



## Item 1: Cover Page

### Form ADV Part 2A Firm Brochure

#### **Aon Advantage Funds LLC**

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Dated: March 31, 2023

**This brochure provides information about the qualifications and business practices of Aon Advantage Funds LLC (“AAF”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 513-693-4886. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority.**

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

**Please note that registration as an investment adviser with the SEC does not imply any certain level of skill, training or ability with respect to the provision of investment advisory services.**

## **Item 2: Material Changes**

This Brochure, dated March 31, 2023, was prepared in accordance with the SEC requirements, and contains no material changes since the firm's last amendment filing.

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#### **Item 4: Advisory Business**

Aon Advantage Funds LLC ("AAF") is a Delaware limited liability company that was formed on May 14, 2020 and is headquartered in Chicago, Illinois. It is wholly owned by Aon Risk Services Companies Inc., an indirect subsidiary of its ultimate parent, Aon plc ("Aon"). Aon shares are listed on the New York Stock Exchange (symbol: AON).

AAF provides investment advice and management to privately placed investment funds (each, a "Fund" and collectively, the "Funds"). These Funds may be offered to U.S. and non-U.S. institutional investors.

Currently, AAF serves as the investment adviser to Aon IP Advantage Fund LP ("Aon IP Advantage Master Fund"), a Delaware limited partnership; Aon IP Advantage On-shore Feeder Fund LP, a Delaware limited partnership ("Aon IP Advantage U.S. Feeder"); and Aon IP Advantage Off-shore Feeder Fund LP, a Cayman Islands exempted limited partnership ("Aon IP Advantage Cayman Feeder" and together with Aon IP U.S. Feeder and Aon IP Master Fund, "Aon IP Advantage Fund"). Aon IP Advantage Fund is organized in a "master-feeder" structure, where Aon IP Advantage U.S. Feeder and Aon IP Advantage Cayman Feeder invest substantially all of their assets in Aon IP Advantage Master Fund. The advisory fees received from Aon IP Advantage Fund are described in its Confidential Private Placement Memorandum ("PPM"), limited partnership agreement ("LPA") and other governing documents. AAF also provides non-discretionary investment advice to a sidecar vehicle (the "Sidecar Investment Vehicle"), a sidecar arrangement offered to a strategic investor to co-invest in certain investments.

In the future, AAF may advise additional Funds, as well as separately managed accounts ("Separate Accounts" and together with the Funds and the Sidecar Investment Vehicle, "Clients"). AAF manages the assets of each Fund in accordance with the terms set forth in the governing documents applicable to such Fund. Investors and prospective investors in the Funds should refer to the applicable Fund's governing documents in conjunction with this Brochure for complete information on each Fund's investment objectives, restrictions, and risks. Investors should consider whether a Fund meets their investment objectives and risk tolerance prior to investing. There is no assurance that AAF will achieve any of the Funds' investment objectives.

AAF seeks to provide loans to growth companies through an asset-backed lending strategy that seeks to secure the loans with intellectual property ("IP") and the remainder of the company's assets, as well as a pledge of cash flows, with conservative loan-to-value ratios and generally durations of three years at the time of issuance (the "IP-Backed Loan Strategy"). The IP-Backed Loan Strategy encompasses a comprehensive investment process to originate, underwrite, and monitor IP-backed term loans, primarily to growth-oriented borrowers in the U.S. market.

IP-backed investments will primarily be structured as senior-secured term loans to seek to protect Clients' investments and confirm control if any restructuring process, asset sale, capital raise or refinancing occurs or is necessary. AAF may originate loans with warrants, other forms of equity compensation, or embedded investment leverage, but this is not its primary strategy. The objective of this strategy will be to establish a market position of providing IP-rich borrowers with non-dilutive debt capital to generate returns to Clients that are not correlated with the broader public markets, by (a) capitalizing on supply and demand imbalances in private debt markets around IP-rich growth companies, and (b) maintaining downside protection with strong asset coverage.

Loans to companies based outside of the U.S. may also be made if consistent with the Client's investment strategy set forth in the governing documents. The IP-Backed Loan Strategy is discussed, together with a description of its associated material risks, in more detail in Item 8 of this Brochure and in the Fund governing documents for the relevant Funds and in Client agreements, investment programs, investment policy statements, and/or investment guidelines.

Each term loan that is part of AAF's IP-Backed Loan Strategy will be structured as part of an overall strategy seeking an attractive net internal rate of return ("IRR") for investors on a portfolio basis.

AAF also reserves the right to invest opportunistically when presented with the following type of special situation opportunities: debtor in possession financings and rescue financings; secondary opportunities and other non-customary opportunities. Each special situation loan will seek to generate an attractive net IRR for investors.

As of the date of this Brochure, AAF had approximately \$268,000,000 in regulatory assets under management.

## **Item 5: Fees and Compensation**

The Fund governing documents set forth in detail each Fund's fee and expense structure. Investors should consult the Fund governing documents for further information on fees and expenses.

AAF is generally compensated for its services through the receipt of management fees and performance-based compensation. AAF's compensation, as well as other costs and expenses associated with the provision of investment advisory services by AAF, is discussed generally below and in more detail in the Fund governing documents of the Funds and associated investment advisory agreements.

### **A. Compensation**

AAF has entered into investment advisory agreements with each of the Funds that set forth the compensation to be paid to AAF. AAF charges management fees based on a percentage of capital commitments or invested assets of each Fund. AAF or the general partner of the Fund shall, in their sole discretion, have the right to reduce or waive the management fee chargeable with respect to any limited partner without the consent of, or notice to, any other limited partner.

The management fee for Aon IP Advantage Fund, with respect to each limited partner, is equal to 1.5% of such limited partner's invested assets. This management fee is subject to reductions from organizational expenses in excess of the Fund's organizational expense cap, placement agent fees, and transaction, break-up and other fees and expenses of Aon IP Advantage Fund. Management fees generally will be calculated and payable to AAF in arrears.

Funds may also pay a performance-based fee, as further described in Item 6.

