

INVESTMENT ADVISER BROCHURE

AEREF MANAGEMENT, LLC

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August 29, 2023

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of AEREF Management, LLC (“AEREF”). If you have any questions about the contents of this Brochure, please contact us at (212) 721-5500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

Additional information regarding AEREF is also available on the SEC’s website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

AEREF Management, LLC (“**AEREF**”), a Delaware limited liability company and a registered investment adviser provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. AEREF commenced operations in July of 2022.

AEREF’s clients include the following (the “**Fund**,” and collectively, together with any future private investment fund to which AEREF and/or its affiliates will provide investment advisory services, the “**Funds**”):

- A&E Real Estate Finance, LP

The following general partner entities are affiliated with AEREF:

- AEREF GP, LLC

(the “**General Partner**,” and together with AEREF and their affiliated entities, “**A&E**”).

The General Partner is subject to the Advisers Act pursuant to AEREF’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partner, which operates as a single advisory business together with AEREF.

The Fund is (and Funds offered in the future will be) a privately offered fund focused on real estate and real estate-related investments. The Fund’s real estate-related investments include equity and debt interests in connection with originating and/or acquiring securitized and unsecuritized loans collateralized by real property and improvements thereon that are either performing or nonperforming. AEREF’s investment advisory services to the Fund consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments (*e.g.*, renovating, maintaining, constructing and redeveloping real estate properties that secure the Fund’s mezzanine debt investments) and achieving dispositions for such investments. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of AEREF or its affiliates will serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Fund has invested.

AEREF’s advisory services to the Fund are detailed in the relevant offering documents (the “**Offering Documents**”), investment management agreement (“**Asset Management Agreement**”), limited partnership or other operating agreements of the Fund (each, a “**Limited Partnership Agreement**” and, together with any relevant Offering Documents, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” In performing investment advisory services for the Fund, AEREF has also engaged its affiliate, A&E Real Estate Management, LLC, a Delaware limited liability company, to provide certain real estate-related personnel and services, among others, to AEREF. Investors in the Fund (generally referred to herein as “investors” or “limited partners”) participate in the overall investment program for the Fund, but in certain circumstances are excused from a particular

investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between AEREF and any investor. The Fund or the General Partner generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the Governing Documents with respect to such investors.

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

As of August 29, 2023, AEREF managed \$15,750,000 in regulatory assets under management on a discretionary basis. AEREF is principally owned and controlled indirectly by Douglas F. Eisenberg, Wendy A. Eisenberg, John Arrillaga, Jr., Justine A. Stamen Arrillaga and Peter S. Kraus. AEREF is majority owned by AEREF Partnership, LLC, which is majority owned by A&E Real Estate Holdings, LLC, which is equally owned by The Arrillaga CP Trust (the “**Trust**”) and Pierrepont Holdings, LLC (“**Pierrepont**”). Mr. and Mrs. Arrillaga are the beneficiaries of the Trust, with Mr. Arrillaga serving as the sole trustee, and Mr. and Mrs. Eisenberg own Pierrepont, with Mr. Eisenberg serving as the manager. AEREF is minority owned by Abstract Alternative Investors LLC, which is principally owned and controlled by Mr. Kraus.

FEES AND COMPENSATION

In general, AEREF receives a management fee and promote/carried interest in connection with the provision of advisory services to its clients. AEREF or other A&E entities or affiliates receive additional compensation in connection with management and other services performed for portfolio investments of the Fund, and such additional compensation will not offset the management fees otherwise payable to AEREF to the extent provided by the Governing Documents. Investors in the Fund also bear certain expenses.

Management Fees

The Fund will pay AEREF, quarterly in arrears, an asset management fee (the “**Management Fee**”) equal to 1.25% of aggregate net equity invested. Investors participating in a closing after July 25, 2022 (the “**Initial Closing**”), bear the Management Fee from July 25, 2022. The Management Fee will be payable until all portfolio investments are realized or until AEREF’s relationship with the Fund is terminated for other reasons (as described in the Governing Documents). Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on a *pro rata* basis according to the actual number of days in such period. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

Pursuant to the Fund’s Governing Documents, AEREF, another A&E entity or a non-affiliated entity (as applicable) will be permitted to receive certain supplemental fees and other amounts (“**Supplemental Fees**”) from the Fund or an affiliate thereof consisting of: (i) structuring fees with respect to the origination, renewal, extension and/or modification fees paid by borrowers in connection with portfolio investments; (ii) property management fees for customary, real estate property management services (“**Property Management Fee**”); (iii) construction management fees in connection with capital projects or projects that (in the General Partner’s reasonable judgment) otherwise reasonably require the services of a general contractor, including to renovate or rehabilitate the common areas, infrastructure or residential units of a portfolio investment or of a property securing a portfolio investment (“**Construction Management Fee**”); (iv) debt placement fees (“**Debt Placement Fee**”); and (v) other designated net fee payments received by AEREF or its partners or employees from portfolio investments or prospective portfolio investments. The Fund’s Governing Documents generally provide that Supplemental Fees received by AEREF or another A&E entity will not offset management fees otherwise owed to AEREF. In most circumstances, Supplemental Fees are not reviewed or approved by an independent third party. The receipt of Supplemental Fees generally will give rise to actual or potential conflicts of interest between the Fund, on the one hand, and AEREF and/or its affiliates on the other hand.

As a matter of practice, AEREF and other A&E entities are typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment, as well as other fees relating to the structuring and administration of co-investment arrangements. The receipt of such fees will not reduce the Management Fee payable by the Fund, if it has also invested in such investment, and, as a result, the Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by AEREF, third parties, portfolio company management or employees and/or others), which have the potential to be significant. Unless otherwise agreed with investors, Supplemental Fees generally will be payable during term extensions. Additionally, as further described below and in the Governing Documents, it is AEREF’s practice to use or retain certain affiliated and non-affiliated service providers to provide services to (or with respect to) certain portfolio investments in which the Fund invests. Such service providers generally receive compensation and other amounts described herein from the Fund or the relevant portfolio investments to which they provide services, but no such amounts will offset or reduce the Management Fee.

