Affiliated General Partner or any other affiliate of the Relevant Affiliated General Partner; except as otherwise determined by the Relevant Affiliated 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 or organizational expense if it were incurred in connection with the Fund, and 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 any alternative investment vehicle, portfolio company or portfolio company of any alternative investment vehicle; the termination, liquidation, winding up or dissolution of the Fund, any persons owned directly or indirectly by the Fund (including portfolio companies) and related entities; defaults by partners in the payment of any capital contributions; amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the Affiliated General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (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, and any regulatory costs of the Affiliated 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 Affiliated General Partner and/or any of their respective affiliates and/or (B) the validation or other conformation of any payments made to the Fund or the Affiliated General Partner (including as a result of any anti-money laundering laws, rules or regulations); 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 Fund Agreement; any consultants, experts or advisors engaged, including independent appraisers engaged by the Affiliated General Partner in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more other investment vehicles (other than the Fund) managed or controlled by the Affiliated General Partner or any of its affiliates; 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; any

taxes, fees and other governmental charges levied against the Fund and all costs incurred in connection with any tax audit, inquiry, investigation settlement or review of the Fund and any costs of or related to the “partnership representative” of the Fund or the “designated individual” thereof; distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Fund’s investments, including extraordinary expenses; unreimbursed and unpaid costs of the Operations Group or its members, employees or other persons engaged by the Operations Group; compliance or regulatory matters related to the Fund, including compliance with the Fund Agreement (including most favored nations processes) and/or any side letter or similar agreement; attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the Affiliated General Partner, AEP or any of their respective affiliates or any portfolio company personnel or consultants (including members of the Operations Group) at any meeting, conference or training program (including those hosted by AEP or its affiliates), including any applicable registration costs and exhibition, sponsorship or other presentation costs; all costs and expenses associated with operating a feeder fund which invests all or substantially all of its assets in the Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund’s financial statements, tax returns and feeder fund limited partner reports, but not including any income-based or similar taxes, fees or other governmental charges levied against such feeder fund; any travel (including air travel (including, where appropriate, the cost of using private aircraft or other private air travel at a cost above the cost of first class commercial airfare if the Affiliated General Partner determines in good faith that substantially similar first class (or equivalent) commercial air travel is unavailable, not feasible or unsafe (e.g., due to a public health emergency)), ground transportation (including car service) and incidental travel expenses) and lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities, provided that the Affiliated General Partner shall annually disclose to the advisory board the aggregate cost of any private aircraft or other private air travel during the preceding year that was included as a Fund expense under this section at a cost above the cost of first class commercial airfare; any of the items listed in clauses above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful (“Broken Deal Expenses”), whether undertaken prior to the initial closing date of a Fund or otherwise and/or that may have been offered to co-investors (including co-investors’ proportionate share of any costs and expenses related to an investment or other opportunity not consummated); any organizational expenses; any placement fees; and any other costs approved by the advisory board.

As a general matter, Broken Deal Expenses and other expenses relating to the diligence or evaluation of a prospective investment are allocated among investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of AEP and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. 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 Transaction 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. To the extent holding or intermediate entities include one or more special purpose acquisition companies (“SPACs”), the relevant Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders’ equity or similar interests issued thereby that are not held directly or indirectly by the Fund, and except where prohibited by the Fund Agreements, such interests are permitted to be issued to AEP and its personnel. The Affiliated General Partner reserves the right to agree with Operations Group members, 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. Excluded from Fund expenses are ordinary administrative and overhead expenses of the Affiliated General Partner incurred in connection with managing, originating and monitoring investments, including employees’ salaries, rent, equipment expenses, utilities and other similar expenses specified in the Fund Agreements. Additionally, subject to the Fund Agreements, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

Fund expenses pertaining directly to a Fund will be charged to such Fund. Without limiting the foregoing, if a Fund invests through an entity for tax or other reasons pertaining to such Fund, then such Fund will be responsible for all expenses associated with such entity, including in cases where such Fund does not own 100% of such entity. If any expenses are associated with two or more Funds, such expenses will typically be allocated according to the applicable participation (which could be based on aggregate capital commitments) of the applicable Funds unless otherwise indicated in AEP’s expense policy or if an Affiliated General Partner determines in good faith that a disproportionate allocation would be fair or equitable because the incurrence of such expenses is disproportionately for the benefit of a particular Fund.

### Operations Group

As further described herein, it is AEP’s practice to utilize an operations group (the “Operations Group”) comprised of persons retained or employed by AEP, the Affiliated General Partner or any of their respective affiliates (including a company owned by AEP, its affiliates and/or personnel thereof, Angeles Operations Group Equity, L.P.) primarily to provide business development, capital markets support, interim management, strategy development and execution, advice on general industry trends, finance, manufacturing, sales, marketing, technology, human resources, sourcing, acquisition integration and/or other operations services, acquisition or other due

diligence or similar services to the Fund, any alternative investment vehicle or any portfolio company or prospective portfolio company of the Fund (or their respective subsidiaries) or any alternative investment vehicle, as well as board of director or management services to portfolio companies. Any compensation (including consulting and retainer fees, incentive equity or other stock awards, salaries, bonuses, guaranteed minimums and other compensation paid to, and benefits or personal costs (including employee benefits, payroll taxes, insurance, paid time-off and other office space)) and any reimbursement of certain travel and other costs or expenses received by members of the Operations Group generally will be paid by a portfolio company or prospective portfolio company (or their respective subsidiaries) (which payments are not included as Transaction Fees) or directly by the Fund. No such amounts will reduce the Management Fee.

#### Bona Fide Service Compensation

As further described in the relevant Fund Agreements, the General Partners and related persons of the General Partners, including Operations Group members, are authorized to receive “Bona Fide Service Compensation” which includes: (a) all salary, bonuses, stock options and other compensation and employee benefits granted or paid by a portfolio company or any of its affiliates in respect of employees or other related persons of the relevant General Partner or any of its affiliates, including Operations Group members (i) who are seconded to serve in bona fide capacities as officers, employees or other personnel of such portfolio company or any of its affiliates or (ii) who otherwise assume roles at, or otherwise provide services to, such portfolio company or any of its affiliates of the type for which such portfolio company or its affiliates would otherwise engage a third-party or its own personnel to assume or provide, all as determined in good faith by the General Partner, and (b) all consulting fees, service fees, cost allocations and other payments by a portfolio company or any of its affiliates in lieu of amounts described in the foregoing clause (a) in exchange for the General Partner or any of its affiliates making its employees and other related persons, including Operations Group members, available to such portfolio company or affiliate for purposes of assuming such roles or performing such services; provided that such salary, stock options, other compensation, consulting fees, service fees, cost allocations and other payments shall be upon terms and conditions that are no less favorable to such portfolio company than those that could be obtained from a bona fide third party.

#### Other Information

AEP is permitted to exempt certain “affiliated partner” investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including AEP and any other person designated by AEP, such as “friends and family” of AEP or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. The relevant Affiliated General Partner reserves the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, a rebate by AEP and/or its affiliates, or through other Funds which co-invest with a Fund. AEP retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor’s capital account(s).

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Fund Agreements, over the term of

the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of AEP generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by AEP or its affiliates.

As described above, in certain circumstances, the relevant Affiliated General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to AEP's related policies and practices and the Fund Agreements and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the Affiliated General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses. AEP's practice of allocating Broken Deal Expenses among investing Funds is discussed under "Conflicts of Interest," below. To the extent the 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.

***Investors should refer to the relevant Fund Agreement for the Fund in which they are investing for a complete understanding of how Management Fees and other compensation are paid to AEP and its affiliates. The information contained herein is a summary only and is qualified in its entirety by the Fund Agreement.***

**D.**

Management Fees for each Fund are charged quarterly in advance to AEP.

**E.**

Not Applicable. Neither AEP nor its supervised persons are compensated for the sale of securities or other investment products.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, each Affiliated General Partner receives performance-based compensation from the Fund for which it serves as general partner. In general, the Funds allocate a portion of their investment profits to their Affiliated General Partners, which are affiliates of AEP, pursuant to each Fund's applicable Fund Agreement (such profit allocation is commonly referred to as "carried interest"). Carried interest for the Funds typically ranges from between 10% to 20% of such profits, depending on the Fund and Investor. Depending on the specific Fund Agreement, the carried interest from a Fund may be subject to the achievement of a minimum annual rate of return on the amount of the unreturned capital contributions of Investors as of the date of determination. Typically, no carried interest is charged to Investors who are affiliates and related persons of AEP.

The possibility that an Affiliated General Partner may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for AEP to allocate more time, resources, and/or investment opportunities to Funds paying carried interest at a higher rate. The possibility of receiving performance-based compensation may also create incentives for AEP to make investments on behalf of such Funds that are riskier or more speculative than would be the case in the absence of such performance-based compensation. AEP's practice is generally to make investment decisions with respect to a particular portfolio company concurrently for all applicable Funds in accordance with any applicable Fund Agreements. Furthermore, such conflicts are mitigated by limitations on the ability of AEP to establish new Funds, contractual provisions requiring certain Funds to purchase and sell investments contemporaneously, and contractual provisions and procedures setting forth investment allocation requirements designed to ensure allocation of investment opportunities among Funds on a fair and equitable basis, all as set forth in further detail in the Fund Agreements.



## ITEM 7 – TYPES OF CLIENTS

AEP provides investment advisory services solely to the Funds, as described in Item 4 above.

AEP does not provide investment advisory services to any of the Investors, and thus the Investors should not be deemed to be clients of AEP. Nevertheless, AEP requires each Investor to meet certain eligibility requirements. Specifically, each third-party Investor is required to represent that it is an “accredited investor” (as defined in Regulation D under the Securities Act) and unless waived by AEP in its sole discretion, a “qualified purchaser” (as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940).

Investors whose investments in the Funds are subject to carried interest are also required to be “qualified clients” within the meaning of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Investors who are “qualified purchasers” for purposes of the Investment Company Act are automatically deemed to be “qualified clients” for purposes of Rule 205-3.

Each Fund typically requires a significant minimum capital commitment from an Investor in such Fund, which can be waived at the discretion of the Affiliated General Partner for such Fund.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### General

AEP is a private investment firm focused on leveraged buyouts, equity, debt and other investments in companies believed to benefit from AEP's expertise and experience. AEP's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies, although investments in public companies are permitted.

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

#### A. Methods of Analysis

AEP performs its own analyses on prospective investments utilizing a team of individuals with varying degrees of experience in both industry and private equity investing. As noted in Item 4, AEP will primarily target platform investments in North American industrial businesses but will opportunistically look at investments in other industries and geographies.

Prior to making an investment, AEP conducts comprehensive due diligence on potential portfolio companies. AEP's investment process includes analyses of business and industry trends, appraisal of management, assessment of financial results, projections, growth prospects, and competitive advantages, a determination of appropriate transaction and capital structures, and an evaluation of appropriate exits. Post-acquisition, AEP provides ongoing support to portfolio companies by assisting with major strategic, operational, and financial initiatives.