## B. Additional Fees and Expenses

In addition to the fees described above, the Funds bear costs associated with investments, accounts, and maintaining their investments as set forth in the Fund governing documents, including the following non-exhaustive list of items:

- Custodial fees and charges
- Administrative, offering, and operating expenses, including but not limited to ordinary and recurring legal, accounting, escrow, recordkeeping, administration, fund accounting, and third-party administrator expenses
- Clerical expenses, including those incurred in preparing, printing and mailing reports and tax information to investors and authorities, expenses for specialized administrative services, filing fees, and taxes
- Valuation and appraisal expenses
- Investment-related expenses associated with the sourcing, due diligence, reasonable travel costs, and transaction expenses related to prospective investments, regardless of whether the investments are actually consummated
- Expenses related to the holding, monitoring, and refinancing or disposition of investments
- Information technology expenses, including the cost of accounting, financial covenant monitoring, operations and IT software packages
- Extraordinary expenses, including litigation, indemnification and contribution expenses
- Expenses incurred to collect on investments, including attorneys' fees and costs
- Insurance costs, including directors' and officer's liability insurance

- Expenses associated with the appointment of fund officers in compliance with Cayman Islands anti-money laundering regulations
- Fees and reimbursable expenses to members of a Fund's Board of Directors, if applicable
- Taxes, duties and other governmental charges
- Transfer and registration fees or similar expenses
- Costs associated with foreign exchange transactions
- Bank service fees
- Organizational expenses, including the cost of the offering and ongoing sale of Fund interests up to an organizational expense cap set forth in the Fund governing documents
- Costs of winding-down a Fund

### C. Allocation of Fees, Costs, and Expenses

AAF will incur fees, costs, and expenses on behalf of one or more Clients. To the extent that such fees, costs, and expenses are incurred on behalf of more than one Client, the Clients will bear an allocable portion of such fees, costs and expenses in proportion to the size of the Client's investment, subject to the terms of the applicable LPAs and other governing documents of the Clients or in such other manner as AAF considers fair and reasonable. Although AAF endeavors to allocate such fees, costs and expenses on a fair and reasonable basis, there can be no assurance that such fees, costs, and expenses will in all cases be allocated appropriately.

### **Item 6: Performance-Based Compensation and Side-By-Side Management**

"Side-by-side management" refers to the simultaneous management of multiple types of Client accounts, investment products, or both. In such situations there can be differential fee arrangements (such as performance fees) that can create an opportunity or incentive for a manager to favor certain accounts (or types of accounts) over others (including with respect to the time and attention to investment opportunities). Similar incentives are subject to arise where a manager or its personnel (including its officers and directors) or affiliates have different pecuniary interests (e.g., personal investments) in accounts.

The general partner of each Fund will receive a performance fee from the Fund (which will be in addition to the management fee described above), calculated as a share of the net profits of that Fund, based on a percentage of such profits, which may vary from Fund to Fund. In addition, an affiliate of AAF receives a performance fee from the Sidecar Investment Vehicle. Such performance fee is commonly referred to as "carried interest." The payment of the carried interest is set forth in the governing documents of each Fund

and the operating agreement of the Sidecar Investment Vehicle. AAF has the ability to waive, reduce or calculate differently all or a portion of such performance compensation.

Performance-based compensation arrangements may create an incentive for AAF to make investments that are riskier or more speculative than would be the case in the absence of a financial incentive based on the performance of a client's account. Performance-based compensation arrangements may also create an incentive for AAF to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. AAF does not discriminate on an impermissible basis against one client or group of clients. When AAF transacts securities for more than one client account, if applicable, the investment opportunities and trades must be allocated in a manner consistent with AAF's fiduciary duties.

AAF's Investment Committee process provides the framework for vetting all investments at the investment level and again at the Client level. This approval process takes into consideration approving the investment recommendation for portfolio fit and consistency with strategic goals, regardless of fee structure.

### **Item 7: Types of Clients**

As discussed in Item 4, AAF provides investment advice to Aon IP Advantage Fund and the Sidecar Investment Vehicle and not individually to the limited partners thereof. Interests in Aon IP Advantage Fund will be offered to institutional investors, including corporations, limited partnerships, limited liability companies, endowments, charitable organizations, foundations, trusts, estates, pension and profit-sharing plans, and persons affiliated with AAF, including knowledgeable employees and other entities, as well as high net worth individuals. Interests in Aon IP Advantage Fund may be purchased only by certain eligible and accredited investors who meet an exemption under applicable securities laws.

AAF may manage Separate Accounts as of the date of this Brochure. Fee structures could be different in separately managed accounts.

### **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

**There can be no assurance that AAF will achieve its investment objectives. Potential investors should be aware that an investment in a Fund or a Separate Account involves a high degree of risk and is suitable only for investors that have no immediate need for liquidity of the amount invested and can withstand a loss of their entire investment.**

#### **A. Methods of Analysis and Investment Strategies**



AAF manages Clients using a single credit-based investment strategy that AAF characterizes broadly as its IP-Backed Loan Strategy, as noted in Item 4. All investments anticipate a risk of loss and there is no guarantee that any particular strategy will be effective or yield particular results or levels of return. As a result, AAF's products and services are not intended to represent a complete investment solution, and it is expected that Clients and investors maintain assets other than those advised by or invested through AAF. Clients and investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

## B. IP-Backed Loan Strategy

AAF's IP-Backed Loan Strategy is a comprehensive investment process that originates, underwrites, and services private debt investments that collateralize a borrower's intellectual property. It is designed to provide investors with returns that have minimal correlation to the public markets. This strategy seeks to allocate investments across a diversified portfolio of senior secured private credit investments generally with durations of three (3) years and low loan-to-value ratios. Nevertheless, not all portfolios will be diversified.

### 1. Collateral Analysis

The first part of AAF's analysis focuses on the IP collateral and its income-producing potential during the term of the loan. This analysis applies criteria around a minimum number of IP assets, revenue with a nexus to the IP, intended use of capital, absence of encumbrances, and value of the IP to determine whether the IP assets that are backing the loan meet AAF's underwriting criteria.