Certain Governing Documents permit the General Partner to waive or agree to reduce the Management Fee. Waived or reduced Management Fees are not subject to Management Fee offsets.

Promote/Carried Interest

The General Partner will receive a promote/carried interest with respect to the Fund equal to 0.75% per annum of the aggregate capital contributions made by the limited partners after the limited partners have received cumulative distributions equaling their allocable share of both investment contributions and cost contributions. The promote/carried interest distributed to the General Partner is subject to a potential clawback or giveback (on an after-tax basis) at the end of the life of the Fund if the General Partner has received excess promote/carried interest distributions.

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

Other Information

The General Partner is permitted to exempt certain “affiliated partner” investors in the Funds from payment of all or a portion of Management Fees and/or promote/carried interest. The General Partner reserves the right to make any such exemption from Management Fees and/or promote/carried interest by a direct exemption or a rebate by the General Partner and/or its affiliates. For example, in instances where an AEREF professional (or an affiliated entity thereof) invests in the Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and/or promote/carried interest with respect to the Fund. Additionally, to the extent permitted by the Governing Documents, the General Partner has the right to permit investors, affiliated with the General Partner or otherwise, to invest through the General Partner or other vehicles that do not bear Management Fees and/or promote/carried interest. The General Partner 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 Fund generally invests on a long-term basis. Accordingly, Management Fees and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund (“**Interests**”).

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

In addition to the Management Fee and promote/carried interest payable to AEREF and the General Partner, respectively, the Fund bears certain expenses. As set forth more fully in the Governing Documents, the 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 investment or applied to reduce Management Fees, including: (i) all expenses (including travel, printing, legal, capital raising, accounting, regulatory compliance (including the initial compliance contemplated by the Alternative Investment Fund Managers Directive (“AIFMD”) or any similar law, rule or regulation, to the extent applicable), any administrative or other filings and other organizational expenses) incurred in connection with the organization, funding and start-up of the Fund, the General Partner, any separate entity formed to invest *pari passu* with the Fund in one or more portfolio investments (each, a “**Parallel Fund**”), the general partner of any Parallel Fund and any affiliated management company, including the preparation of, and negotiations with respect to, any Limited Partnership Agreement and any Side Letters or similar agreements, or any expenses, as determined by the General Partner, incurred (including by a placement agent or similar third party) solely in connection with the organization, funding and start-up of a Parallel Fund general partner, a Parallel Fund, the general partner of any alternative investment vehicle created for such entity to invest in the Fund (each, a “**Feeder Fund**”) or a Feeder Fund, but not including any third party private placement fees or finders’ fees paid by the Fund to third parties in connection with the organization or funding of the Fund and/or a Parallel Fund (including interest thereon) (“**Placement Fees**,” and collectively, “**Organizational Expenses**”); (ii) portfolio investment closing expenses; (iii) financing, commitment, origination and similar fees and expenses; (iv) costs or expenses needed for the purpose of protecting portfolio investments or, as applicable, the tenants or residents of any property in which the Fund has acquired a controlling equity interest therein from imminent and material harm arising out of a bona fide emergency or other unforeseen event, real estate taxes and other amounts payable to any governmental or quasi-governmental authority, insurance premiums, fuel and other utility charges, the cost of snow and ice removal, costs and expenses that the Fund or any entity directly or indirectly owned by the Fund, in whole or in part (each, a “**Subsidiary**”), is required to pay pursuant to any contractual obligation (including debt service payments due with respect to mortgage indebtedness), the cost of any nonemergency repairs necessary to protect the life, health or safety of any person or to prevent or mitigate material damage to any portfolio investment, and any other costs or expenses required to be incurred pursuant to any legal requirement, and, with respect to any equity investment in which the Fund has acquired a controlling interest, (a) real estate taxes, (b) insurance expenses, (c) debt service (other than debt service due at maturity) and (d) fuel and other utility costs that directly relate to services that a Subsidiary is legally or contractually obligated to provide (or that must be provided to avoid material physical damage to a portfolio investment, such as heating necessary to avoid pipes from freezing), which costs and expenses are, in each case, in excess of the amount allocated for such items in the Subsidiary budget; (v) any fees payable by the Fund or any Subsidiary to the General Partner or any of its affiliates for property management, construction management, brokerage, leasing, advisory, accounting, financial reporting, administration, tax, internal audit, legal or other similar services; (vi) activities with respect to the developing (including costs and expenses of tenant and capital improvement), structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, leasing, servicing, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, Subsidiaries and the Fund’s portfolio investments (including follow-on investments) and in connection with a Subsidiary REIT (as defined below), or in seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party

diligence software and service providers, consultants and similar professionals in connection therewith and any fees, expenses and/or compensation related to transactions that were or may have been offered to co-investors or pursued with joint venture partners), whether or not any contemplated transaction or investment is consummated and whether or not such activities are successful; (vii) expenses incurred in connection with the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedules K-1, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the AIFMD or any similar law, rule or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing (including, without limitation, responses to questions and inquiries and fulfillment of requests regarding investments, operations and compliance of the Fund); (viii) printing, communications, marketing and publicity; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) directors and officers liability, cybersecurity, errors and omissions liability, crime coverage, property and casualty and limited partnership liability premiums and other insurance and regulatory expenses; (xi) any and all expenses incurred in connection with the winding up or liquidation of the Fund; (xii) any and all expenses relating to defaults by limited partners (to the extent not paid by such defaulting limited partners); (xiii) amendments, modifications, revisions or restatements to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xiv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any limited partner or other person pursuant to the Limited Partnership Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Limited Partnership Agreement), except as otherwise set forth in the Limited Partnership Agreement; (xv) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvi) the Management Fee, the Property Management Fee, any Construction Management Fee and any Debt Placement Fee; (xvii) any and all expenses incurred in connection with compliance with the Limited Partnership Agreement and any Side Letters; (xviii) any principal, interest on and fees and expenses arising out of, the Fund's borrowings and indebtedness; (xix) reverse breakup, termination and other similar fees; (xx) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (xxi) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (xxii) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund's third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), real estate title, survey, hedging, consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants), tax and other professional services; (xxiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the limited partners; (xxiv) any activities with respect to protecting the confidential or non-public nature of any information or data; (xxv) to the extent provided in the Limited Partnership Agreement, or otherwise approved