#### B. and C. Risk Factors

***The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the respective Fund. Prospective Investors should carefully read the relevant Governing Documents in their entirety and consult with their own advisors before deciding to invest in the respective Fund.***

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

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

***Investment in Junior Securities.*** The securities in which the 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 the Fund's investment once made.

*Concentration of Investments.* The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the 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 Fund may invest in fewer portfolio companies and thus be less diversified.

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

*Competition for Investments.* The activity of identifying, buying and selling private equity investments is highly competitive, involves a high degree of uncertainty, and is subject in some cases to the prevailing capital market, regulatory or political environment. The Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, governments, individuals, financial institutions, family offices, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates. Further, over the past several years, an ever-increasing number of private equity funds have been or are being formed (and many existing funds have grown in size). Additional funds with similar investment objectives are expected to be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and more personnel than the Affiliated General Partner, AEP, the Fund and their affiliates. AEP expects that competition for appropriate investment opportunities may increase, which increases the likelihood that the Fund will need to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Fund and/or adversely affecting the terms upon which portfolio investments can be made. Participating in auctions will also increase the pressure on the Fund with respect to pricing of a transaction. Furthermore, given the increasingly competitive environment, AEP may find it more difficult to obtain buyer-favorable terms in a transaction, such as receiving an indemnification by the seller for a breach of representations or warranties, the ability to terminate a transaction if financing sources become unavailable or unwilling to fund, or the ability to terminate a transaction if there has been a material adverse change in the company's business prior to closing of the investment. In addition, competitors for investment opportunities may be willing to offer seller-favorable terms in a transaction, such as providing a "reverse break-up fee" and fund-level guarantees. In the event a financing-related closing condition is not available to the Fund or if the Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, the Fund may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made. There can be no assurance that the Fund will be able to locate, complete and exit investments which satisfy the Fund's rate of return objectives, or realize upon their values, or that it will be able to invest fully its committed capital. 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 bear Management Fees through the Fund during the investment period based

on the entire amount of such limited partner's Commitments and other expenses as set forth in the Fund Agreement. To the extent that the Fund encounters competition for investments, returns to limited partners may decrease including as a result of higher pricing, foregoing opportunities, or negotiating fewer transactional protections in order to remain competitive. Additionally, the Fund is expected to incur bid, due diligence, negotiating, consulting or other costs of investments, which may not be successful. As a result, the Fund may not recover all of its costs, which would adversely affect returns.

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

*Lower Middle-Market and Middle-Market Companies.* The Fund's investment strategy includes investments in lower middle-market and middle-market companies. While investments in lower middle-market and middle-market companies may present opportunities for growth and/or operational improvement, such investments may also entail larger risks than are customarily associated with investments in large companies. Small- and medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets, technology and commodity volatility. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small and medium-sized companies, could make it difficult for the Fund to react quickly to negative economic or geopolitical developments.

*Investments in the Industrials Sector.* The Fund expects to invest in portfolio companies that operate in the industrials sector. The industrials sector is challenged by various factors, including environmental damage claims, commodity price cyclicity, volatility, raw material inflation, changes in exchange rates, imposition of import controls, increased competition, depletion of resources, and difficulties relating to labor relations, as well as the availability of skilled labor and labor costs. In particular, the products of manufacturing companies may face product obsolescence due to rapid technological developments and frequent new product introduction. In the event that the industrials sector declines, returns to limited partners are expected to decrease.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which the Fund intends to invest, including various segments of the industrial industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the industrial industry, are

complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Fund invests.

*Illiquidity; Lack of Current Distributions.* An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, 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 the Fund (including the Management Fee payable to the Affiliated General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

*Leveraged Investments.* The 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, including in respect of companies not rated by credit agencies. As security for such borrowing or guarantees, the Fund is authorized to guarantee a portfolio company's debt and/or grant liens on any of the Fund's assets to the lender or other counterparty, which assets may not necessarily be limited to a single portfolio company. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by a limited partner to such assets in an insolvency event or proceeding. It is not expected that the Fund would be compensated for providing such guarantee or exposure to such liability. Co-investors are expected to receive the benefit of such guarantee, although as co-investors typically do not agree to participate in guaranty arrangements in negotiating to participate in a transaction, co-investors are not expected to bear a commensurate percentage of potential liability. Additionally, the Fund expects to borrow through a subscription-based credit facility (a "subscription line"), which poses additional risks and potential conflicts of interest as further described below. The Fund also reserves the right to have a portfolio company incur leverage through the use of the Fund's subscription line or otherwise to finance operations and/or add-on investments. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by the Fund will also result in interest expense 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 often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and will constrain its ability to operate its business as desired and/or finance future operations and capital needs. In addition, the leveraged capital structure of portfolio companies will increase the exposure of the 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 its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company as well as any guaranteed amounts, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, 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. The Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Affiliated General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities.

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

In addition, Fund-level borrowing will result in additional expenses that will be borne by limited partners. 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, including amendment fees as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility (and any amendments or renegotiation thereof). Because a subscription line's interest rate is based in part on the creditworthiness of the limited partners and the terms of the Fund Agreement, 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 relevant Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns. Calculations of internal rate of return in respect of the Fund as used in marketing and reported to limited partners from time to time are generally based on the payment date of capital contributions received from limited partners and not the date of an investment by the Fund. This treatment also applies in instances where the Fund utilizes borrowings under the Fund's subscription line in advance of receiving capital contributions from limited partners to repay any such borrowings and related interest expense. Conflicts of interest have the potential to arise in that the use of a subscription line or similar borrowing or guarantees generally will result in a

higher reported net internal rate of return than if the facility had not been utilized and instead such limited partners' capital had been contributed at or prior to the inception of an investment and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met, thereby resulting in a benefit to the Affiliated General Partner and its affiliates. 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, as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses. Co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the 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 typically contains other terms that restrict the activities of the Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the Affiliated 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 Affiliated General Partner may request certain financial information and other documentation from limited partners to share with lenders. The Affiliated 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.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the Fund to make investments and pay expenses without calling capital, potentially for extended periods of time. To the extent provided in the Fund Agreement, any such borrowing may remain outstanding for such time as the Affiliated General Partner deems appropriate, potentially including through disposition of such investment, and the interest expense and other costs of any such borrowings will be Fund expenses that may decrease net returns of the Fund. 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 Affiliated General Partner called smaller amounts of capital incrementally over time as needed by the Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The Fund may also utilize fund-level borrowings when the Affiliated 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 of the borrowing, the disposition proceeds would be applied to repay the borrowing (and related interest and expenses), and the net proceeds would be distributed to the limited partners without a preferred return accrual on the amount invested by the Fund (due to the absence of invested capital funded by limited partners) prior to the determination of carried interest distributions. Accordingly, borrowings by the Fund may support the distribution of proceeds to limited partners and increase the potential carried interest for the Affiliated General Partner; however, the interest incurred by the Fund due to such borrowing would reduce such distributions and the carried interest received by the Affiliated General Partner. Subject to the limitations in the Fund Agreement, if any, this conflict of interest may incentivize the Affiliated General Partner to permanently fund the acquisition and ongoing capital needs of investments of the Fund 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 repaid out of disposition proceeds).

*Limited Transferability of Fund Interests.* There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Fund Agreement 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 Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Fund Agreement, including the value used to determine the amount of carried interest available to AEP with respect to such investment.

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

*Conflicting Investor Interests.* Limited partners may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts will potentially arise in connection with decisions made by the Affiliated General Partner regarding an investment that will potentially be



more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Affiliated General Partner generally will consider the investment and tax objectives of the Fund and its Partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

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

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

Additionally, the Fund may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Fund's business, including to establish greater presence in certain jurisdictions in which the Fund invests or proposes to invest, and the Fund may also become directly or indirectly subject to additional tax liabilities (for example, through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions. Additionally, such additional scrutiny may divert the Affiliated General Partner's time, attention and resources from portfolio management activities.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of AEP and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact AEP and its affiliates, the Funds and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Fund.

In light of the heightened regulatory environment in which the Fund operates and the ever-increasing regulations applicable to private investment funds and their investment advisers, it has become increasingly expensive and time-consuming for AEP and its affiliates to comply with such regulatory reporting and compliance-related obligations. Any further increases in the regulations applicable to private investment funds generally or the Fund, the Affiliated General Partner or AEP in particular may result in increased expenses associated with the Fund's activities and additional resources of AEP being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for investors in the Fund or have an adverse effect on the ability

of the Fund to effectively achieve its investment objective. Increased reporting, registration and compliance requirements may divert the attention of personnel and the management teams of AEP, and may furthermore place the Fund at a competitive disadvantage to the extent that AEP is required to disclose sensitive business information.

As private equity firms and other alternative asset managers become more influential participants in the U.S. and global financial markets and economy generally, the private equity industry has recently been subject to criticism by some politicians, regulators and market commentators. Elements of organized labor and other representatives of labor unions have embarked on a campaign targeting private equity firms on a variety of matters of interest to organized labor, including with respect to affording favorable treatment or significant deference to organized labor and labor unions in dealings with portfolio companies. There can be no assurance that the foregoing will not have an adverse impact on AEP or the Fund or otherwise impede the Fund's activities.

*Availability of Insurance Against Certain Catastrophic Losses.* Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, severe weather, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism can be difficult and expensive to insure against. Some insurers are excluding terrorism coverage from their all-risks policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all investments may be insured against all potential causes of damage or loss. If a major uninsured loss occurs, the Fund could lose both invested capital in and anticipated profits from the affected investments.

*Misconduct of Employees, Independent Contractors and Third-Party Service Providers.* Misconduct or misrepresentations by employees and independent contractors of the Affiliated General Partner or the portfolio companies, or by third-party service providers could cause significant losses to the Fund. Employee or independent contractor misconduct may include binding the Fund or a portfolio company to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities, concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by third-party service providers, including, without limitation, failing to recognize transactions and misappropriating assets. In addition, employees, independent contractors and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities. Despite the Affiliated General Partner's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining such due diligence efforts. As a result, no assurances can be given that the due diligence performed by the Affiliated General Partner will identify or prevent any such misconduct.

*Alternative Investment Fund Managers Directive.* The AIFMD as implemented in each member state of the European Economic Area ("EEA") and as implemented and retained by the United Kingdom ("UK") following its departure from the European Union ("EU") regulates the activities

of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the EEA, and the UK respectively.