The most important and difficult part of the collateral analysis is the valuation of the IP collateral itself. To perform that valuation, AAF will contract through an intercompany agreement to have an Aon affiliate, Aon IP Solutions, value the collateral. The valuation process is, in turn, broken down into two phases: a qualitative analysis and a quantitative analysis.

The qualitative analysis includes an assessment of coverage, opportunity, and risk associated with the IP collateral. It informs the valuation team's understanding of the IP assets' contribution to the anticipated future revenues and earnings of the borrower.

Coverage is a measure of how well the assets cover or provide present day support for the borrower's business. Coverage can be impacted by many factors, including the scope of the assets, the quality of the assets, and how well the assets align with the borrower's current and anticipated future products or services.

Opportunity is a measure of potential upside afforded by the assets. Factors affecting opportunity include the size of the relevant market, growth in the number of contracted IP licensees within existing markets, and expansion into additional markets.

Risk is a measure of the assets' potential to be rendered unproductive and its impact on the borrower's anticipated future revenues and earnings. Factors impacting risk include details around relevant client contracts, along with various operational, regulatory, and security issues.

Once assessed qualitatively, the IP collateral is valued using well-established valuation methodologies such as the cost method, market method, and income method. The qualitative assessment informs various factors in the valuation methodologies, thereby either enhancing or reducing the value of the IP collateral.

## 2. Credit Analysis

Only after the AAF valuation team has performed its collateral analysis and concluded that the value of the IP collateral is fundamentally tied to the value of the business will AAF conduct its credit analysis and underwrite the prospective loan. The use of a collateral and credit underwriting process is central to AAF's strategy of seeking steady and consistent returns under any market environment while minimizing downside risk.

The portfolio construction process is comprised of multiple structural and diversity tests, but in general, subject in each case to the guidelines and requirements set forth in each client's governing documents, the process consists of loans that share the following characteristics before being deemed an appropriate fit for a Client:

- *Senior Secured.* AAF intends to originate loans senior in the capital structure to support value preservation if credit deteriorates.
- *Low Loan-to-value ("LTV") ratios.* Generally, loans in a Client's portfolio will have low LTV levels at origination.
- *First Priority Security Interest.* AAF intends to perform Uniform Commercial Code ("UCC")-1 and US Patent and Trademark Office (USPTO) searches on the credit it underwrites to ensure that no other liens are in place prior to AAF perfecting a first position lien on the assets of the borrower.
- *Short Durations.* AAF intends to write loans with terms, generally, of three (3) years or less at origination, although the tenor of any particular loan may vary.
- *Covenants.* AAF intends to hold the borrower accountable to its base operating plan by structuring conservative financial covenants that will include, but not be

limited to, obligations regarding cash levels, liquidity, capital expenditures, interest coverage, asset coverage, and receivables and payables aging.

- *Exit Opportunities.* A central part of the loan underwriting process will be to identify exit opportunities, including refinancing, a liquidity event, the sale of IP or other assets, or the sale of the business as a going concern.
- *Industry/sector and geographic limits.* AAF will seek diversification of Clients' portfolios by including a cross-section of industries, sectors, geographies, and forms of IP, including IP-rich technology, life sciences, and consumer-related growth companies.
- AAF may deviate from these guidelines when deemed appropriate and consistent with the investment mandate of the Clients participating in particular investments.

### C. Risks Involved with AAF's Methods of Analysis

AAF seeks to manage each Client's account so that the risks are appropriate to the return potential for the strategy. Nevertheless, it is often not possible or desirable to mitigate risks fully and every investment involves a risk of complete loss and there can be no guarantee that a particular level of return will be achieved.

Clients should be aware that investment mandates are generally limited to certain types of investments (e.g., IP-backed loans) and might not be diversified further. AAF does not provide a complete and diversified investment program for Clients and expects that the assets it manages do not represent all of the Client's or investor's assets. Clients are responsible for appropriately diversifying their assets to guard against the risk of loss.

With respect to each Client, a more complete description of risks is available in the governing documents provided to them by AAF. The discussion below should not be viewed as a substitute for careful review of the Fund governing documents.

### *General Investment Risks*

There can be no assurance that the Clients' investment objectives will be achieved or that AAF's investment strategies will be able to avoid losses. AAF reserves the right to utilize investment techniques that in certain circumstances may increase the adverse impact to Clients' portfolios. Clients also bear the risk that AAF's investment style and selection process is out of favor in the market. All investments risk the loss of capital. The investment techniques and strategies implemented by AAF can increase this risk, and there can be no assurance that a Client will not incur losses. The extent to which a Client will be able to achieve its investment objective will depend on the ability of AAF to evaluate and develop the information it receives into a successful investment program.

### *Limited Operating History*

AAF has no prior operating history as an investment adviser. Accordingly, AAF does not have a lengthy, independent performance history for investors to consider and there is no assurance that AAF will be able to generate returns for Clients or that the returns will be commensurate with the risks of making the loans and investments that AAF recommends.

### *Difficulty of Locating Suitable Investments*

The success of AAF's investments will depend, in part, on its ability to source investments or originate loans on advantageous terms. There can be no assurance that AAF will be able to identify a sufficient number of suitable investment opportunities to enable each Client to invest all of its funding commitments in opportunities that satisfy the Client's investment objectives or that such investment opportunities will lead to completed investments. The activity of identifying, completing and realizing an investment opportunity is highly competitive, requires a substantial amount of upfront work and involves a high degree of uncertainty. There can be no assurance that AAF will be able to locate and complete portfolio investments that satisfy a Client's investment criteria and meet its rate of return objectives or that it will be able to invest fully its available capital. It is possible that competition for appropriate investment opportunities will increase, which can reduce the number of opportunities available to the Clients, adversely affect the terms upon which such investment can be made, or both. While AAF believes that it is well-positioned to make IP-backed loans, other public and private entities, including commercial banks, commercial financing companies, BDCs, insurance companies, alternative investment vehicles and other private investment funds may seek to compete with AAF in the private debt market. Market disruptions can also prevent AAF from obtaining suitable investments. If AAF is not able to successfully source, close and service suitable financing and other opportunities, it will not be able to achieve the Clients' investment objectives.