by the General Partner in its sole discretion, activities or proceedings of the Fund's advisory board (the "**Advisory Board**") (including Advisory Board adviser expenses and any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board); (xxvi) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any limited partner(s); (xxvii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, subsidiaries or actual or potential investments (to the extent not borne or reimbursed by a subsidiary or investment 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 expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any Feeder Fund related to the Fund to the extent not paid by the investors investing in such entities; (xxviii) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the General Partner incurred in connection with the operation of the Fund and legal fees and expenses); (xxix) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Limited Partnership Agreement; (xxx) any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making or holding an investment in the same entity as one or more other funds or accounts sponsored by the General Partner and/or its affiliates; (xxxi) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; (xxxii) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a limited partner or such tax, fee or charge is treated as having been distributed to Fund partners pursuant to the Limited Partnership Agreement); (xxxiii) distributions to the Fund partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxxiv) compliance or regulatory matters related to the Fund, except as set forth in the Limited Partnership Agreement; (xxxv) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxvi) 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; (xxxvii) any Placement Fees; and (xxxviii) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board. The Funds also bear expenses indirectly to the extent a portfolio investment (or intermediate entity) pays expenses, including expenses of AEREF and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the Fund, any co-investors, portfolio investment 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 the Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize,

upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio investments, 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 Fund and the portfolio investment. Excluded from Fund expenses are ordinary administrative and overhead expenses of the General Partner incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses specified in the Governing Documents. The Fund also generally will bear the costs of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto. Additionally, subject to the Governing Documents, the Fund typically will bear certain unreimbursed expenses of portfolio investments and intermediate holding vehicles through which the Fund invests. As is typical for private funds focused on real estate and real estate-related, the Fund will 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."

As described above, in certain circumstances, the General Partner is expected to permit certain investors to co-invest in portfolio investments alongside the Fund, subject to AEREF's related policies and practices and the Governing Documents 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 Fund. 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 General Partner, ultimately is not consummated, all broken deal expenses relating to such proposed transaction will be borne by the Fund, and not by any potential co-investors, that were to have participated in such transaction. The General Partner's practice of allocating broken deal expenses among the Fund and other co-investment vehicles is discussed under "Conflicts of Interest," below. To the extent the Fund makes use of a credit facility to invest in a portfolio investment or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," the General Partner generally receives a promote/carried interest allocation on certain realized investments/profits in the Fund. Neither AEREF nor the General Partner advise Funds not subject to a promote/carried interest, although the General Partner generally has the authority to waive promote/carried interest with respect to certain affiliated partners as described under "Fees and Compensation."

The existence of performance-based compensation has the potential to create an incentive for the General Partner and AEREF to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such arrangement, although the General Partner and AEREF generally consider performance-based compensation to better align their interests with

those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the Fund's life or at certain interim intervals.

TYPES OF CLIENTS

AEREF provides investment advice solely to its Fund clients, and references throughout this Brochure to "clients" and to AEREF's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Fund (and any future Funds) generally include investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended ("**Investment Company Act**"). The investors participating in the Fund generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of AEREF and its affiliates and members of their families, or other service providers retained by AEREF, as well as executives of portfolio investments.

The General Partner also generally is permitted from time to time to establish Funds that are alternative investment vehicles in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the governing documents of the applicable Funds.

The Fund generally has a minimum investment amount of \$1 million for third-party investors, and Interests are offered and sold solely to investors who are both qualified purchasers and accredited investors (or qualified knowledgeable A&E personnel). The General Partner generally is permitted to waive such minimum investment amount.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

AEREF is a private investment firm focused on real estate and real estate-related investments. AEREF'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 mezzanine debt secured by real estate.

Investment and Operating Strategy

AEREF's investment strategy for the Fund focuses on equity and debt investments in connection with originating and/or acquiring securitized and unsecuritized loans collateralized by real property and improvements thereon that are either performing or nonperforming (each, an "**Investment**") primarily consisting of multifamily housing properties located in the greater New

York City metropolitan area; provided that an Investment in a nonperforming loan will, at the outset, be made with the intent to make the loan performing and not to own and/or control the asset.

The Investments may be structured in a variety of ways, including, without limitation, the following: (1) a loan secured by a pledge of equity interests in a property owning entity, which is subordinate to a mortgage loan made to such entity; (2) a subordinate interest in a loan evidenced by a senior interest and a subordinate interest, both secured by a single mortgage lien encumbering a borrower's real property; (3) a participation interest in a loan secured by a mortgage or pledge of equity interests in a borrower, which may be senior or *pari passu* with the interests of the other participants in the loan; (4) preferred equity interests in an entity that is the direct or indirect owner of real property, which interest may be subordinate to a mortgage loan or other loan to such entity; (5) equity interests (including warrants, options or other rights to purchase or otherwise acquire equity interests) in an entity that is the direct or indirect owner of real property, which interest may be subordinate to a mortgage loan or other loan to such entity; (6) a subordinate interest in a structure similar to that described in clause (2) above, but which permits the splitting of the mortgage so that the resulting split mortgage securing the subordinate interest may be foreclosed independent of, but subject to, the senior split mortgage; and (7) whole loans and/or bridge financing secured by mortgage liens where, if necessary, leverage will be used or senior tranches will be sold down so that the targeted risk-adjusted returns may be met.