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

*United Kingdom ("UK") Exit from the European Union ("EU").* The UK formally left the EU on January 31, 2020 ("Brexit"), and entered a transition period that ended on December 31, 2020. On December 30, 2020, the UK government and the EU Commission signed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period. However, this agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on the Fund and its investments, including the ability of the Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from Brexit may adversely affect both EU- and UK-based businesses. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further

disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

*Environmental, Social and Governance (“ESG”).* AEP maintains an ESG Program Overview (the “ESG Overview”) and intends to apply the ESG Overview to the Fund’s investment activities. Depending on the investment, certain ESG factors, such as environmental risks and incidences, workplace safety and diversity, could have a material effect on the return and risk of the investment. The Affiliated General Partner endeavors to consider material ESG factors in connection with its investment activities. However, the act of selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized or judgment exercised by the Affiliated General Partner or any judgment exercised by the Affiliated General Partner will reflect the beliefs or values of any particular limited partner or align with the practices of other asset managers or with market trends. The ESG Overview may cause the Fund not to make an investment that it would have made or to make a management decision with respect to an investment differently than it would have made in the absence of its ESG Overview. Additionally, ESG factors are only some of the many factors the Affiliated General Partner may consider in making an investment, and there is no guarantee that the Affiliated General Partner will make investments in companies that create positive ESG impact or that consideration of ESG factors will enhance long-term limited partner value and financial returns. AEP cannot guarantee that its ESG Overview will positively impact the financial or ESG performance of any individual investment or the Fund as a whole.

Further, ESG integration and responsible investing practices as a whole are evolving rapidly and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. Therefore, AEP’s approach to ESG integration, including to the extent the Fund engages with portfolio companies on ESG-related practices and potential enhancements thereto, may not align with the approach used by other asset managers or preferred by prospective investors or with market trends. Successful engagement efforts on the part of the Affiliated General Partner will depend on the Affiliated General Partner’s skill in properly identifying and analyzing material ESG and other factors and their value, and there can be no assurance that the strategy or techniques employed will be successful. In addition, the Affiliated General Partner’s ESG programs and policies may change over time. It is possible that market dynamics or other factors will make it impractical, inadvisable or impossible for AEP to adhere to all elements of the Affiliated General Partner’s investment strategy, including ESG considerations, whether with respect to one or more individual investments or to the Fund’s portfolio generally. Similarly, in evaluating a company, the Affiliated General Partner often depends upon information and data provided by the company or obtained via third-party reporting or advisors, which may be incomplete or inaccurate and could cause the Affiliated General Partner to incorrectly assess the company’s ESG practices and/or related risks and opportunities. The Affiliated General Partners are not obligated to provide any ESG reporting.

Finally, there is also growing regulatory interest, particularly in the U.S., UK, and EU (which may be looked to as models in growth markets), in improving transparency around how asset managers define and measure ESG performance, in order to allow investors to validate and better understand sustainability claims. The Fund’s ESG program could become subject to additional regulation in the future, and the Fund 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. AEP could become subject to additional regulation in the future, which could result in significant costs, potential liabilities and operational and legal obligations.

*Weather and Climate Risk.* Global climate change is widely considered to be a significant threat to the global economy. Industrial assets in particular may face risks from the physical effects of climate change, such as risks posed by increasing frequency or severity of extreme weather events and rising sea levels and temperatures. The Paris Agreement and other initiatives by international, federal, state, and regional policymakers and regulatory authorities as well as private actors seeking to reduce greenhouse gas emissions may expose industrial assets to so-called “transition risks” in addition to physical risks, such as: (i) political and policy risks (e.g., changing regulatory incentives and legal requirements, including with respect to greenhouse gas emissions, that could result in increased costs or changes in business operations) regulatory and litigation risk (e.g., changing legal requirements that could result in increased permitting and compliance costs, changes in business operations, or the discontinuance of certain operations, and litigation seeking monetary or injunctive relief related to climate impacts), (ii) technology and market risk (e.g., declining market for products and services seen as greenhouse gas intensive or less effective than alternatives in reducing greenhouse gas emissions); and (iii) reputational risk (e.g., risks tied to changing customer or community perceptions of an asset’s relative contribution to greenhouse gas emissions). The Affiliated General Partner cannot rule out the possibility that climate risks could result in unanticipated delays or expenses and, under certain circumstances, could prevent completion of investment activities once undertaken, any of which could have a material adverse effect on an investment or the Fund.

Further, certain industrial companies and assets are particularly sensitive to weather and climate conditions. There can be no assurance that weather and climate patterns will remain constant or be predictable throughout the term of the Fund. Accordingly, the profitability of certain of the Fund’s investments may be adversely affected by weather and climate changes, thereby potentially decreasing aggregate returns to the Fund.

*Need for Follow On Investments.* Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There can be no assurance that the 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 the Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund’s ownership in a portfolio company if a third party invests in such portfolio company. Alternatively, the Fund may decide to sell, either directly or through such portfolio company, developed or undeveloped technologies of such portfolio companies to existing companies. No assurance can be made that buyers for such technologies can be located or that the terms of any such sales will be advantageous.

*Non-U.S. Investments.* The Fund is expected to invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the 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 limited partners.

Additional risks of non-U.S. investments include: (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; (vii) 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; and (viii) restrictions on or required governmental approvals for repatriation of capital interest and dividends paid on securities held by the Fund.

*Hedging Arrangements.* An Affiliated General Partner is authorized (but is not obligated) to endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The 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 the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled. Additionally, the tax rules applicable to hedging arrangements are complicated and could lead to incremental tax exposure even where an effective hedge is available.

Certain hedging arrangements may create for the Affiliated General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of the Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Public Company Holdings.* The Fund's investment portfolio is expected from time to time contain securities and debt issued by publicly held companies. Such investments subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to

disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including AEP, and increased costs associated with each of the aforementioned risks.

*Distressed Investments.* The Fund is authorized to invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that AEP will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. It may take a number of years for the market price of distressed securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (e.g., due to failure to obtain requisite approvals), or will be delayed (e.g., until various liabilities, actual or contingent, have been satisfied). In the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

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

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Furthermore, such confidence may be adversely affected by local, regional or global health crises including but not limited to the rapid and pandemic spread of novel viruses commonly known as SARS, MERS and COVID-19. Such health crises could exacerbate political, social and economic risks previously mentioned and result in significant breakdowns, delays and other disruptions on a local, regional and global scale, which are likely to have adverse effects on the operating performance of affected portfolio companies. A climate of uncertainty, including the spread of infectious viruses or diseases, 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 the 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 the Fund and result in longer holding periods for investments. Furthermore, such uncertainty, including the uncertainty stemming from the spread of infectious viruses or diseases, or general economic downturn may have an adverse effect upon the Fund's portfolio companies.

*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 the Fund and may affect the 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 the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The 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, the downgrading of the credit rating of the United States in 2011 and the COVID-19 pandemic, 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 the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the 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 the Fund to dispose of investments at prices that the Affiliated General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The ability of the Fund and the portfolio companies to effectively execute their respective strategies will be dependent, in some respects, on the health of the U.S. and global credit markets. A widening of credit spreads, coupled with the deterioration of the subprime and global debt markets and/or a rise in interest rates, has historically dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms during such times. The Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such



marketplace events also may restrict the ability of the Fund to realize its investments at favorable times or for favorable prices.

*Limited Access to Information.* Limited partners' rights to information regarding the Fund, the relevant Affiliated General Partner or AEP generally will be specified, and in many cases strictly limited, by the Fund Agreement. In particular, it is anticipated that the Affiliated General Partner and its affiliates will obtain certain types of material information from or relating to the 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 AEP's control. Decisions by the Affiliated General Partner 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 the 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 AEP and its performance. Additionally, it is anticipated that limited partners that have representatives on the Advisory Board generally may, by virtue of such participation, have more or earlier information about the 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 Fund succeeds in asserting confidentiality for requested documents and other materials, and AEP reserves the right to withhold certain information from investors subject to such laws for reasons relating to AEP's or its affiliates' public reputation, business strategy or other reasons.

*Material, Non-Public Information.* As a result of the extensive operations of AEP, its affiliates and Special Consultants (as defined below), as well as in connection with officerships or directorships of AEP personnel, AEP frequently comes into possession of confidential or material, non-public information. Therefore, AEP, its affiliates and Special Consultants may have access to material, non-public information that may be relevant to an investment decision to be made by the Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or AEP's internal policies. Due to these restrictions, the Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold. Each of the Fund and the Affiliated General Partner anticipates that, to minimize the impact of such restrictions, the Fund may elect not to receive material, non-public information in certain situations in which such an election is available.

*National Security Investment Clearance.* In some cases, investments by the Fund involving the acquisition of or investment in a U.S. business (including a U.S. subsidiary or branch of a company domiciled outside of the United States) may be subject to review and approval by the Committee on Foreign Investment in the United States ("CFIUS"). In the event that CFIUS reviews one or more investments, there can be no assurances that the Affiliated General Partner, AEP or the Fund will be able to maintain or proceed with such portfolio companies on acceptable terms. Additionally, CFIUS may seek to impose limitations on one or more such portfolio companies that may prevent the Fund from maintaining or pursuing investment opportunities that the Fund otherwise would have maintained or pursued, which could adversely affect the performance of the Fund's investment in such portfolio companies and thus the performance of the Affiliated General Partner and AEP. Legislation to reform CFIUS was signed into law in August 2018 and regulations to implement this legislation became effective in 2020. This legislation and implementing

regulations, among other things, expand the scope of CFIUS' jurisdiction to cover more types of investments and empowers CFIUS to scrutinize more closely investments in U.S. technology, data, and infrastructure companies, including investments involving foreign limited partners and foreign co-investors that may be deemed "non-passive." Moreover, parties to certain transactions involving foreign persons and U.S. "critical technology" companies must submit filings to CFIUS at least 30 days in advance of closing. Many of the Fund's transactions may involve investments into "critical technology" companies. Failure to submit required filings may result in significant financial penalties for each transaction party, as well as reputational damage. In addition, CFIUS is actively pursuing transactions that were not notified to it and may ask questions regarding, or impose restrictions or mitigation on, transactions post-closing. Such restrictions and mitigation can include, among other things, restrictions on foreign persons' ability to influence or govern a target company, pre-approval by the U.S. government of certain business decisions, and/or divestiture of some or all of a target company's business.

While the Affiliated General Partner and AEP have taken steps to ensure that its investments will not be subject to CFIUS' jurisdiction and regularly consults with outside specialist counsel on CFIUS matters, certain of the limited partners of the Fund are expected to be non-U.S. investors, and in the aggregate, may comprise a substantial portion of the Fund's aggregate commitments, which may increase the risks of such limitations or restrictions on investments being imposed. Moreover, other countries continue to strengthen their own national security investment clearance regimes, and the Fund's investments outside of the U.S. may also face delays, limitations, or restrictions as a result of compliance with these legal regimes. Heightened scrutiny of foreign direct investment worldwide may make it more difficult for the Fund to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio investment.

*SPAC Transactions.* The Affiliated General Partner or one or more affiliates are authorized to sponsor and/or control one or more SPACs as an outside business activity and/or for purposes of the Fund's investment.

Interests in a SPAC may include indirect ownership of "founder's shares," warrants and/or other interests of a SPAC. The "founder's shares," warrants and/or other interests will be allocated to the SPAC sponsor, such as the SPAC's management team and the Affiliated General Partner (including certain of their respective partners). To the extent the Fund invests in the SPAC, the Affiliated General Partner is not required to allocate all or any portion of such founder shares to the Fund but is permitted to do so in its discretion. In addition the Fund will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders' equity or similar interests issued thereby that are not held directly or indirectly by the Fund.