### *Concentration of Investments*

AAF imposes limits on loans made to spread capital among a number of investments. A Fund may, nevertheless, hold a relatively small number of positions, each representing a relatively large portion of the Fund's invested capital. Moreover, the Fund may at times have a relatively large portion of its capital exposed to a particular industry or market sector. Losses in one or more large positions, or a downturn in an industry or market sector in which the Fund is concentrated, could materially adversely affect the Fund's performance in a particular period and could have a materially adverse effect on the Fund's overall financial condition.

## *Custody*

Clients participating in AAF's IP-Backed Loan Strategy can anticipate that their Fund assets will consist primarily of interests in non-exchange traded debt in the form of senior secured term loans, which generally are not considered "securities" and are not instruments capable of being "custodied" in the traditional sense. Accordingly, at any given time a Fund's account with its custodians may only contain a relatively small portion of the Fund's assets. Notwithstanding the foregoing, all of the assets of the Clients consisting of cash or securities will be held by qualified custodians pursuant to Rule 206(4)-2 of the Advisers Act (the "Custody Rule"). Any Client assets deposited with custodians will be clearly identified as being assets of the relevant Fund.

## *Interest Rate Risk*

"Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes affect the value of a debt instrument indirectly. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive impact on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

## *Credit Risk*

The performance of Client investments could be adversely affected if borrowers default on loans made with Client funds, or if events occur that reduce the creditworthiness of those borrowers. If a loan were to become subject to default, the value of the loan and a Client's interest in it could be significantly reduced, conceivably to zero.

## *Lender Liability Considerations and Equitable Subordination*

A number of judicial decisions in the United States in recent years have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other

creditors or shareholders. While believed to be unlikely, because of the nature of certain Client investments, a Client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, certain actions by a lending institution could persuade a court to elect to subordinate the claim of the offending lending institution to the claims of certain other creditors – a remedy called “equitable subordination.” Because of the nature of certain Client investments, a Client could be subject to claims from creditors or shareholders of a borrower that the Client’s loans to the borrower should be equitably subordinated. In addition, certain Client investments may involve investments in which the Client would not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting a Client’s investments could arise without the direct involvement of the Client.

### *Litigation*

In the ordinary course of its business, a Client may be subject to litigation from time to time. The outcome of such proceedings could materially adversely affect the value of the Client and may continue without resolution for extended periods of time. Any litigation may consume substantial amounts of the relevant general partner’s and the management team’s time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

### *Bankruptcy Considerations*

IP-rich growth companies that borrow from Clients may experience bankruptcy. The Bankruptcy Code of 1978, as amended (the “Bankruptcy Code”), authorizes borrowers under Chapter 11 to use a creditor’s collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the borrower provides what the presiding bankruptcy judge considers to be “adequate protection” which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on a Client’s collateral would adversely affect the priority of the liens and claims held by the Client and could adversely affect the Client’s recovery on the affected loans.

The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by a borrower can adversely and permanently affect the borrower. If the proceeding is converted to a liquidation, the value of the borrower may not equal the liquidation value that was believed

to exist at the time of the Client's investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the borrower's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, a Client's influence with respect to the class of securities or other obligations it owns can be lost by increases in the number and amounts of claims in the same class or by different classification and treatment.

The bankruptcy process can involve substantial legal, professional and administrative costs, be subject to unpredictable and lengthy delays and negatively impact the underlying collateral and a Client's return on that particular investment.

### *Private and Middle Market Companies*

AAF will originate loans to growth-oriented borrowers primarily in the U.S. involving risks that do not exist in the case of large public companies, including:

- Private growth companies generally have more limited access to capital and higher funding costs, can be in a weaker financial position, could need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks, which increases the risk of their defaulting on their obligations, leaving creditors, such as Clients' portfolios, dependent on the IP collateral as their primary source of repayment;
- Private growth companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- Private growth companies have less publicly available information than would be available for public companies, requiring Clients to rely on the ability of AAF's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If they are unable to uncover all material information about these companies, AAF risks not making an informed investment decision and losing money on Clients' investments;
- Private growth companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons can have a material adverse impact on these companies' ability to meet their obligations; and



- Private growth companies generally have less predictable operating results, and from time to time can be parties to litigation, engage in rapidly changing businesses with products subject to a substantial risk of obsolescence, and require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

### *Senior Loan Risk*

AAF will invest the assets of Clients' portfolios opportunistically by making senior secured loans to private IP-rich growth companies. An economic downturn and turn of the credit cycle will generally lead to a higher non-payment rate on loans and a senior secured loan can lose significant market value before a default occurs.

Although the secured loans can be over-collateralized at the time of the loans are made, they can nonetheless be exposed to losses resulting from default and foreclosure, and there can be no assurance that the liquidation of any the IP or other collateral will satisfy the borrower's obligation in the event of default or that such collateral could be readily liquidated.

In addition, in the event of a borrower's bankruptcy, a Client could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing the loan. Under certain circumstances, collateral securing an investment can be released without the consent of AAF. Moreover, a Client's interests in secured debt risk being unperfected and, as a result, the Client might not have priority over other creditors as anticipated. A Client's right to payment and its security interest, if any, can be subordinated to the payment rights and security interests of other creditors if Client's interests are equitably subordinated through a judicial process.

AAF intends for most of the loans made by Aon IP Advantage Fund to have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. With interest-only loans, a borrower's ability to repay the principal can be dependent upon a liquidity event or the longer-term success of the company, the occurrence of which is uncertain.

There is less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or registered under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended. As a result, AAF will rely primarily on its own evaluation of a borrower's IP collateral and credit quality rather than on any available independent



sources. Therefore, Clients will be particularly dependent on the analytical abilities of AAF or affiliates of Aon.

### *Investment Liquidity Risk*

The secondary trading markets for AAF's loan investments are not as well developed as the secondary markets for other types of securities. Consequently, a Client with an interest in a loan may not be able to find a buyer for the loan at a favorable price if the need for liquidity arises.