Mezzanine investments will generally be subject to intercreditor agreements between the Fund and the senior lenders, which provide the Fund with cure rights and other customary subordinate lender protections. The Fund expects to on occasion close transactions where it funds both the senior and subordinate debt with the intention of selling the senior position at some future date.

Once an investment opportunity has been identified, AEREF seeks to implement, oversee or monitor effective strategies to maintain or enhance the value of real estate properties securitizing the Fund's investments, including through routine repairs and maintenance, renovations, construction and/or redevelopment.

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

Risks of Investment

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

General Real Estate Investment Risks

Investments in Real Estate Generally. The Fund is subject to certain risks associated with investments in mezzanine financing and preferred equity and investments in the real estate industry in general, including: the burdens of ownership of real property; changes in national or local

economic conditions; changes in local real estate market conditions due to changes in local, national or international economic conditions or changes in local property market characteristics; changes in energy prices; supply and demand for available properties to acquire at attractive pricing in a particular market; competition from other investors pursuing the same or similar strategies; changes in the relative popularity of properties; changes in the state of the debt and equity capital markets; changes in interest rates, credit standards, availability, costs and terms for mortgages; the ongoing need for capital improvements, particularly in older properties; cash flow risks; construction and renovation risks; changes in real estate tax rates and other operating expenses; force majeure acts, civil unrest, acts of God, including extreme weather and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; uninsured casualties; underinsured or uninsurable losses; changes in governmental rules, regulations, fiscal and monetary policies, and local regulations and ordinances, which may result in adverse consequences, unforeseen increases in operating expenses generally or increases in the cost of borrowing or which may increase the costs of operating the Fund's investments (*e.g.*, fines, local taxes, the ability to evict tenants) or decrease supply through requirements by existing owners not to sell or otherwise impact the foreclosure process, which may provide a significant source of the Fund's investment opportunities; the financial condition of tenant, buyers and sellers of properties; adverse changes in zoning or building laws; environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; the impact of present or future environmental legislation and compliance with environmental laws and regulations; the impact of lawsuits which could cause the Fund to incur significant legal expenses and divert the General Partner's time and attention away from the day-to-day operations of the Fund; and other factors that are beyond the reasonable control of the Fund and the General Partner.

Valuations, returns, revenues and cash flows may be adversely affected by the foregoing events or occurrences. In the event that any of the Fund's real estate and real estate-related investments experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted, and many of these factors could cause fluctuations in occupancy rates, rent schedules or operating expenses, causing the value of the Fund's investments to decline and negatively affect the Fund's returns. In addition, real estate and real estate-related assets are subject to cyclical trends that give rise to significant volatility in values. The value of the Fund's investments may fluctuate significantly due to these factors and may be significantly diminished in the event of a sudden downward market for real estate and real estate-related assets.

No assurances can be given that the fair market value of any real estate and real estate-related investments held, or securing an investment by, the Fund will not decrease in the future, or that the Fund will recognize full value for any investment that the Fund is required to sell for liquidity reasons. In addition, the ability of the Fund to realize anticipated interest income on its debt investments, and rental income in the event the Fund assumes ownership and/or control of a property securing a debt investment, will depend, among other factors, on the financial reliability of its borrowers (and the borrower's underlying tenants), the location and attractiveness of the properties in which it invests, the supply of comparable space and properties in the areas in which its properties are located and general economic conditions. The Fund's rental income stream, if any, may also be negatively impacted by the costs and delays associated with any eviction proceedings that may become necessary as a result of the non-payment of rent by tenants.

Additionally, the Fund may, in certain instances where it assumes ownership and/or control, be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted for by the Fund will reduce the cash available for distribution and may require the Fund to fund deficits resulting from the operation of a property. No assurance can be given that the Fund will have funds available to make such repairs or improvements. These factors and any others that would impede the Fund's ability to respond to adverse changes in the performance of its investments could significantly affect the Fund's financial condition and operating results.

Lack of Liquidity of Underlying Real Estate Investments. Real estate investments are relatively illiquid and some are highly illiquid. Illiquidity may result from the absence of an established market for investments. The inability of the owner of a property securing one of the Fund's investments, or the Fund, to sell its properties on favorable terms could have an adverse effect on its ability to satisfy debt obligations. In addition, real estate and real estate-related assets can at times be difficult to sell quickly at prices the Fund would find acceptable. These potential difficulties in selling real estate and real estate-related assets in the current markets may limit the Fund's ability to change, or reduce our exposure to, the properties in the Fund's portfolio promptly in response to changes in economic or other conditions. In addition, illiquidity may result from the decline in value of a property comprising one of the Fund's portfolio investments. There can be no assurances that the fair market value of any property held or securing an investment by the Fund will not decrease in the future, leaving the Fund's investment relatively illiquid.

Although the Fund's investments may generate some current income, investments will generally be illiquid due to any number of uncontrollable and unpredictable factors. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposal of an investment. It is generally expected that income from investments will not be realized until a number of years after they are made. Prospective limited partners should therefore be aware that they may be required to bear the financial risk of their investment for an indefinite period of time.

Redevelopment and Construction or Repositioning Risks. The Fund's investments are expected to include acquisition of debt interests in real estate and real estate-related assets which, following such acquisition, may engage in real estate redevelopment or repositioning. Such redevelopment or repositioning carries a number of attendant risks, including the possibility of development cost overruns and delays due to various factors (including inclement weather, labor or material shortages, the unavailability of construction and permanent financing and timely receipt of zoning and other regulatory approvals), the availability of both construction and permanent financing on favorable terms and market or site deterioration after acquisition. Any unanticipated delays or expenses could have an adverse effect on the results of operations and financial condition of the Fund. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced. In addition, it may be that suitable tenants will not be found for the redeveloped or repositioned properties, which could lead to the properties producing insufficient income to service the debt interests held by the Fund or not providing a suitable return to the Fund. In the event that the Fund makes a strategic decision to assume ownership and/or control of a property underlying one of the

Fund's investments, the Fund will also be subject to similar redevelopment and/or repositioning risks.