Each SPAC offered in the United States is expected to register its shares with the SEC in an initial public offering and use the funds raised in such offering to effect a business combination and operate thereafter as a public company. In connection with such transaction, a SPAC sponsor will reimburse AEP, the Fund and its/their affiliates (as applicable) for all or a portion of any fees, costs and expenses incurred in connection with the formation and organization of any SPAC, including any fees, costs and expenses incurred for a SPAC that fails to have an initial public offering. Because of the priority of reimbursement, the Fund may bear a disproportionate amount of such expenses in certain circumstances and, to the extent that the Fund wholly owns such SPAC sponsor, the Fund may bear all of such amounts.

The terms of any acquisition of interests in a SPAC are expected to be calculated shortly before the initial public offering of such SPAC. Following the initial public offering, the trading price of a SPAC's securities may materially increase or decrease, whether before or after a business combination, and none of the Fund, the Affiliated General Partner, AEP or any of their respective affiliates will be able to control or predict the movement of such price.

In the event that a SPAC does not complete a business combination within the post-offering period set forth in its governing documents, the proceeds raised in the offering and held in trust are to be returned to the public shareholders. There can be no assurance or guarantee that any SPAC will be able to acquire an interest in any entity or consummate an investment, and in such case the SPAC sponsor (and, indirectly, the Fund (if applicable)) is not expected to receive a return of all amounts paid in connection with such SPAC. If, following a SPAC's initial public offering, the funds held in a SPAC's trust account are insufficient to allow it to operate until it consummates its initial business combination, a SPAC will depend on loans from a SPAC sponsor or its management team to fund its search for a business combination, to pay income taxes, if any, and to complete its initial business combination. If a SPAC sponsor loans such amounts to a SPAC, the Fund will bear a significant amount of any such loan and any related expenses to the extent that the Fund is participating in such SPAC. If such SPAC is unable to complete its initial business combination within a stipulated time period, it will be forced to cease operations and liquidate, and any loans it received (including indirectly from the Fund) will likely not be repaid.

In addition, SPACs are subject to rules and regulations by various governing bodies, including the SEC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and to new and evolving regulatory measures under applicable law. Compliance with new and changing laws and regulations may subject a SPAC to increasing general and administrative expenses and a diversion of management time and attention from seeking a business combination target. Moreover, these laws, regulations and standards are subject to varying interpretations, and their application in practice may evolve over time as new guidance becomes available. For example, the SEC recently issued guidance with respect to the accounting treatment of warrants that are issued in SPAC transactions, which has created uncertainty as to appropriate presentation and accounting for warrants, and has caused the delay of numerous SPAC transactions and business combination transactions. This evolution may result in continuing uncertainty regarding compliance matters, transaction delays and additional costs necessitated by ongoing revisions to SPAC accounting, disclosure and governance practices.

The SPAC sponsor and its affiliates (including affiliates of AEP) generally present to any SPAC, and a SPAC generally will pursue, and otherwise consummate, any investment opportunities deemed appropriate by a SPAC sponsor or any of its affiliates, in their sole discretion, including investment opportunities that may otherwise be appropriate for the Fund, although it is expected that a SPAC generally will seek investment opportunities requiring larger equity investments compared to investment opportunities that the Fund will typically pursue on its own. Allocating an investment opportunity to a SPAC instead of the Fund would result in the Fund losing an investment opportunity to such SPAC and could have an adverse effect on the Fund. Because each SPAC sponsor is expected to be under common control with the Affiliated General Partner, in certain circumstances, AEP will be incentivized to allocate investment opportunities to a SPAC at the expense of the Fund. In addition, AEP personnel have the potential to face conflicts of interest in connection with sponsoring a SPAC outside the Fund related to their time and attention,

economic incentives of the SPAC which may be greater than those of the Fund, strategic relationships and other benefits posed to AEP and/or its personnel related to sponsoring such SPAC and other factors.

*Other Regulatory Restrictions.* Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Affiliated General Partner or the Fund from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States 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 the acquisition of a portfolio company by one fund managed by AEP or its affiliates may preclude the Fund from making an attractive acquisition or require the Fund to sell all or a portion of certain portfolio companies owned by them. The Fund will require each investor to make representations and warranties with respect to compliance with anti-money laundering and sanctions regulations, including those promulgated by OFAC. Where an investor or a related person is or becomes the target of sanctions or otherwise violates or would cause the Fund to violate applicable law, the Fund may be required immediately and without notice to such investor to cease any further dealings with the investor and/or the investor's interest in the Fund and/or freeze such investor's assets in the Fund's possession until the investor ceases to be subject to such sanctions or violations (a "**Sanctioned Persons Event**"). The Fund and the Affiliated General Partner have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any investor as a result of a Sanctioned Persons Event.

*Unfunded Pension Liabilities of Portfolio Companies.* U.S. court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. The Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If the Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding ERISA control group liability, as in effect as of the date of this Memorandum, which may change in the future as the case law and guidance develops.

*Valuation of Investments.* Generally, the Affiliated General Partner will determine the value of all the 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 the Fund's investments because, among other things, the securities of portfolio companies held by the Fund

generally will be illiquid and not quoted on any exchange. The Affiliated General Partner will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the Affiliated 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 the Affiliated General Partner with respect to an investment will represent the value realized by the 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 Affiliated General Partner may cause it to ineffectively manage the Fund's investment portfolios and risks, and may also affect the diversification and management of the Fund's portfolio of investments.

*Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, the Fund and/or the Affiliated General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors.

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

*Cyber Security Breaches and Identity Theft.* Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners, may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. The Affiliated General Partner, AEP, the Fund's service providers and its portfolio companies' information and technology systems may be vulnerable to actual or perceived damage or interruption from computer viruses; infiltration by unauthorized persons and security breaches; and other disruptive behavior including denial-of-service attacks. Furthermore, the Affiliated General Partner, AEP, the Fund's service providers and its portfolio companies may be vulnerable to actual or perceived usage errors by their respective professionals, network failures, computer and telecommunication failures, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

The Affiliated General Partner, AEP, the Fund's portfolio companies, the Fund's service providers, and other market participants increasingly depend on complex information technology

and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Fund and the limited partners, despite efforts to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity, and availability of information belonging to the Fund and the limited partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Affiliated General Partner, AEP, the Fund's portfolio companies, the Fund's service providers, counterparties, or data within these systems, including through phishing or ransomware attacks. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers, or other users of the Affiliated General Partner's or AEP's systems to disclose sensitive information in order to gain access to the Affiliated General Partner's data or that of AEP or the limited partners (including limited partner account and wire instructions). Similarly, third parties may attempt to fraudulently issue capital call notices or other requests to limited partners that purport to come from the Affiliated General Partner or AEP, and/or induce limited partners to disclose wire and account information. To the extent that the Affiliated General Partner, AEP, the Fund or a portfolio company is subject to cyber-attack or other unauthorized access is gained to such entity's systems, such entity would be subject to substantial losses in the form of stolen, lost, or corrupted (i) customer data or payment information; (ii) customer or company financial information; (iii) software, contact lists, or other databases; (iv) proprietary information or trade secrets; (v) loss of capital; or (vi) other items. 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.

If technology or security systems are compromised, become inoperable for extended periods of time or cease to function properly, the Affiliated General Partner, AEP, the Fund and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Affiliated General Partner's, AEP's, the Fund's and/or a portfolio company's 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). Such a failure could harm the Affiliated General Partner's, AEP's, the Fund's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims (from an individual or a governmental body) or otherwise affect their business and financial performance. In addition, the Affiliated General Partner's, AEP's, the Fund's and/or a portfolio company's insurance coverage may be insufficient to compensate any such entity and its respective affiliates for incurred liabilities.

*Privacy Law Compliance Risk.* The adoption, interpretation and application of data protection and information security laws and regulations ("**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 AEP, the Affiliated General Partner, the Funds and/or their portfolio investments, and as such could increase 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 AEP, the Affiliated General Partner, the Funds and/or their portfolio investments, 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 the Affiliated General Partner, AEP, the Funds and/or their portfolio investments.

*GDPR – Fair Processing Information / Data Protection.* Prospective investors should be aware that, in considering and/or making an investment in the Fund, and interacting with the Fund, its affiliates, agents, advisers and/or delegates, by (i) submitting the subscription materials, (ii) communicating through telephone calls, written correspondence and emails (all of which may be recorded) or (iii) providing personal data concerning individuals connected with the investor (such as directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners, advisers and/or agents), they will be providing the Fund, its affiliates, agents, advisers and/or delegates with personal data (as such term is defined in applicable EU data protection legislation).

*Disclosure of Information.* Certain limited partners will be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Fund, its investments and its limited partners. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Fund, the Affiliated General Partner, AEP, their affiliates, portfolio companies or service providers to any of them may be or become subject.

*Recycling; Reinvestment.* As set forth in the Fund Agreement, the Affiliated General Partner has the right to recycle certain amounts distributed to the Partners. Accordingly, during the term of the Fund, a Partner may be required to make capital contributions in excess of its Commitment (with certain limitations), and to the extent such recycled amounts are invested in investments, a Partner will remain subject to investment and other risks associated with such investments.

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

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. Businesses are also implementing similar voluntary and precautionary measures. 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 consumer spending, travel and public accessibility, such as retail and consumer goods, transportation, hospitality, tourism, 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 Fund and its 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 have the potential to limit the ability of the Fund 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 Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its 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 Fund, its portfolio companies, the Affiliated General Partner or AEP 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.

*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 AEP 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 AEP 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.

*Secondaries and other General Partner (GP)-Led Transactions.* AEP reserves the right to dispose of Fund investments through secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase one or more investments that will continue to be managed by AEP following the transaction. Such transactions could be 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 AEP 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 AEP and its affiliates), often on different terms than their original investment. In certain of such transactions AEP will require a limited partner to invest additional capital in the existing Fund and/or new investment vehicles, resulting in 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 Affiliated 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 AEP or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where AEP or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance based fees earned by the relevant Affiliated General Partner on the sale of an investment from an existing Fund in such 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, AEP, the relevant Affiliated General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. To the extent AEP requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by AEP in addition to the purchase amount paid in a transaction, such requirement is expected to have a dilutive effect on the purchase price for the selling Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund investment(s) being sold. Further, the relevant Affiliated 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 AEP 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 AEP will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, AEP reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. AEP is permitted to seek the consent of the relevant Fund advisory committee to waive conflicts associated with such transactions and therefore not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the Fund would bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

*Inflation.* High rates of inflation and rapid increases in the rate of inflation are expected to have a significant impact (often a negative or adverse impact) on financial markets and the broader economy. In an attempt to stabilize inflation, governments may impose wage and price controls or otherwise intervene in a country's economy. Governmental efforts to curb inflation, including by increasing interest rates or reducing fiscal or monetary stimuli, often have corresponding impacts (often negative) on the level of economic activity and also potentially result in market or financial sector uncertainty as a result of unintended consequences. Certain countries, including the U.S., have recently seen increased levels of inflation, and persistently high levels of inflation could have a material and adverse impact on the Fund's investments and aggregate returns. For example, if a company were unable to increase its revenue while business expenses were increasing, the company's profitability would likely suffer. Likewise, to the extent a company has revenue streams that are slow or unable to adjust to changes in inflation, including by contractual arrangements or otherwise, the company could increase revenue by less than its expenses increase. Conversely, as inflation declines, a company may see its competitors' costs stabilize sooner or more rapidly than its own.