### *Restrictions on Credit Quality*

AAF may implement restrictions on the credit quality of the investments of its Clients during its credit review process. The loans representing Clients' investments will not be reviewed by rating companies, but if they were reviewed, could be deemed to have substantial vulnerability to default. The loans in which a Client invests have large uncertainties or major risk exposures to adverse conditions and are considered predominantly speculative. Generally, these loans offer greater return potential than higher-rated credits, but also involve greater price volatility and greater risk of loss.

### *Risks Associated with Collateral*

Clients might take possession of collateral including, without limitation, a borrower's IP through a purchase or foreclosure action. There can be no assurance that AAF will be able to successfully hold, maintain, or liquidate the collateral in accordance with the Clients' expectations, or that a Client will be able to profit from its investment in such collateral. There can be no guarantee that the value of the collateral for a given loan will be sufficient to offset the principal and interest the borrower owes the Client over time.

### *Secured Loans with Multiple Creditors*

A single borrower could pledge the same collateral as security for loans from multiple lenders, notwithstanding AAF's intention to be the senior secured lender on Clients' investments. Accordingly, although AAF will generally only invest when it is the most senior creditor, if the borrower defaults with multiple pledges of the collateral, the collateral could be insufficient to offset the debt the borrower owes the Client.

### *Risks Associated with Private Debt Investments*

The private debt investments made by AAF on behalf of Clients will generally be below-investment grade. In conjunction, the type of private growth companies that will form the core group of the Client's borrowers often face intense competition and depend heavily on their management, among other factors, for success. There can be no assurance that the borrowers' performance will meet any Client's expectations and Clients might have to rely solely on loan covenants to protect their investment positions. Moreover, there can be no assurance that a borrower will generate sufficient cash necessary to service its debt obligations. In such a case, the Client will suffer partial or total loss of invested capital.

### *Priority of Repayment*

The labeling of a Client's investments as senior debt or senior secured debt does not mean that the debt will necessarily be repaid before all other obligations of the borrower. Borrowers will typically incur trade credit and other liabilities or indebtedness, which by their terms may provide that their holders are entitled to receive principal payments on or before the dates payments are due in respect of the senior secured loans held by a Client. In addition, borrowers may also take out revolving or other forms of bank lines of credit; in such instances, these bank lines of credit may provide that they are repaid prior to any payment on the Client's debt in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy.

### *Potential Early Payment*

Loans originated by a Client will usually provide early prepayment options or similar provisions that could result in a Client realizing the loans earlier than expected with no or an uncertain prepayment premium. This could happen when there is a decline in interest rates, when the borrower's improved credit or operating or financial performance allows for refinancing, or when general credit market conditions improve. If a Client receives proceeds from an investment earlier than anticipated, there is no assurance that the Client will be able to reinvest the proceeds even where they are received during an investment period. A Client's inability to reinvest loan repayment proceeds may materially affect the performance of the Client. If a given loan is structured with a prepayment premium, interest make whole, or the like, such prepayment typically results in a gain for the Client.

### *Interest Only/Bullet Repayment*

Loans originated by a Client will usually provide for the entire loan amount to be paid at maturity or payments of interest only with a balloon payment of principal payable at the end of the term, rather than gradually repaying the loan in principal and interest installments over a period of time. In some cases where bullet repayments are required,

the bullet repayment is the only required principal repayment during the life of the loan; in others, the loan is also subject to amortization. In the latter case, the outstanding principal amount of the loan reduces over time as amortization payments are made in accordance with an agreed payment schedule. Nevertheless, a loan amortization schedule often leaves an outstanding principal balance at maturity that is significantly larger than the amount of any of the periodic amortization payments. A low level of amortization of any debt, over the life of the investment, increases the risk that a borrower will not be able to repay or refinance the debt when it comes due at its final stated maturity. Fluctuations in interest rates and the unavailability of sources of capital could adversely affect the ability of a borrower to refinance the loan at maturity.

#### *Pay-In-Kind Interest/Original Issue Discount*

Loans originated by a Client may provide for an original issue discount (“OID”) (e.g., issued at a discount from face value) and “payment-in-kind” interest (“PIK”). In such case, the Client would be required to include amounts in taxable income on a current basis even though receipt of such amounts will occur in a subsequent year. Consequently, OID and PIK loans may have unreliable valuations because their continuing accruals require ongoing judgments about the collectability of the deferred payments and the value of any associated collateral. The deferred payment associated with OID and PIK increases the risk that a borrower will not be able to make the deferred payments when they come due at the loan’s maturity. Fluctuations in interest rates and the unavailability of sources of capital could adversely affect the ability of a borrower to refinance the loan at maturity.

#### *Proprietary Methods*

Specific elements of AAF’s IP-Backed Loan Strategy and its implementation are proprietary. As a result, Clients will not be able to determine the full details of AAF’s methods or evaluate how closely they are being followed. AAF may seek to exploit arbitrage opportunities or market inefficiencies. These opportunities may be limited as to time and capacity and become less profitable as AAF and competing asset managers or investors seek to deploy a larger amount of assets in the same or similar manner or when market conditions change.

#### *Timing of Gains and Losses*

Some of a Client’s investments must be held for significant periods before the success or failure of the investment becomes apparent. It could take longer for successful investments to realize their potential than for unsuccessful ones to reveal their weaknesses.

## *Valuation*

AAF will engage an affiliated Aon business unit, Aon IP Solutions, to value intellectual property pledged as collateral to assist AAF in making valuation determinations for private loans in which it invests Client assets. Input from Aon IP Solutions' valuation team is used to confirm valuations and as a source of specialized IP expertise. As previously noted, there is often less readily available information about private growth companies and their non-investment grade borrowings on which to base valuation judgments than there are about more mature borrowers with higher-quality debt. Further, if a private growth company's financial condition deteriorates, accurate financial and business information could become even more limited or unavailable. These factors result in a particularly high reliance by AAF on the IP and valuation expertise of Aon IP Solutions.

Because of these and other factors, there can be no assurance that the valuation of a Client's investment positions will accurately reflect the amount the Client could obtain if it were to try to sell the loan. Pricing inaccuracies could cause the net asset value on which the Client bases various decisions to differ significantly from the value the Client can ultimately realize on its investments. In addition, inaccuracies in valuation could affect the Client's portfolio management activities and, as a result, cause the Client to experience significant losses.