Renovation and Maintenance of Properties. The properties held or securing an investment by the Fund will often require some level of renovation either immediately upon their acquisition or in the future following expiration of a lease or otherwise. The Fund will also acquire properties that will need to be extensively renovated or that are initially expected to be in good condition but later reveal unforeseen defects and problems that require extensive renovation and capital expenditures. To the extent properties are leased to existing tenants, renovations may be postponed until the tenant vacates the premises, and the Fund will bear the costs of renovating. In addition, from time to time, the properties may require ongoing maintenance or ongoing capital improvements and replacements and significant renovations and repairs that tenant deposits and insurance may not cover. Properties under renovation may also generate little or no cash flow through the date of completion of renovation and may experience operating deficits after the date of completion. There may be substantial unanticipated delays or expenses in connection with any renovation and, under certain circumstances, could even prevent completion of renovation, potentially having an adverse effect on the Fund and on the amount of funds available for distribution to the limited partners.

Potential Environment Liabilities. As is the case with any real estate investments and real estate-related assets, the Fund's investments could face substantial risk of loss from claims based on environmental problems associated with the real estate securing the Fund's investments. As an investor in securities backed by real property, the Fund may face losses due to claims for past or present environmental damage or contamination. Under various U.S. federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such enactments often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefor as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell the real estate or to borrow using such property as collateral.

Harmful Mold and Other Air Quality Issues. When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the Fund's real estate properties or properties that secure a Fund investment could require the Fund to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose the Fund to liability from tenants, employees of tenants and others if property damage or health concerns arise.

Bankruptcy Considerations. Investments are expected to consist of a loan to, or an equity interest in, an entity who becomes subject to, or files for protection under, the U.S. Bankruptcy Code. The Fund runs risks in bankruptcy because the Fund's investments will be subordinated to senior lenders, sometimes structured solely as equity, or, even if structured partially as debt, possibly treated solely as equity if the Fund exercises control over the management and policies of the debtors. Furthermore, distributions made to the Fund in respect of such investments, and distributions by the Fund to its limited partners, could be recovered if such distributions are found to be a fraudulent conveyance or preferential payment. Bankruptcy laws may delay the ability of the Fund to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the "cram down" provisions of the bankruptcy laws. The Fund will generally enter into intercreditor agreements relating to its investments, and such agreements typically deprive mezzanine investors of any influence in the bankruptcy proceedings of the real estate owner. Moreover, if the bankruptcy proceedings of the mezzanine borrower and real estate owner are consolidated, intercreditor agreements typically deprive the mezzanine lender of any influence in the bankruptcy proceedings of the mezzanine borrower. Thus, intercreditor agreements may effectively limit the ability of the mezzanine lender to protect its interests if the borrower or its affiliates pursue a bankruptcy strategy.

Non-Specified Investments. This offering is for investment in non-specified real estate debt and equity financings, and limited partners will not have an opportunity to evaluate specific investments prior to investing. The General Partner has broad discretion as to investments made by the Fund, subject to the specific limitations in the Limited Partnership Agreement.

General Economic and Market Conditions. There have been significant declines in the real estate industry and the U.S. economy in the past and there can be no assurance that market conditions will remain steady or improve in the near future. A variety of factors, including any increase in the federal funds rate and the unknown impact of such an increase, may affect market conditions. Negative trends in the real estate market may materially and adversely affect the Fund's income from its investments. Economic displacement may have an adverse impact on tenants' and potential tenants' incomes, which in turn may impair such tenants' abilities to make their rental payments and meet other obligations with respect to the leases with respect to properties securing the Fund's investments. Such marketplace events also may restrict the ability of the Fund to sell or liquidate investments at favorable times or for favorable prices.

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 the current COVID-19, have resulted in, and are resulting in, volatility and market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the 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. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Fund. The extent of the impact on the Fund's and its portfolio investments' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Fund to source, diligence and execute new investments and to manage, finance and exit such 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 investments 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 investments, the General Partner and AEREF 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.

Financial Institution Risk; Distress Events. An investment in the Fund is subject to the risk that one or more of the Fund's banks, brokers, hedging counterparties, lenders to 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 (each, a "**Distress Event**"). Distress Events can be caused by various factors, including eroding market sentiment, significant withdrawals (*e.g.*, a bank run in which depositors collectively withdraw their balances within a short period of time), fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, AEREF, the Fund and/or its portfolio investments 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, in the case of banks, or the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance (including Fund assets maintained with qualified custodians pursuant to Rule 206(4)-2 under the Advisers Act) 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 AEREF to manage the Fund and its investments, and on the ability of AEREF, the Fund and/or portfolio investments to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Although AEREF seeks to do business with Financial Institutions it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, AEREF is under no obligation to use a minimum number of Financial Institutions with respect to the Fund or to maintain account balances at or below the relevant insured amounts. Furthermore, such balances maintained by AEREF and the Fund are generally expected to fluctuate, including with respect to the Fund in connection with capital calls to limited partners and dispositions of investments, and certain balances from time to time will substantially exceed applicable deposit insurance.

Risks Associated with Certain Properties and Investments

Multifamily Properties. The Fund's investment objective is to invest primarily in loans backed by multifamily housing real properties and improvements in the New York City metropolitan area. A large number of factors may adversely affect the value and successful operation of a multifamily property, including: physical attributes of the apartment building such as its age, condition, design, appearance, access to transportation and construction quality; location of the property, for example, a change in the neighborhood over time; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates; presence of competing properties; the tenant mix; adverse local or national economic conditions, which may limit the amount of rent that may be charged and may result in a reduction of timely rent payments or a reduction in occupancy levels; state and local regulations, which may affect the building owner's ability to increase rent to market rent for an equivalent apartment; and government assistance/rent subsidy programs.

In addition, certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees, and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions, and restrictions on a resident's choice of unit vendors. Apartment building owners have been the subject of suits under state "Unfair and Deceptive Practices Acts" and other general consumer protection statutes for coercive, abusive or unconscionable leasing practices. A few jurisdictions offer more significant protection. For example, there are provisions that limit the bases on which a landlord may terminate a tenancy or increase its rent.