Moreover, as inflation increases, the real value of the interests in the Funds and distributions therefrom can decline. If a Fund is unable to increase the revenue and profits of its investments at times of higher inflation, it may be unable to pay out higher distributions to the Partners to compensate for the decrease in value of the money, thereby affecting the expected return of limited partners. A Fund could also be adversely affected if the market value of its investments declines during times of higher inflation as compared to periods with lower inflation.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "**Distress Event**"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, AEP, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("**FDIC**"), in the case of banks, or the Securities Investor Protection Corporation ("**SIPC**"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar

regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of AEP to manage the Funds and their investments, and on the ability of AEP, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant General Partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although AEP expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that AEP and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although AEP seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, AEP is under no obligation to use a minimum number of Financial Institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

### **Conflicts of Interest**

AEP 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, legal, management and other services to Funds and portfolio companies. AEP 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 Fund Agreements, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of AEP conducting its activities, the interests of a Fund likely will conflict with the interests of AEP, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Such other investments have the potential to include SPACs, separate accounts and other investment vehicles and investments. Certain of these conflicts of interest are discussed herein. As a general matter, AEP will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the investment period of a Fund, all appropriate investment opportunities will be pursued by AEP principals through such Fund, subject to certain limited exceptions set forth in the Fund Agreements and AEP's allocation policy. However, without limitation, AEP currently, and expects to in the future, manage several other Funds besides a particular Fund and investments similar to those in which a Fund will be investing and expect to direct certain relevant investment

opportunities or resources to those investment funds and investments. AEP 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. AEP's principals and AEP's investment staff will continue to manage and monitor such investments until their realization. Such other investments that AEP principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, AEP principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. To the extent an investment opportunity is received that is unsuitable for a Fund, in AEP's sole discretion, AEP 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 Fund Agreements, AEP personnel are permitted to serve on boards or act in other roles unaffiliated with AEP, 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.

Over time, certain investment opportunities suitable for a Fund are likely also to be suitable for other Funds and other investment vehicles sponsored by AEP or its affiliates. In determining which Funds should participate in such investment opportunities, subject to the Fund Agreements, the Affiliated General Partner, AEP and their affiliates are subject to potential conflicts of interest among the investors in the Fund and investors in the other investment funds sponsored by AEP. To determine which investment vehicles should participate in the relevant investment opportunity, AEP generally assesses whether an investment opportunity is appropriate for each relevant Fund based on the terms of such Fund's Fund Agreement, as well as factors that potentially include, but are not limited to: existing positions of a fund in a particular security or issuer, liquidity, investment policies and restrictions, guidelines and/or objectives, capital availability, size, return expectations, diversification, lender covenants, tax considerations, current yield (if any), remaining investment period and/or life, applicable legal, regulatory and contractual considerations and other relevant factors. AEP's allocation of investment opportunities among a Fund and any of the other Funds or its affiliates in the future often will not be proportional. Therefore, such allocations potentially will be more advantageous to one or more other Funds. While AEP will allocate investment opportunities in a way that it believes is fair and equitable to the Funds under the circumstances over time considering such factors as AEP deems appropriate (including those set forth above), there can be no assurance that the Funds' actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the potential conflicts of interest to which AEP expects to be subject did not exist. If AEP believes it is in the interest of a Fund to limit its exposure to a specific investment opportunity, or if AEP determines it could be beneficial to the investment, the Fund and/or AEP to include one or more third parties in an investment opportunity, or if an attractive investment opportunity exceeds certain thresholds of committed capital for the Fund, AEP will allocate the investment among other funds sponsored by AEP and other third-parties as set forth below in accordance with the Fund Agreement, including Side Letters, and its allocation and co-investment policies and procedures. In other circumstances, during the period that a portfolio company is owned by a Fund, it could become a suitable investment for one or more other Funds due to size, revenue or other characteristics.

The Fund generally reserves the right to invest together with other funds advised by an affiliated adviser of the Affiliated General Partner in the manner set forth in the relevant Fund Agreements

and/or AEP's allocation policy. Potential conflicts are expected to arise when and to the extent the Fund makes an investment in a portfolio company in conjunction with an investment made by another Fund or if it were to invest in the securities of a company in which another Fund has already made an investment. For instance, a Fund will likely not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other Fund. This likely will result in differences in price, investment terms, leverage and associated costs between a Fund and any other Fund. There can be no assurance that a Fund and the other investing Fund(s) will exit the investment at the same time or on the same terms, and there can be no assurance that the Fund's return on such an investment will be the same as the returns achieved by any other Fund participating in the transactions. In that regard, actions taken for one or more other Funds managed by the Affiliated General Partner or its affiliates will potentially adversely affect another Fund.

AEP and the Affiliated General Partners also reserve the right to enter into cross-transactions on behalf of the Funds, or co-investors or co-investment vehicles, in which the Fund buys securities from, or sells securities to, or co-invests with, such other Funds, vehicles or persons. In some cases, a portfolio company of the Fund will potentially be merged with or into a portfolio company owned by another Fund. Investments in a portfolio company by more than one Fund including where the assets of one Fund are used to support positions taken by other Funds and/or the transactions allow the Affiliated General Partner or its affiliates to realize carried interest and/or obtain future Management Fees and/or carried interest with respect to such investments. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Fund's Fund Agreement or otherwise in the sole discretion of the applicable funds' general partners, such general partner is authorized to seek to mitigate such conflicts by seeking input from an unaffiliated third party (including the use of a consultant or investment banker paid for by the funds to opine as to the fairness of a purchase or sale price, whether or not part of a formal fairness opinion, "request for proposal" process, or proposal or quotation provided exclusively for the benefit of AEP) or by obtaining the consent of the relevant Fund(s) including, where authorized, the consent of each fund's advisory board to such transactions. The Affiliated General Partner also is authorized to determine that the willingness of a third-party to make an investment on the same or similar terms demonstrates the fairness of the relevant transaction (including its value) to a Fund under then-current market conditions. Whether or not such consent or opinion is obtained, or a third-party invests, the Affiliated General Partner intends to conduct such transactions in a manner that the Affiliated General Partner believes to be fair and equitable to the Funds under the circumstances over time, including a consideration of the potential present and future benefits with respect to the Funds. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Funds. Further, such cross-fund transactions are expected to arise in the context of automatic or other re-balancing of an investment among parallel Funds pursuant to the relevant Governing Documents, and in such circumstances AEP generally will not seek a fairness opinion and AEP generally will not seek advisory committee consent given that such transactions typically happen close in time to the initial Fund's investment and/or are authorized pursuant to the Governing Documents of each Fund.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such

investment. Questions are likely to arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions, including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, will potentially raise conflicts of interest, particularly with respect to funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, other funds managed by AEP or its affiliates will potentially not provide such additional capital, and if provided, each such Fund generally will supply such additional capital in such amounts, if any, as determined by such Fund's Affiliated General Partner in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, AEP and its affiliates are expected to face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, the Fund versus another fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). In certain circumstances the Fund is expected to be prohibited from exercising (or AEP may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of the Fund may be subject to creditor claims regarding subordination of interests. AEP intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

AEP expects to be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to a Fund. AEP, in its sole discretion, will allocate fees and expenses in accordance with the relevant Fund Agreements and in a manner that it believes is fair and equitable to the Funds under the circumstances over time and considering such factors as it deems relevant. The allocations of such expenses will likely 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-investors receiving related benefits or proportionately in accordance with asset size, or in certain cases determining whether a particular expense has a greater benefit to a Fund or the Affiliated General Partner and/or its affiliates. AEP intends to allocate fees and expenses in a manner it believes to be fair and equitable, but in its sole discretion. As a general matter, Broken Deal Expenses are allocated among limited partners regardless of whether any individual limited partner negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also expect to bear fees and expenses indirectly to the extent a portfolio company (or intermediate entity) pays fees and expenses, and the Affiliated General Partner reserves the right to charge fees and expenses to portfolio companies, capitalize fees and expenses into the cost basis of a transaction, or to the extent necessary or desirable for operational, administrative, tax or other reasons, charge fees and expenses at the level of an intermediate holding company between the Fund and the portfolio company. The amount of the Fund expenses ultimately called or called at any one time may exceed expectations.

As a result of the Funds' controlling interests in portfolio companies, AEP and/or its affiliates typically has the right to appoint board members (including Operations Group members and current or former AEP personnel or persons serving at their request) of such portfolio companies, or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve

compensation and other amounts payable to AEP and/or its affiliates in connection with services provided by AEP and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Fund Agreement's offset provision, are in addition to the Management Fee or carried interest discussed herein. AEP's authority to appoint or influence the appointment of portfolio company board members who are likely to be involved in approving compensation payable to AEP and its affiliates subjects AEP and any such portfolio company board appointees to potential conflicts of interest. Decisions made by a director will potentially subject the Affiliated General Partner, AEP, the Fund or their respective affiliates to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. From time to time, employees or other personnel of the Affiliated General Partner, AEP or their respective affiliates (including Operations Group members) are likely to also be asked to serve as directors of, or observers with respect to, certain entities in which the Fund has fully exited its ownership interest. Any compensation received by such personnel in connection therewith will not be offset against the Management Fee or otherwise be shared with the Fund and/or limited partners.

As discussed above, if a Fund enters into any indebtedness with one or more other Funds on a joint and several basis, the applicable Affiliated General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, AEP may be subject to conflicts of interest, for example between a fund with a reimbursement obligation and a fund seeking reimbursement. In certain circumstances, Funds may be prohibited from exercising (or AEP may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one fund or the other may be subject to creditor claims regarding subordination of interests. AEP intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each fund to bear its proportionate share of the applicable indebtedness.

Additionally, a portfolio company typically will reimburse AEP or service providers retained at AEP's discretion for expenses (including, without limitation, travel expenses) incurred by AEP or such service providers in connection with the performance of services for such portfolio company. This subjects AEP to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Fund Agreements and its internal reimbursement policies and practices, AEP determines the amount of these reimbursements for such services in its own discretion.