## *Potential Conflicts of Interest*

Aon engages, through its various affiliates, in a broad spectrum of activities, including insurance, financial advisory services, sponsoring and managing investment funds, engaging in broker-dealer activities and other activities. In the ordinary course of their respective businesses, Aon and its affiliates may engage in activities where their interests or the interests of their clients may conflict with the interests of the Funds and the limited partners of the Funds. In the event that a conflict of interest arises, the general partner of each Fund will attempt to resolve such conflict in a fair and equitable manner. To the extent provided in the Fund governing documents, the general partner will have the power to resolve, or consent to the resolution of, conflicts of interest on behalf of, and such resolution will be binding on, the Fund. Investors should be aware that conflicts will not necessarily be resolved in favor of a Fund's interests.

There is a risk that such conflicts may have a material adverse effect on the availability of portfolio investments for the Funds or the returns from portfolio investments of the Funds. On any matter involving a potential for such a conflict of interest not contemplated in the Fund governing documents, (i) each of the general partner and AAF will be guided by its judgment as to the best interests of the applicable Fund and will take such actions as are determined by the general partner or AAF, as the case may be, to be necessary

or appropriate to ameliorate such conflicts of interest and (ii) the general partner or AAF may consult with the Advisory Committee or the limited partners with respect to any matter as to which the general partner determines in good faith that such a conflict of interest exists. If the general partner or AAF consults with the Advisory Committee or the limited partners with respect to a matter giving rise to an actual or potential conflict of interest, and if the Advisory Committee or a majority in interest of the limited partners waives such conflict of interest or the general partner or AAF acts in a manner, or pursuant to standards or procedures approved by, the Advisory Committee or a majority in interest of the limited partners with respect to such conflict of interest, then none of the general partner, AAF, Aon or any of their respective affiliates or employees will have any liability to the Fund or any partner for such actions in respect of such matter taken in good faith by them, including actions in the pursuit of their own interests. There can be no assurances that the general partner and AAF will be able to resolve all conflicts in a manner favorable to a Fund.

Investors should also note that the Fund governing documents may contain provisions that, subject to applicable law, reduce or eliminate the duties, including fiduciary duties, to the Fund and the limited partners to which AAF and the general partner would otherwise be subject, provisions that waive or consent to conduct on the part of AAF and the general partner that might not otherwise be permitted pursuant to such duties, and provisions that limit the remedies of limited partners with respect to breaches of such duties.

#### Side Letters

Pursuant to the Fund governing documents, AAF is entitled to enter into arrangements or side letters with investors and has done so. Typically, these investors are, and in the future likely will be, large and/or strategic investors, and the terms are, and in the future likely will be, different or supplement those already described in the Fund governing documents, sometimes subject to a minimum investment amount. The terms are more favorable than those given to other investors. Terms are typically a reduced management fee, but can also include a most favored nations clause with respect to fees and/or information rights, a provision permitting the disclosure of information to the investor's beneficial owners and their advisers, enhanced reporting and provisions that are required by law or regulation applicable to that particular investor.

#### *Investments Alongside Other Credit Accounts*

From time to time, a Fund may co-invest with other credit accounts (including co-investment or other vehicles in which AAF, its affiliates or its personnel invest and that co-invest with such other credit accounts) in investments that are suitable for both the Fund and such other credit accounts. Even if the Fund and any such other credit accounts

and/or co-investment or other vehicles invest in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (and divestment thereof) for the Fund and such other funds and vehicles may not be the same. Additionally, the Fund and such other credit accounts and/or vehicles will generally have different investment periods and/or investment objectives (including return profiles) and AAF, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities.

#### *Diverse Partnership; Conflicting Investor Interests*

The limited partners could have conflicting investment, tax and other interests with respect to their investments in the respective Fund. The conflicting interests of individual limited partners could relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments, and/or the timing of disposition of investments. As a consequence, conflicts of interest could arise in connection with the decisions made by the general partner, including with respect to the nature or structuring of investments that would be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Fund(s), the general partner will consider the investment and tax objectives of the Funds and its limited partners as a whole, not the investment, tax or other objectives of any limited partner individually.

#### *AAF Strategic Relationships*

AAF and its affiliates have entered, and it can be expected that AAF and its affiliates in the future will enter, into strategic relationships with investors (and/or one or more of their affiliates) that involve an overall relationship with AAF ("Strategic Relationships"). Investors in the Funds will not receive a copy of any agreement memorializing a Strategic Relationship (even if in the form of a side letter) and may be unable to elect in any "most-favored nations" election process any such rights or benefits afforded through a Strategic Relationship. Specific examples of such additional rights and benefits include, among others, (i) the right to make a capital commitment to a Sidecar Investment Vehicle, (ii) certain rights with respect to the allocation of certain investment opportunities, (iii) additional information and transparency rights, (iv) the right to appoint one representative to the Advisory Committee and (v) certain other rights that are in addition to, and may be more favorable than, the rights of other investors in the Funds.

#### *Co-Investments*

AAF, in its sole discretion, has, and in the future can, offer co-investment opportunities to third parties, and/or to one or more limited partners. Co-investment vehicles can be charged management fees, performance-based compensation, administrative fees, and/or other fees. Whether or not any fees or other compensation are paid by a co-investment vehicle, the amount and payment terms and expenses depend on the circumstances and is generally negotiated with the co-investor at the inception of the co-investment opportunity. These terms applicable to co-investors can be different or more favorable than those applicable to the Funds.

Third-party co-investor involvement involves risks, including for example the possibility that a third-party co-investor subsequently faces financial difficulties, resulting in a negative impact on such investment or resulting in additional capital to be invested by the Funds; has economic or business goals that are inconsistent with those of the Funds; or gets in a position to take or block action in a manner contrary to the Funds' investment objectives.

### **Item 9: Disciplinary Information**

AAF is required to disclose any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of its advisory business or the integrity of its management.