New York City Metropolitan Area Conditions. The properties securing the loans that the Fund

intends to invest in are primarily located in the New York City metropolitan area. As a result, the Fund's business is dependent on the condition of the economy in the New York City metropolitan area and the views of potential tenants regarding living and working in the New York City metropolitan area, which may expose the Fund to greater economic risks than if it invested in a more geographically diverse portfolio. The Fund will also be susceptible to adverse developments in the New York City metropolitan area (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, terror attacks, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation). Such adverse developments could materially reduce the value of the Fund's investments, and thus adversely affect the Fund's ability to achieve its investment objectives.

Investments in Rent Stabilized Properties. Numerous municipalities in the New York City metropolitan area, including New York City where the Fund intends to invest in securities backed by residential properties, impose rent control or rent stabilization on apartment buildings. The rent stabilization regulations which will be applicable to the Fund's target investments set maximum rates for annual rent increases, entitle tenants to receive required services from the landlord and entitle tenants to have their leases renewed. These ordinances may limit rent increases to fixed percentages, to percentages of increases in the consumer price index, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration, and may also limit the Fund's ability to recover increases in operating expenses and the costs of capital improvements if the Fund assumes ownership or control of a property underlying one of the Fund's investments. On June 14, 2019, Governor Andrew M. Cuomo signed into law the "Housing Stability and Tenant Protection Act of 2019," which instated wide spread changes to rent stabilized and rent controlled apartments throughout New York State and such legislation alters the rent stabilization guidelines and makes it harder for property owners, such as those that the Fund lends to, to implement luxury deregulation of rent-stabilized apartments, including eliminating vacancy decontrol and eliminating vacancy allowance. The limitations established by present or future rent stabilization regulations may impair the ability to maintain rents at market levels. In addition, tenants may have claims that the rent charged exceeds the amount permitted by rent stabilization. The number of these claims may increase as rents approach the maximum rent that could be charged under rent stabilization. Tenants could also claim that a determination that luxury deregulation was applicable to their apartment was incorrect and seek a reduction in rent and/or return of rents paid in excess of the maximum legal rent. Finally, a tenant in an apartment eligible for tax benefits, such as Section 421-g of the Real Property Tax Law, could claim that rent stabilization applies to the tenant's apartment while those tax benefits are available, even if the apartment is eligible for luxury deregulation. There can be no assurances that future changes to rent stabilization laws will not have a similar or greater negative impact on the ability to collect rents by the properties securing the Fund's investments.

Investment Strategy Risks

Risk of Loss. An investment in the Fund involves investment risks, including the possible loss of the entire principal amount invested. The Fund's investment objective is to make debt investments from a subordinated position in multifamily housing properties in attractive locations near transportation, schools, and shopping located primarily in the greater New York City metropolitan area. There can be no assurance or guarantee that the Fund will achieve its investment objective.

Although the General Partner will endeavor to recommend investments that are consistent with the Fund's investment objective, investments in real estate and real estate-related assets involve an inherently greater risk of loss of capital than various other types of investments, due in large part to the risk factors set forth above. Therefore, prospective limited partners must recognize that, notwithstanding the Fund's investment objective, the Fund may be unable to preserve a limited partner's capital through its program of investments in real estate.

Investments in Real Estate Debt. The Fund intends to hold direct or indirect investments in real estate-related debt instruments. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Purchases of participations in real estate loans raise substantially the same risks as investments in real estate loans. Debt investments have special inherent risks relative to collateral value. In the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property may be less than the outstanding amount of the Fund's investment).

Debt Investments. The debt interests in which the Fund will invest typically will be either secured by a borrower's ownership interests in a property or unsecured, and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. The ability of the Fund to influence the affairs of an investment, especially during periods of financial distress or following an insolvency is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt or other exercises by the Fund of its rights as a creditor. Accordingly, the Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt securities in which the Fund will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any investment, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of any such Fund investments. Fund investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that the Fund's internal net rate of return objective will be realized.

Prepayments. The yield on any Fund investment, and accordingly the overall return generated by the Fund, will be affected by the rate and timing of principal payments of such investments. The rate and timing of these principal payments, or in the case of principal losses, principal or notional

write-downs, will be affected by, among other factors, (i) unscheduled principal payments or collections in the form of voluntary prepayments of principal or unscheduled recoveries of principal due to defaults, and (ii) the order of priority in which such principal and collections are distributed in reduction of the actual or notional principal balance of the assets. The General Partner will attempt to negotiate yield maintenance or prepayment lock-outs to protect the Fund's investments.

Subordinate Lender Related Risks; Mezzanine Investments. The Fund will be subject to increased risk in connection with making mezzanine loans. Mezzanine investments are usually subordinate to significant senior debt, generally resulting in greater leverage than found in traditional secured real estate loans. The Fund will structure its investments as debt, equity, or both. The investments may be only partially secured or may be unsecured. Investments in the form of subordinate mortgage loans will generally be non-recourse (except in the event of fraud on the part of the borrower) and any security interest in a property will be subordinate to the security interest of the senior lender. Mezzanine investments are typically secured by pledges of equity rather than liens on real estate. As a result, any claim, secured or unsecured, that can be asserted against the owner of the real estate is effectively superior to the mezzanine investment. Mezzanine investors, in contrast to first mortgage investors, typically do not receive a lien on cash flow, which reduces the power of a mezzanine lender in a default, workout, or bankruptcy. In certain instances, senior lenders may also restrict how the Fund structures its investments and secures its collateral, and the mezzanine investments may have to be structured solely as an equity investment or debt secured solely by equity.