AEP or its affiliates reserve the right to also, from time to time, employ or engage personnel (including Operations Group members) with pre-existing ownership interests in or who were employed by portfolio companies owned by the Funds or other funds or investment vehicles advised by AEP; conversely, former personnel or executives of AEP or its affiliates (including Operations Group members) will potentially serve in significant management roles at portfolio companies or service providers recommended by AEP. To the extent a former AEP employee becomes employed by a portfolio company, no compensation earned by such former AEP employee from such portfolio company will offset the Management Fee notwithstanding that such former employee has a remaining interest in the relevant Fund's Affiliated General Partner or affiliated entity. Similarly, AEP and/or its personnel maintain relationships with (or reserve the right to invest in) financial institutions, service providers and other market participants, including

managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, AEP and/or its affiliates and/or the Funds, other investment vehicles they advise. AEP expects to be subject to a potential conflict of interest with the Funds in recommending the retention or continuation of a service provider to a Fund or a portfolio company owned by a Fund 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 AEP information about markets and industries in which AEP operates (or are contemplating operations) or will provide other services that are beneficial to AEP or its affiliates. For example, AEP will potentially cause the Funds to make payments to investment banks, all or a portion of which is for the purpose of generating future deal flow; however, such payments may not result in any future deal flow, or could create goodwill that ultimately results in future deal flow for one or more other funds managed by AEP that did not pay such expenses. AEP also expects to be subject to a potential conflict of interest in making such recommendations, in that AEP has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for the Funds while the products or services recommended may not necessarily be the best available to the Funds and/or portfolio companies held by the Funds. The Affiliated General Partner is subject to additional potential conflicts of interest as set forth below.

AEP generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with various service providers, potentially including (in addition to the persons referenced in the paragraph above), among others: (i) AEP (or an affiliate, which is likely to include the Operations Group members and/or other portfolio companies of the Fund or other investment funds sponsored by AEP) and at rates determined or substantively influenced by AEP; (ii) an entity with which AEP or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit, including joint-venturers or co-venturers, or relationships where AEP personnel are seconded, or from which AEP receives secondees; or (iii) a limited partner (or a limited partner of another fund) or its affiliates. For example, AEP will potentially from time to time initiate transactions or service agreements between two or more portfolio companies of a Fund and is authorized to engage certain limited partners or their affiliates that are engaged in lending or other businesses to provide financing and/or other services in connection with a Fund's investments. In addition, one portfolio company may provide goods or services to another portfolio company, and there can be no assurance that the terms of any such transaction will be the same as those that would be obtained in an arm's length transaction between unaffiliated parties. In particular, such transactions could result in the provision of services to a portfolio company at a rate higher than could be obtained by such portfolio company on the open market. The foregoing subjects AEP to potential conflicts of interest, because although it intends to initiate transactions and select lenders and other service providers that it believes are aligned with its operational strategies and that will enhance portfolio company performance, AEP has an incentive to recommend the related or other person because of its financial or business interest, including a person's historical or potential future relationship with AEP and/or the investment (or amount of investment) to be made in a Fund by such person. Additionally, there is a possibility that AEP, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or AEP,



would favor a transaction, retention or continuation of lending or other services even if a better price and/or quality of service provider could be obtained from another person. AEP will not necessarily seek out the lowest cost options when incurring (or causing the Fund or its portfolio companies to incur) the foregoing expenses. Although AEP 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 AEP has a relationship with or receives financial or other benefit from recommending a particular transaction or service provider, there can be no assurance that no other transaction would be more beneficial or that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

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

In borrowing on behalf of the Fund, AEP 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 Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down Commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, 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, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the relevant Affiliated General Partner called capital, and thus could result in the relevant Affiliated 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 will be significant, and there can be no assurance that the benefits to limited partners will be commensurate

with such costs. The Affiliated General Partner will effect such borrowings in a manner it believes to be fair and equitable to the Fund, under the circumstances over time, and consistent with the Affiliated General Partner's obligations to the Fund under the Fund Agreement.

AEP, its affiliates, and equity holders, officers, principals and employees of AEP and its affiliates reserve the right to buy or sell securities or other instruments that AEP has recommended to a Fund. In addition, AEP's officers and principals reserve the right to buy securities in transactions offered to but rejected by a Fund, but will not in such circumstances be required to share in or reimburse the relevant Fund for due diligence or other expenses (including Broken Deal Expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. Any such transactions are subject to any restrictions in the Fund Agreement and any related policies and procedures of AEP. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the Fund. Employees and related persons of AEP are permitted to have capital investments in or alongside the Fund, or in prospective portfolio companies, directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expect to have additional potential conflicting interests in connection with these investments.

A Fund's General Partner generally is permitted to receive a distribution in kind from a Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). 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 AEP 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. Conversely, the Affiliated General Partner and its beneficial owners potentially will decide to sell such securities within a short period of time, which could have an adverse impact on the price of securities that are held by limited partners at the time of such sale. Limited Partners in receipt of a distributed investment will have no advice from the relevant Affiliated General Partner with respect to disposition of such investment (including timing of such disposition). 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.

Since the Affiliated General Partner and its affiliates are permitted to retain certain transaction fees, monitoring fees and similar "Transaction Fees" as set forth in the Fund Agreement 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, such Transaction Fees are based on enterprise value or other metrics relating to a portfolio company, but also have the potential to be based on a flat fee or other metric, and there can be no assurance that the amount of such Transaction Fees charged will be proportional to the amount of hours of

work performed or tangible work product generated on behalf of the portfolio company. In certain circumstances, AEP expects that co-investors, lenders, consultants or other parties from time to time will negotiate the right to share a portion of such Transaction Fees from a particular investment, and any Management Fee offset percentage will be applied after excluding any amounts paid to such persons. Additionally, AEP, its personnel, affiliates or others designated by the Affiliated General Partner, including Operations Group members and other service providers, expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Fund Agreement are applied, AEP and/or such other recipients will be permitted to retain such securities as Transaction Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or AEP or retain such securities for a period consistent with their own financial and investment objectives, which is likely to differ from those of the Fund). In addition, because portfolio company securities typically 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 compensation in the form of securities typically has the result of diluting the 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, AEP reserves the right to accrue, defer or forego payments of Transaction Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the Fund Agreement, limited partners will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received. For the avoidance of doubt, AEP also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

From time to time, AEP, its affiliates and personnel, and persons selected by them receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. AEP, its affiliates, and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to AEP, any other portfolio company, or third parties have the potential to affect the returns of the portfolio company.

AEP reserves the right to institute a program under which portfolio companies owned by the Funds are given the option to participate in purchasing, vendor or similar arrangements with other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a groupwide basis. AEP expects to allocate any fees and third-party administration costs for the program among the relevant funds and portfolio companies. In certain cases, such arrangements will involve the sharing of risk, such as under group insurance arrangements where deductibles are shared or calculated with regard to the group rather than individual insured parties. AEP and its affiliates reserve the right to also participate in the program in exchange for an allocable portion of such fees and costs, and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will offset or reduce Management Fees. AEP believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the

benefit of the applicable Fund(s)) that will result if the rates for goods and services are discounted due to scale or relative to those widely available in the market.

In connection with its services to the Fund and its investments, AEP, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of AEP's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, AEP's and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to the Fund or a portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Angeles Information"). In many cases, Angeles Information will include tools, procedures and resources developed by AEP to organize or systematize Angeles Information for ongoing or future use. Although AEP expects the Fund and its portfolio companies generally to benefit from AEP's possession of Angeles Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by AEP and its personnel) and not by the Fund or its portfolio companies from which Angeles Information was originally received or derived. Angeles Information will be the sole intellectual property of AEP and solely for the use of AEP. AEP reserves the right to use, share, license, sell or monetize Angeles 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 limited partners; no such rewards will offset the Management Fee.

In certain cases, AEP will have the opportunity (but generally no obligation unless otherwise agreed to with limited partners in side letters or the Fund Agreement) to identify one or more secondary transferees of interests in a Fund. In such cases, AEP will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on eligibility and other factors similar to those employed in selecting co-investors as described below, and unless required by the Fund Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing limited partners.

AEP, the Affiliated General Partners, the Funds and the portfolio companies expect from time to time to engage, employ or retain, on behalf of the Fund (including any alternative investment vehicle) and/or portfolio companies, as applicable, certain persons, including the Operations Group and its members (including the A-Team, operating partners, expert advisors and similar professionals, third party consultants including external executives, "strategic partners," "executive partners," "executive networks," "industry advisors" and/or similar professionals (including entities formed for the benefit of such persons and/or to facilitate the provision of their services) (collectively, the "Special Consultants")) which include affiliates of AEP or employees of such affiliates (including a company owned by personnel of AEP and/or AEP or its affiliates, *e.g.*, Angeles Operations Group Equity, L.P.) and, portfolio companies of other Funds. The Special Consultants are expected to regularly provide services to, or in connection with, the Funds in

relation to its activities and/or to one or more portfolio companies or prospective portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies, and are expected to serve on boards of directors or similar governing boards of portfolio companies and provide other services as described in the relevant Memorandum (the “Services”). There can be no assurance that Special Consultants, including Operations Group members, will be exclusive to AEP and in some cases will not be exclusive.

To the extent set forth in the relevant Fund Agreement, fees and expenses associated with the Services (collectively “Consulting Fees and Expenses”), are expected to be paid and/or reimbursed by applicable portfolio companies and/or the Fund, and such Consulting Fees and Expenses will not offset or reduce any Management Fee. Consulting Fees and Expenses are expected to include cash fees, retainers, salaries, bonuses (whether or not based on pre-determined milestones), guaranteed payments, incentive equity, stock awards or other non-cash compensation related to the Funds and/or their portfolio companies, and benefits and personnel costs (including employee benefits, payroll taxes, insurance, paid time-off and office space). In addition, Operations Group members are expected to receive office space, business cards, email addresses and other benefits and may make use of other AEP resources, and other Special Consultants may receive such benefits from time to time. Additionally, AEP and/or portfolio companies provide certain opportunities for Special Consultants to invest in such portfolio companies. The Funds and/or portfolio companies also reimburse costs and expenses incurred by Special Consultants, including travel, meals, lodging and reasonable and customary entertainment. Special Consultants also are expected to receive remuneration from AEP and/or the Funds or their affiliates and/or be entitled to other forms of compensation. Such investment opportunities, reimbursements and other compensation paid to a Special Consultant by the Funds and/or portfolio companies will not offset any Management Fee. To the extent that Special Consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or a Fund will bear a greater share of such compensation due to the utilization of the Special Consultant’s services at a time when fewer of AEP’s other Funds or their portfolio companies make use of such Special Consultants. Under many of these arrangements, there can be no assurance that the amount of compensation paid, including where Special Consultants are paid a flat fee, in a particular year will be proportional to the amount of hours worked or the amount or tangible work product generated by the Special Consultant. In certain cases, including where a Fund does not own a controlling interest in a portfolio company, the portfolio company, its management and/or equity holders potentially will not agree to engage and/or bear the costs of Operations Group members. In such cases, where the relevant Affiliated General Partner believes the services of the Operations Group will benefit a portfolio company, it is authorized to cause the Fund to bear such costs directly, resulting in the Fund bearing a disproportionate share of those costs as compared to other equity holders of a portfolio company, notwithstanding that other equity holders in that portfolio company will receive any returns that result from Operations Group services.