AAF and its management personnel have no reportable disciplinary events to disclose; however, Aon and its business units and affiliates operate throughout the country and are subject to a certain number of lawsuits pending in the ordinary course of its business on a worldwide basis. Details of litigation filed against Aon are available in Aon's annual Form 10-K filing (Note 16) and Aon's quarterly Form 10-Q filing (Note 14). Excerpts of the 10-K and 10-Q filings containing, respectively, Note 16 and Note 14, are available on Aon's website ([www.aon.com](http://www.aon.com)). Although the ultimate outcome of any such ongoing matters cannot be ascertained, it is the position of Aon that the disposition or ultimate determination of such claims are not likely to have a material effect on the financial position of Aon or any of its business units nor impacts its ability to perform services for the benefit of its clients.

### **Item 10: Other Financial Industry Activities and Affiliations**

AAF shares office space and other resources with its parent company, Aon, a publicly traded Irish-based corporation. Aon is a global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. These services are provided through direct and indirect subsidiaries. AAF's arrangements with these affiliates may or may not be material to its advisory business at

any one particular time. AAF and its affiliates may refer clients and introduce investment opportunities to each other.

Aon Securities LLC, an indirect subsidiary of AAF's ultimate parent, Aon, is a broker-dealer registered under the Exchange Act, and is a member of the Financial Industry Regulatory Authority ("FINRA"). Aon Securities LLC is also registered with the Securities and Exchange Commission as an investment adviser.

Aon Investments USA Inc. ("AIUSA") is an investment adviser registered with the Securities and Exchange Commission and is a wholly owned subsidiary of Aon Consulting, Inc. Aon Investments Canada ("AIC") is a registered investment adviser registered with the Ontario Securities Commission and is wholly owned subsidiary of Aon Consulting, Inc.

Townsend Holdings LLC ("The Townsend Group" or "TTG") is an SEC registered investment adviser and serves as a provider of global investment management and advisory services primarily focused on real estate and real assets. TTG also has a UK affiliate, Townsend Group Europe Limited, that is based on the UK and is authorized and regulated by the UK Financial Conduct Authority.

AAF and its management persons are not registered or in the process of registering as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of any of these.

Aon IP Solutions is a business unit within Aon Risk Services, Inc. that, among its other offerings, provides intellectual property valuation services. AAF has entered into an intercompany agreement with Aon IP Solutions for its valuation services.

AAF pays Aon for all expenses that relate to the operation of AAF's business, including: costs associated with total employee compensation; supervised persons licenses; rent and utilities; furniture and equipment; computers; and telephones. All such expenses, and allocation methodologies thereof, are governed by an expense sharing agreement between us and various Aon affiliates.

Some of AAF's executive officers and directors are also employed in various capacities by Aon affiliates, which are leading providers of solutions related to insurance, intellectual property, capital markets, management consulting, and product development solutions. With respect to those individuals, AAF has entered into a separate cost-sharing arrangement with Aon affiliates with respect to their compensation.



## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

AAF has adopted, maintains, and enforces a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act. The Code of Ethics:

- Reminds employees and other AAF representatives of their fiduciary obligations to AAF's clients,
- Memorializes and fosters AAF's general standards of business conduct and requires compliance with both the letter and the spirit of the federal securities laws,
- Provides guidance for dealing with certain potential conflicts of interest,
- Requires Access Employees to report certain personal securities transactions and holdings to AAF's Chief Compliance Officer or his/her designee in accordance with the Investment Advisers Act,
- Requires Access Employees to pre-clear certain securities transactions,
- Requires employees to report violations, and
- Imposes additional record keeping requirements.

To supervise compliance with AAF's Code of Ethics, AAF require that all Covered Persons (as such term is defined in AAF's Code of Ethics) provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. All of AAF's Covered Persons must acknowledge the Code of Ethics terms at least annually. AAF also requires these Covered Persons to obtain approval from the Chief Compliance Officer before investing in any IPOs or private placements.

AAF requires all individuals to act in accordance with all applicable federal and state regulations governing registered investment advisers. AAF's Code of Ethics further includes the firm's policy prohibiting the misuse of material non-public information. Any individual not in observance of the above may be subject to discipline.

A copy of AAF's Code of Ethics is available to clients or prospective clients upon request to the AAF Compliance Department at 312-381-0132.

## **Item 12: Brokerage Practices**

Because AAF provides advisory services to private investment vehicles that invest in IP-backed loans, AAF's acquisition or disposition of an asset (usually a loan) will typically involve a privately negotiated transaction that does not involve the services of a broker or dealer. In those circumstances, AAF will seek to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to its Clients. In limited circumstances, however, AAF may seek to dispose of an asset through a broker or dealer. In such a circumstance, AAF would seek the best overall terms available consistent with the factors identified directly below. In assessing the best overall terms available for any

transaction, AAF would consider the full range and quality of a broker or dealer's services and other considerations, including cost, expertise, and reputation. If a Client asset can only be obtained from or sold to one broker or dealer, that broker or dealer will then be used. AAF will not consider any placement agent or referral agreement with a broker when considering through which broker dealer to arrange securities transactions. AAF does not have soft dollar arrangements.

AAF does not plan to engage in practices generally considered "cross trading". If AAF were to believe that a transfer of interests between Clients is advantageous for the Clients involved, AAF would facilitate a transfer if conditions are met but not accept fees or commissions of any kind for arranging such transfers.

### **Item 13: Review of Accounts**

AAF will conduct a review of client accounts on a regular basis. Each quarter, AAF will generate a performance measurement report that summarizes the following for Client accounts:

1. Funding status
2. Performance
3. Cash flow activity
4. Intellectual property type, industry, and geographic diversification
5. Other measurements that are relevant to assessing performance and composition of a Client's portfolio

Performance data will be collected at the individual investment level from the investment managers themselves. The performance data information is reviewed by AAF's senior management and the analyst or associate assigned to the Client team.