The Fund will generally require intercreditor agreements with senior lenders, which will, among other things, allow the Fund an opportunity to cure default under the senior loan by the property owner. Such intercreditor agreements may also restrict the remedies available to the Fund in the event a borrower runs into financial difficulty or defaults on the loan from the Fund. Such intercreditor agreements may include restrictions on the ability of the mezzanine investor to modify its agreements with the borrower or owner, broad latitude on the part of the senior lender to modify its agreements with the borrower or owner, limits on the mezzanine investor's cure rights, limitations on the ability of the mezzanine investor to sell or transfer its investment, and limitations on the mezzanine investor's right to control or influence decisions affecting the management of the underlying property. Under certain circumstances, the Fund's position as a subordinate lender may require the Fund to purchase the senior loan to a non-performing borrower in order to protect the Fund's investment.

The Fund is permitted to invest in a subordinate interest in a loan evidenced by a senior interest and a subordinate interest, both secured by a single mortgage lien encumbering a borrower's real property. In such an investment, the servicing rights (including the rights to manage workouts, foreclosures, and collateral dispositions) are usually retained by the senior interest, which is often the master servicer or special servicer for a real estate mortgage investment conduit ("REMIC") trust. Although the Fund may obtain some rights to control or influence servicing decisions, those rights are often limited. Moreover, even those limited rights may be forfeited if there is a decline in the value of the underlying property. In such investments there is usually only one collateral package securing both the senior and subordinate investment. This will limit the Fund's remedies in the event of a borrower default, because the Fund, holding the subordinate interest, would not

have the ability to foreclose and liquidate its own interest subject to the senior interest. Rather, in the event of a borrower default, the Fund would have to either purchase the senior interest or wait for the servicer to complete a foreclosure of the entire collateral package and hope that some value remains after the senior interest is paid in full.

Borrower Inability to Repay. The Fund will bear the risk that a borrower will be unable to repay a mezzanine loan at maturity. In addition, certain of the mortgage loans may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. There is no assurance that there will be a ready market for resale or refinancing of the investments because investments in real estate and real estate-related assets generally are not liquid. Illiquidity may result from the absence of an established market for the investments or decline in the value of the real estate or the equity securing the financing.

Non-Performing Loans; Foreclosure Process. Debt investments (including real estate loans) by the Fund may be at the time of their acquisition, or may become after origination, participation or acquisition, non-performing for a wide variety of reasons, many of which are outside the control of the General Partner, the Fund or their affiliates. Non-performing real estate loans often require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. To the extent that the Fund purchases partial interests in non-performing loans, the Fund may not have control over the workout process or the management of the real estate assets after such a workout.

The General Partner may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by the Fund. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan, including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property, which could delay and/or disrupt the Fund's efforts to stabilize and reposition the property should the Fund assume ownership and/or control.

Assignments and Participations. The Fund may acquire investments by way of assignment or by way of participation. Holders of participation interests are subject to additional risks not applicable to a holder of a direct assignment interest in a loan. In purchasing a participation, the Fund might not have a right to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, or any rights of set-off against the obligor, and the Fund may not directly benefit from the collateral supporting the loan obligation in which it has purchased the participation. As a result, the Fund would assume the credit risk of both the obligor and the selling institution, which would remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the Fund may be treated as a general creditor of the selling institution in respect of the participation, may not benefit from any set-off

exercised by the selling institution against the obligor and may be subject to any set-off exercised by the obligor against the selling institution. Assignments and participations are typically sold strictly without recourse to the selling institution, and the selling institution may make no representations or warranties about the underlying loan, the related underlying property, the terms of the loans or any other collateral securing the loans. Certain debt instruments have restrictions on assignments and participations which may negatively impact the Fund's ability to exit from all or part of its investment in a loan.

B-Notes Investments. The Fund is expected to invest in one or more B-Notes. A "B-Note" is a commercial mortgage loan typically (i) secured by a first mortgage on a single large property or group of related properties and (ii) subordinated to an "A-Note" secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for the holder of the B-Note. B-Notes may not have any secondary market, raising additional liquidity risks. However, since each B-Note is privately negotiated, B-Notes can vary in their structural characteristics and risks, including, for example, the rights of the holder of the B-Note to control the process following a borrower default. Furthermore, since they are typically secured by a single property, B-Notes reflect the risks associated with significant concentration.

Future Investments; Inability to Invest Committed Capital. Future investments that will be acquired by the Fund have not yet been identified. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Fund likely will be competing for desirable investments with other private investment funds, real estate investment vehicles, family groups and wealthy individuals, privately held and publicly-traded REITs, foreign investors, sovereign wealth funds, various types of financial institutions (such as mortgage banks and pension funds) and other institutional investors, with similar investment objectives, some or all of which may have capital and resources in excess of those of the Fund. Furthermore, over the past several years many consolidations among real estate investment funds and publicly-traded REITs have occurred, which have resulted in larger funds and REITs. These organizations, as well as additional funds with similar investment objectives, may be formed in the future by other unrelated parties and further consolidations may occur. Any of these competitors may invest in promising opportunities before the Fund is able to do so or their competitive offers to invest may drive up prices of prospective investments thereby limiting suitable investment opportunities for the Fund. As a result, limited partners face risks and uncertainties with respect to the selection of investments and will be relying on the ability of the General Partner to identify suitable future investments using the proceeds of this offering. No assurance or guarantee can be given that the Fund will be successful in obtaining suitable investments.

Although the General Partner, its members and their respective affiliates have been successful in the past in identifying suitable investments with regard to AEREF's separate investment strategies, no assurance can be made that a sufficient number of attractive opportunities to meet the investment objectives of the Fund will be identified or that the General Partner will be able to fully invest the Capital Commitments. The Fund cannot make any assurances that it will be successful in identifying and consummating investments which satisfy its rate of return objectives or that such investments, once consummated, will perform as anticipated. The Fund may expend significant time and resources in identifying and pursuing targeted investments, some of which may not be

consummated. If the General Partner is unable to invest the Capital Commitments fully, the potential aggregate return to the limited partners could be materially reduced.