It is possible that certain Special Consultants will have a limited partnership or profit interest in a Fund, the Affiliated General Partner, one or more other investment funds sponsored by the Affiliated General Partner or in an affiliate of the Affiliated General Partner. The type, amount and allocation of Consulting Fees and Expenses are permitted to be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Special Consultants, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for

comparable services and/or a percentage of cash flows from such company. AEP will face potential conflicts of interest in determining the allocation of Consulting Fees and Expenses. For example, AEP generally will not be allocated Consulting Fees and Expenses that relate to services performed by Special Consultants for the Funds and/or portfolio companies or prospective portfolio companies. However, these services also have the potential to provide a direct or indirect benefit to AEP and/or its affiliates including other Funds. Therefore, AEP has an incentive to classify a particular service as being for the Fund and/or a portfolio company or prospective portfolio company, even though it may directly or indirectly benefit AEP and/or its affiliates, in whole or in part. The allocation of Consulting Fees and Expenses may not be proportional, and any such determinations involve inherent matters of discretion by AEP.

Similarly, AEP reserves the right to designate Operations Group members in its sole discretion, and has an incentive to do so in order to shift costs to the Funds and/or their portfolio companies that would otherwise be borne by AEP or its affiliates as overhead. In some cases AEP personnel will be designated as Operations Group members on a temporary basis or with respect to services they perform that are of the type described herein for the Operations Group (e.g., if persons will focus on both investment and Operations Group initiatives). In doing so, AEP faces a conflict in determining the extent to which the Fund or its portfolio companies bear the related Consulting Fees and Expenses, since Consulting Fees and Expenses borne by the Funds and/or their portfolio companies would reduce the costs that AEP would be required to bear. Such determinations involve inherent matters of discretion by AEP and as described above, AEP has the potential to derive benefits from the services provided by such personnel in their capacity as Operations Group members.

Although AEP anticipates that Special Consultants will be employed or retained by AEP and/or its affiliates with a view to reducing costs to portfolio companies or prospective portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings. As a general matter, there can be no assurance that the services rendered by the Special Consultants will be effective and result in Fund returns. Moreover, AEP and/or its affiliates only anticipate employing, engaging or retaining Special Consultants that they believe provide services that will create value, while providing them with competitive Consulting Fees and Expenses and other benefits commensurate with their experience and perceived ability to create value. However, there can be no assurance that there is no other personnel or service provider more qualified to provide the applicable services and/or able to provide them at lesser cost.

In certain circumstances where AEP commits or has committed to seek “market” or “arms-length” or “bona fide” rates or terms, AEP will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. AEP reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is consistent with such rates or terms. Consequently, AEP undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, AEP reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest.

AEP is authorized to, in its sole discretion, provide or commit to provide co-investment opportunities to one or more limited partners and/or other persons, including AEP and other affiliates of AEP, AEP personnel and/or certain other persons associated with AEP and/or its affiliates, members of the Operations Group, Special Consultants and other consultants, advisers and service providers, finders, portfolio company board of directors and management teams, other sponsors, strategic investors and market participants, in each case on terms to be determined by AEP in its sole discretion and subject to AEP's policies and procedures. Conflicts of interest are likely to arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which will be made to one or more persons for any number of reasons as determined by AEP in its sole discretion, have the potential to not be in the best interests of the Funds or any individual limited partner. AEP's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: (i) whether the prospective co-investor has expressed an interest in evaluating co-investment opportunities, including the perceived degree of that interest; (ii) the expertise, knowledge and sophistication of the prospective co-investor with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant to the investment; (iii) the prospective co-investor's perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the prospective co-investor's investment process), and to otherwise successfully and efficiently execute the transaction, in a timely manner with respect to the timeframe in which AEP believes favorable transaction terms may be achieved based on their history of consummating co-investment opportunities; (iv) any tax, regulatory, securities laws and/or other legal considerations with respect to the prospective co-investor (e.g., qualified purchaser or qualified institutional buyer status); (v) confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; (vi) AEP's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair AEP's ability to execute the relevant transaction in the desired time or on desired terms; (vii) the size of the investment allocation available to AEP (and not being allocated to any other Funds) and the practicality of splitting the allocation into smaller tranches; (viii) the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; (ix) any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; (x) whether the prospective co-investor is considered "strategic" to the investment because it is able to offer AEP or its affiliates or any Funds benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether AEP believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships (including formal or informal strategic relationships) that have the potential to provide longer-term benefits to AEP or its affiliates or any Funds; (xi) whether the prospective co-investor has a history of consummating co-investment opportunities with AEP or its affiliates; (xii) whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; (xiii) the likelihood that the prospective co-investor would require governance rights (including, but not limited to, board or observer rights, access to the management team of the underlying portfolio company, or material

informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to AEP and assume a more passive role in governing the investment); (xiv) whether the prospective co-investor has any interests in any competitor of the underlying investment; (xv) the expected investment holding period; (xvi) the services provided by the prospective co-investor in connection with the investment and/or to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment), including sourcing, establishing relationships, participating in diligence, providing operational or financing services post-closing and other services; (xvii) the size of the prospective co-investor's interest to be held in the underlying portfolio company as a result of the investment of another fund or entity managed by AEP or its affiliates (which is likely to be based on the size of the prospective co-investor's capital commitment and/or investment in such entity); (xviii) the size and/or timing of the prospective co-investor's commitment to a Fund or other; (xix) whether the prospective co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; (xx) the extent to which the prospective co-investor has previously been provided a greater amount of co-investment opportunities relative to other prospective co-investors; (xxi) the likelihood that the prospective co-investor may invest in a future Fund and other factors that AEP considers important in connection with the specific transaction or investment; (xxii) whether the prospective co-investor is likely to pay Management Fees and/or carried interest; (xxiii) whether the prospective co-investor is likely to cover their pro rata share of broken deal fees and/or reverse breakup fee; and (xxiv) the relevance of the prospective co-investor's geographic location.

The Funds are permitted to co-invest with third parties through partnerships, joint ventures or other entities or arrangements, thereby acquiring non-controlling interests in certain portfolio companies. The Fund may not have control over these companies and, therefore, may have a limited ability to protect its position therein. Such portfolio companies may involve risks not present in majority portfolio companies and/or where a third party is not involved, including the possibility that a third-party partner or co-investor may have financial difficulties resulting in a negative impact on such portfolio companies, may have economic or business interests or goals which are inconsistent with those of the Funds, may cause the investment to be reviewable by CFIUS or another U.S. or other national security investment clearance regulator, or may be in a position to take action contrary to the Fund's investment objectives or narrow the array of potential exit strategies for the Funds. In addition, the Fund may in certain circumstances be liable for the actions of its third-party partners or co-investors. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements. In addition, there can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated an investment opportunity and that is participating in the same transaction.

In some cases, a co-investment vehicle may be formed in connection with the consummation of a transaction and such entity will bear expenses related to its formation and operation. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial to the transaction, ultimately is not consummated, or a potential co-investor does not invest in a planned co-investment, all fees (including break-up fees) and expenses or other liabilities or obligations (including broken deal fees and expenses) relating to any such proposed



transaction generally would be borne by the Funds, and not by any potential co-investors that would have participated in such transaction. Typically, the Funds will bear such fees and expenses regardless of whether any co-investor(s) had yet been identified or confirmed, or whether any co-investment vehicle had yet been formed in connection with the relevant transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such fees and expenses. In addition, to the extent the 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.

Furthermore, AEP and its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other limited partners, and its consideration of relevant factors in determining co-investment allocations likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments 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 AEP 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 limited partners and third parties, (ii) to the extent co-investments made by Fund limited partners 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. When and to the extent that employees and related persons of AEP make capital investments (directly or indirectly through AEP) in or alongside a Fund, AEP is subject to potentially conflicting interests in connection with these investments. AEP's allocation of co-investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

In addition, from time to time, AEP in order to consummate a transaction or facilitate the acquisition of a portfolio investment and ensure the Fund is afforded an investment opportunity or otherwise, may cause a Fund to fund (or commit to fund) on behalf of certain co-investors with a view to selling down a portion of such investment to such co-investors or other persons at a later time or prior to or within a period after the closing of the acquisition. The Funds may or may not receive compensation for such activities. If the Fund does not find co-investors and/or in the event that the co-investors breach their covenant to purchase the investment from the Fund, the Fund will have an allocation to an investment that is larger than originally anticipated. In addition, the Fund will bear the risk that any or all of the excess portion of such investment could 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.

AEP reserves the right, in its sole discretion, to charge a Management Fee and obtain a carried interest in respect of any co-investment, and to receive transaction and other fees with respect to such co-investment. Since co-investments will not be made through the Fund, any compensation received by the Affiliated General Partner or AEP in connection with a co-investment does not offset the Management Fee. As indicated above, in certain circumstances, AEP expects that certain co-investors will negotiate the right to share a portion of Transaction Fees from a particular investment, and any Management Fee offset percentage will be applied after excluding any amounts paid to such persons.

AEP 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 AEP'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.

AEP 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 AEP, 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 AEP, 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 the Fund Agreement, 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, AEP, the relevant Affiliated 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 AEP 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 AEP 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 Affiliated 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 Fund Agreements; 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 AEP 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 Fund Agreements. Investors generally will be responsible for insurance premiums, as set forth in the Fund Agreements, regardless of whether the liability and/or indemnity standards in AEP's insurance coverage are higher or lower than that set forth in the Fund Agreements.

Any of these situations subjects AEP and/or its affiliates to potential conflicts of interest. AEP attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by AEP'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, AEP will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, AEP consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

## **ITEM 9 – DISCIPLINARY INFORMATION**

AEP has no legal or disciplinary information to disclose at this time.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A.**

Neither AEP, nor any of its management persons, is applying to register as a broker-dealer.

### **B.**

Neither AEP, nor any of its management persons, is applying to register with the Commodity Futures Trading Commission or applying for membership with the National Futures Association.

### **C.**

As described in Item 4, the Affiliated General Partners are related persons of AEP that serve as general partners to the Funds and, in connection therewith, maintain investments in such Funds and provide investment management and administrative services to the Funds. Affiliated General Partners operate with AEP as a single advisory business and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions. As described in Item 6, the Affiliated General Partners are entitled to receive performance-based compensation from the Funds, which may in certain circumstances create a conflict of interest, as described in Item 6 above.

In certain cases, a co-investment vehicle, a parallel vehicle or other similar vehicle established to facilitate the investment by investors to invest alongside the Fund will be formed in connection with the consummation of a transaction. As described in each Fund Agreement, the applicable Affiliated General Partner retains full discretion to offer co-investment opportunities to third parties, including current Fund investors. In the event such a vehicle is created, the investors in such vehicle will typically bear all expenses related to its organization and formation, and other expenses incurred solely for the benefit of the vehicle. The co-investment vehicle, parallel vehicle or other similar vehicle will generally bear its *pro rata* portion of expenses incurred in the making an investment. If a proposed transaction is not consummated, no such vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (including any expenses relating to the organization of such vehicle that was not ultimately formed) would therefore be borne by the Funds selected by AEP as proposed investors for such proposed transaction.