Client accounts will be reported at the investment level, composite level and total client portfolio level within the quarterly reports. Preliminary reports will be generated within 30 days following the end of each quarter. Full reports and a performance review of the client account will be generated 45 days following the end of each quarter and then subsequently delivered to Clients. Performance reviews of Client accounts will be conducted by at least one analyst or associate and at least one senior investment staff member. The results of these reviews will be delivered in writing to Clients quarterly, with an annual review delivered after the end of the fourth quarter.

In addition to the quarterly reporting described above, any time a new investment decision is considered, AAF will conduct additional reviews to ensure that the proposed investment will meet the Client's needs in light of (i) target returns, (ii) applicable guidelines and restrictions and (iii) the composition of its existing portfolio. These reviews will be

performed by at least one investment professional that is responsible for the Client and will be considered as part of any investment decision.

Finally, at least one senior investment staff member and at least one analyst or associate will monitor each Client's portfolio on a regular basis focusing on significant events (acquisitions, dispositions, financings, turnover of key manager personnel, etc.).

Reviews will be conducted by at least one analyst and at least one senior investment advisory or portfolio management staff member, with oversight of the AAF Investment Committee. The results of these reviews are delivered to clients quarterly, with an annual review delivered at the end of the fourth quarter.

#### **Item 14: Client Referrals and Other Compensation**

Periodically, AAF may receive a client introduction from certain of its affiliates, such as Aon IP Solutions, Aon Risk Services, Inc., Aon Consulting Inc., Aon Investments USA Inc. or The Townsend Group, all of which are either business units or subsidiaries of Aon. In these situations, AAF may compensate the referring colleague for the referral. Actual payment is dictated by the role of the referring colleague and internal Aon organizational compensation policies.

Similarly, AAF employees may receive internal compensation for referring prospective or current clients to affiliated Aon businesses. In these situations, referral compensation is paid by the Aon affiliate out of its own assets and is not paid directly by the Client. Clients will be charged additional fees beyond AAF's fees for the services provided by Aon affiliates. There may be an inherent conflict of interest with such arrangement as AAF employees may receive referral compensation for making the referral for an affiliate's services. While such arrangements raise a conflict of interest consideration for AAF, compensation policies are structured with the goal to mitigate such conflicts and to comply with applicable law.

To mitigate this potential conflict of interest, AAF will not evaluate or recommend that its Clients use Aon Investments USA Inc. or The Townsend Group for a discretionary asset management service or investment advice. A Separate Account may, however, independently choose to consider or employ these solutions pursuant to their fiduciary capacity.

On occasion, AAF will compensate third-party individuals or firms for client referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act. AAF is party to agreements for the furnishing of introductory services with certain third-party firms that may introduce AAF to certain potential investment advisory clients who would qualify as

“qualified purchasers” as defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”), and “accredited investors,” as defined in Regulation D under the Securities Act and/or “qualified clients,” as defined under the Investment Advisers Act.

AAF intends to purchase insurance products that protect lenders against risks to principle and interest payments through an affiliated Aon broker. One of these products, Collateral Protection Insurance, is a policy that is designed to mitigate a variety of potential risks associated with intellectual property, including theft, patent infringement, defense, litigation, and government regulation. Depending on the risk characteristics of a particular transaction and the pricing offered on such insurance policies, the Fund may choose to purchase insurance on some, if not all, of the loans within its Clients’ portfolios. AAF is aware that Aon currently offers policies with the ability to protect against risk to IP collateral and will continue to evaluate other products as they become available in the marketplace. Placement using affiliated brokers will result in additional compensation to Aon and/or its affiliates. Borrowers are not required to obtain Collateral Protection Insurance in order to secure funds.

### **Item 15: Custody**

AAF’s practice will be not to accept or maintain physical possession of Client’s assets, which will instead be held by a qualified third-party custodian. Nevertheless, AAF may be deemed to have custody of Client accounts, including Aon IP Advantage Fund, because AAF or an affiliate serves as general partner or managing member of each of the Funds and will direct the payment of fees and expenses from accounts. In accordance with the private fund audit procedures under the Custody Rule, Fund investors will receive account statements from a third-party custodian and prepared by an independent public accounting firm that is a member of and examined by the Public Company Accounting Oversight Board; the Funds are also subject to an annual audit, and AAF will provide (or cause to be provided) to each investor in the Fund a copy of the Fund’s audited financial statements within 120 days following the relevant Fund’s fiscal year end. Investors who do not receive audited financial statements within such time period should contact AAF immediately.

Clients may receive account statements both from AAF and directly from a bank or other qualified custodian. Clients should carefully review all of the statements they receive and compare those statements from AAF against those received from the bank or other qualified custodian. Comparing all statements will enable Clients to determine whether transactions involving the Client’s account, including the deduction of advisory fees, have been proper.

### **Item 16: Investment Discretion**

AAF has the authority to determine the type and amount of investments (typically loans) to be bought or sold for its Clients. In each case, AAF's decision is required to be consistent with the Client's investment strategy, investment plan, investment guidelines or other similar documents. Such authority may include restrictions with respect to specific types of investments as instructed by a Client. Discretionary authority is typically set forth directly in a Client's investment management agreement, which may include a limited power of attorney to invest Client assets in a manner consistent with the Client's investment strategy, investment plan, investment guidelines or other similar documents.

### **Item 17: Voting Client Securities**

AAF plans to invest primarily in private IP-rich growth companies, which typically do not issue proxies. It is possible that AAF could receive proxies in connection with a publicly listed company and AAF could be asked to exercise consent rights in connection with a publicly listed company loan or other debt instrument.

If proxies are received by AAF, it will determine which accounts managed by AAF hold the security to which the proxy relates and will provide it to the relevant portfolio manager. Absent material conflicts, the portfolio manager will determine how AAF should vote the proxy in the best interests of each Client. A proxy is typically voted electronically and is stored in AAF's Books and Records.

If appropriate, AAF will retain a third-party to assist it in coordinating and voting proxies with respect to Client securities. In such instances, AAF's Chief Compliance Officer will monitor the third-party to assure that all proxies are being properly voted and appropriate records are being retained.

### **Item 18: Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about AAF's financial condition. AAF has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients. AAF has not been the subject of a bankruptcy petition at any time during the past ten years.