As described elsewhere in this Brochure, AEP generally seeks to make significant investments in portfolio companies. AEP typically seeks control or substantial minority positions in portfolio companies, with board representation and customary shareholder rights.

Certain of AEP's investment professionals, Operations Group members and members of AEP's network of expert advisors serve, and expect to serve in the future, on the board or management team of certain of the portfolio companies of the Funds. Certain expert advisors are also Fund investors who are typically offered the opportunity to co-invest alongside the Funds on deals where he or she served as an expert advisor, if a co-invest opportunity exists. AEP does not believe that such positions or directorships pose a material conflict of interest.

See Conflicts of Interest section in Item 8 for more information.

**D.**

AEP and its supervised persons do not recommend or receive compensation for selection of other investment advisers for its clients.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

AEP's Code of Ethics (the "**Code**") is designed to meet the requirements of Rule 204A-1 under the Advisers Act. The Code applies to AEP's "Access Persons." Access Persons include, generally, any member, officer or director of AEP and any employee of AEP who, in relation to the Funds (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public.

The Code sets forth a standard of business conduct that takes into account AEP's status as a fiduciary to the Funds and requires Access Persons to place the interests of the Funds above their own interests and the interests of AEP. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of AEP's Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal transactions by Access Persons. Access Persons must provide AEP's Chief Compliance Officer with a list of their personal securities accounts and an initial holdings report listing the holdings of such personal securities accounts within 10 days of becoming an Access Person. In addition, AEP's Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or her designee reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

The Code also describes AEP's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) Funds. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, Access Persons of AEP who possess material non-public information about a public company must not trade in the public securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it, and must immediately disclose such information to the Chief Compliance Officer.

Investors or prospective Investors may obtain a copy of the Code by contacting AEP.

### **B. through D. Potential Conflicts of Interest**

As explained in Item 10 above, the Affiliated General Partners, which are indirectly owned by the Principals through trusts and are related persons to AEP, serve as the general partners of the Funds. Certain Affiliated General Partners also commit capital to certain Funds (excluding related co-investment vehicles) and, through their commitments to certain Funds, hold an interest in the same securities that the co-investment vehicles have an interest in. As a result, every investment made by a Fund involves a purchase of securities whereby related persons of AEP indirectly acquire an indirect interest in such securities. Also, the Principals and employees of AEP have, either directly or indirectly, invested and in the future may invest in certain of the Funds.

The fact that the Principals and certain employees of AEP have either direct or indirect financial ownership interests in certain Funds creates a potential conflict in that it could cause AEP to make different investment decisions than if such parties did not have such financial ownership interests. However, AEP believes that these financial interests align AEP's and the Affiliated General Partners' incentives with the other Investors in such Funds.

AEP receives Management Fees from certain Funds. The Management Fees are payable without regard to the overall success or income earned by such Funds and therefore may create an incentive on the part of AEP to raise or otherwise increase assets under management to a higher level than would be the case if AEP were receiving a lower or no Management Fee.

AEP seeks to address these potential conflicts through regular monitoring of the Funds' portfolios for consistency with objectives, strategies, and target capacity. As stated in Item 11, the Code provides guidelines for identifying and addressing conflicts of interest and requires Access Persons to place the interests of the Funds over their own or those of AEP, and all Access Persons are required to acknowledge their receipt and understanding of the Code.

Finally, as described in Item 5 above, AEP, an Affiliated General Partner, or a Principal may receive Transaction Fees in connection with portfolio investments of the Funds as compensation for financial advisory and similar services provided by them to the Funds' portfolio companies. Payment of such fees may create a conflict of interest because it could create an incentive for AEP or an Affiliated General Partner to cause a Fund to invest its capital in a company that will pay such a fee to AEP or its affiliate.

In certain cases the Management Fees payable by the Funds to AEP may be offset by a portion of such Transaction Fees pursuant to the applicable Fund Agreement.

As discussed further below, the Code and the Fund Agreements place limitations on the ability of AEP personnel to hold direct interests in non-public portfolio companies outside of their indirect interests through Affiliated General Partners or through their investment in Funds. In general, such investments are permitted only in very limited circumstances and require approval of the investor advisory board (pursuant to the Fund Agreements if applicable) and the Chief Compliance Officer (under the Code).

AEP enforces the foregoing policy and manages the potential conflicts of interest inherent in Access Persons' personal trading by rigorous enforcement of its Code, which contains strict pre-clearance and reporting guidelines for Access Persons.



AEP requires that Access Persons' transactions in certain "reportable securities" (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. Further details are available in the Code, which is available to Investors upon request.

AEP maintains a "Restricted List" with the names of issuers of public securities about which AEP or its affiliates (including Access Persons) hold an interest or otherwise have learned material, non-public information. Companies will be removed from the Restricted List at the discretion of the Chief Compliance Officer, typically when information involved has been made public or is no longer considered material, or when the confidentiality agreement relating to such company has expired. Further, AEP will assess the need to place the public stock of a Fund portfolio company on the restricted list on an as-needed basis.

If a portfolio company were to go public, Access Persons would generally be prohibited from purchasing the stock while it remained a portfolio company (and for some time after at the discretion of the Chief Compliance Officer). Any sales of an interest in a public portfolio company would need to be pre-cleared so that the Chief Compliance Officer may confirm that the proposed investment meets the requirements of the applicable Fund Agreements and the Code. Access Persons are generally prohibited from trading securities on the Restricted List unless they receive pre-approval from the Chief Compliance Officer.

Please see Item 9 "Methods of Analysis, Investment Strategies and Risk of Loss - Conflicts of Interest" for additional discussion regarding conflicts of interest.

## **ITEM 12 – BROKERAGE PRACTICES**

AEP 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, AEP reserves the right to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although AEP 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 AEP sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by AEP. In such event, AEP will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, AEP reserves the right to consider a variety of factors, including but not limited to: (i) a broker's execution capabilities with respect to the relevant type of order; (ii) the commissions charged by a broker, which may be based on the size of the order, the price of the security and whether the receipt of products or services is involved; (iii) the broker's reputation and responsiveness to requests for trade data and other financial information; and (iv) other factors suggested by the SEC for determining best execution.

AEP has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although AEP 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 AEP 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 AEP generally does not make use of such services at the current time and has not made use of such services since its inception. To the extent AEP uses "soft dollars" on behalf of the Funds in the future, it will seek to do so within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **A. and B. Review of Client Accounts**

AEP's client accounts are under periodic review by the Principals and other investment professionals of AEP. AEP considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

### **C. Reports Sent to Investors**

The Fund Agreements set forth the reports required to be sent to the Investors in a particular Fund. Typically, under the Fund Agreements, each Investor in a Fund receives: (i) quarterly, unaudited financial statements of such Fund, (ii) annual financial statements of the Fund audited by a nationally recognized independent certified public accountant, and (iii) Fund tax information reported on IRS form K-1 annually. Certain Side Letters grant certain Investors additional reporting rights.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Other Compensation**

AEP and/or its affiliates intend to provide certain business or consulting services to companies in a Fund's portfolio and expect to receive compensation from these companies in connection with such services.

### **B. Investor Referral Arrangement**

AEP 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. These arrangements generally are disclosed in the relevant Fund's Form D. Any fees payable to any such placement agents generally will be borne by AEP indirectly through an offset against the Management Fee under the Fund Agreements, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s). AEP currently has retained Rede Partners Americas LLC, a U.S. finder, to solicit Commitments from investors in exchange for a monthly retainer, a success fee calculated on aggregate Commitments, in addition to the reimbursement of certain expenses.

## ITEM 15 – CUSTODY

AEP 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: First Republic Bank (San Francisco, CA), Bank of New York Mellon (New York, NY) and Bank of America N.A. (Charlotte, NC).

## **ITEM 16 – INVESTMENT DISCRETION**

Pursuant to the Fund Agreements, AEP has discretionary authority to manage securities accounts on behalf of the Funds. AEP is authorized to make transaction recommendations for the Funds. As explained in Item 4 above, each Fund's investment strategy is set forth in detail in such Fund's confidential private placement memorandum and Fund Agreement. Investors do not have the ability to impose limitations on AEP's discretionary authority. Pursuant to the terms of the Fund Agreements, however, AEP and/or its affiliates have entered, and expect to enter, into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. AEP assumes this authority pursuant to the terms of the Fund Agreements and powers of attorney executed by the limited partners of such Fund.

## ITEM 17 – VOTING CLIENT SECURITIES

It should be noted that given AEP's business as a private equity fund manager, it is anticipated that it will be extremely rare that AEP will receive proxies with respect to securities held on behalf of the Funds. However, there could be situations where private companies could have proxy issues (*e.g.*, a private company needs approval of investors to make changes to board of directors, auditors, *etc.*). In such situations, AEP or an Affiliated General Partner would have authority to vote proxies on behalf of Funds. In such cases, each proxy voting proposal received by a Fund would be thoroughly reviewed in order to ensure that each such proxy is voted in the best interests of the Fund holding the applicable securities.

AEP understands and appreciates the importance of proxy voting. AEP has adopted proxy voting policies and procedures that are designed to ensure that when AEP or an Affiliated General Partner votes proxies with respect to securities held on behalf of Funds, such proxies are voted in the Funds' best interests, in the judgment of AEP to the extent reasonably practicable. The procedures also require that AEP identify and address conflicts of interest between AEP, its related persons, and its Funds and their portfolio companies and related persons. AEP and/or its personnel may occasionally have business or personal relationships with the proponents of proxy voting proposals, participants in proxy voting contests, corporate directors and officers, or candidates for directorships. If a material conflict of interest is identified, AEP will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Funds or whether taking some other action may be more appropriate.

Investors generally do not have the ability to direct proxy votes, however, if a material conflict is identified, AEP will determine what course of action is in the best interests of the affected Investors (which may include utilizing an independent third party to vote such proxies, if any). Further, AEP will determine whether it is appropriate to disclose the conflict to affected Investors or the respective investor advisory committee and give such Investors the opportunity to vote the proxies in question themselves.

The Chief Compliance Officer or her designee would deliver proxies in accordance with instructions related to such proxy. In the event proxy voting procedures were ever to be utilized, AEP would keep a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions, and each client request for proxy voting records and AEP's response for the previous five years. These policies and procedures, and proxy voting records, are available upon request by contacting the Chief Compliance Officer, utilizing the contact information on the first page of this Brochure.

## **ITEM 18 – FINANCIAL INFORMATION**

AEP and its affiliates do not require or solicit prepayment of advisory fees six months in advance.

AEP is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Funds or Investors.

AEP has not been the subject of any bankruptcy petition during the past ten years.