Lack of Diversification; Concentration of Investments. The Fund is expected to invest in a limited number of investments, and, as a consequence, the aggregate returns realized by the limited partners may be adversely affected by the unfavorable performance of a small number of such investments. The investments made by the Fund are expected to be concentrated in a small number of local market areas in the greater New York City metropolitan area and in a particular asset class. The aggregate return on the Fund's investments may be adversely affected by the geographic concentration and the asset class concentration of the Fund's investments or by the unfavorable performance of a particular market and will be at a greater risk to overall changes in the economy than if the Fund was less concentrated in a particular location or asset class. Further, a single catastrophe or destructive weather event (such as a hurricane) affecting the New York City metropolitan area may have a significant negative effect on the Fund. The Fund's investments will also be exposed to risks associated with inclement winter weather, including increased need for maintenance and repair. In addition, if the Fund is unable to raise its target capitalization, the Fund may make fewer investments, which may result in a greater concentration of the Fund's capital. This lack of diversification may have a negative impact on the ability of the Fund to achieve its investment objectives. Finally, poor performance by a few of the investments could significantly affect the total returns to the limited partners.

Uninsured Losses. Uninsured and underinsured losses at the Fund level or investment level could harm the Fund's overall financial condition, results of operations, and ability to make distributions to its limited partners. Certain types of losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks or other similar events, generally are either uninsurable (or not economically insurable) or may be subject to insurance coverage limitations. Should an uninsured loss or a loss in excess of insured limits occur, the Fund could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment.

These same risks apply to any capital deployed by an investment of the Fund. Because the Fund is a pooled investment fund, all Fund assets may be at risk in the event of an uninsured liability to third parties. In that event, an investment might nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations to the investment's ground lessors, franchisors, and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the investments pledged as collateral for loans, and other factors might also keep the investment from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds the investment receives might be inadequate to restore the Fund's and/or its investor's economic position on the damaged or destroyed investment.

Reliance on Third Parties to Operate Investments. The Fund is not expected to have management authority for most of the properties securing its portfolio investments. The Fund will in large part be dependent on the ability of property owners or other third parties to successfully operate the underlying properties.

Distressed Investments. The Fund is expected to invest in the debt, including debt obligations that are in covenant or payment default, of properties experiencing significant financial difficulties and material operating issues, including properties that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such properties involve a substantial degree of risk that is generally higher than the risk involved in investing in properties that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed properties, there can be no assurance that the General Partner will correctly evaluate the value of the assets of a distressed property securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such property. Therefore, in the event that a portfolio property does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment.

Risks of Borrower Defaults. There is the risk of default by borrowers on the Fund's investments, and the possibility that the Fund will have to act to protect its investment. The ability of the Fund to act will be limited by the fact that it will probably hold a subordinate interest or be subject to the terms of an intercreditor agreement. Investments will be structured as financings, but, in the event of default, the Fund may exercise remedies that cause it to incur the burdens of (and additional investments required by) ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. In addition, borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement, and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If any of the above occurs, the Fund's ability to make anticipated distributions to the limited partners could be delayed or otherwise adversely affected. Moreover, because the Fund may attempt to obtain contractual rights exercisable in case of a default to participate in or to substantially influence the management of properties owned by borrowers, the likelihood is increased that a borrower may claim that the Fund interfered with the borrower's business, acted in bad faith in exercising its management rights, or otherwise acted in a manner giving rise to a claim for lender liability.

Investments with Third Parties. The Fund is expected to make some of its investments through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third-party is not involved, including, for example, the possibility that a joint venture partner may have financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Fund or may be in a position to take (or block) actions in a manner inconsistent with the Fund's objectives. In addition, the Fund may be liable in certain circumstances for the actions of joint venture partners with which it is associated.

Diversity of Limited Partner Base. Limited partners in the Fund may include taxable and tax-exempt entities, and persons or entities residing in or organized in various jurisdictions, including non-U.S. jurisdictions, and may, therefore, have conflicting investment, tax and other interests with respect to their investment in the Fund. Conflicting interests of limited partners may relate to, or arise from, among other things, the structuring and nature of the investments and the timing of disposition of investments. Such factors may result in different after-tax returns being realized by

different limited partners. Conflicts may also arise in connection with decisions made by the General Partner that may be beneficial for one or more limited partners but not others, particularly with respect to each limited partner's tax consequences and status. In identifying investments appropriate for the Fund and structuring such investments, the General Partner will consider the investment objective of the Fund as a whole rather than the investment objectives, or particular tax or regulatory status of, or consequences to, any particular limited partner or group of limited partners.

Interest Rate Fluctuations. General fluctuations in interest rates may adversely affect the value of the Fund's investments and/or increase the risks inherent in the Fund's investments. Given the historically low interest rate environment over the previous decade and recent increases by the U.S. Federal Reserve of the federal funds rate, the risks associated with rising interest rates are significantly heightened and, consequently, may impact the returns on the investments and the returns realized by the limited partner. When interest rates rise, the value of future cash flows can be expected to decline.

Inflation Risk. 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 the Fund's aggregated returns. For example, if a property held by or securing an investment by the Fund were unable to increase its revenue while the cost of relevant inputs were increasing, the property's profitability would likely suffer. Likewise, to the extent a portfolio investment has revenue streams that are slow or unable to adjust to changes in inflation, including by contractual arrangements or otherwise, the property could increase revenue by less than its expenses increase. Conversely, as inflation declines, a portfolio investment may see its competitors' costs stabilize sooner or more rapidly than its own.

Currency Risk. Each investment of the Fund will be denominated in U.S. Dollars and, accordingly, all amounts drawn down, any allocations and distributions to limited partners and the value of the Interests will be in U.S. Dollars. Limited partners should be aware that if their reference currency is another currency, their investment in the Fund may be adversely affected by any reduction in the value of U.S. Dollars relative to their reference currency. They may also incur the further transaction costs of converting U.S. Dollars into another currency. Such limited partners are strongly encouraged to consult their financial advisors with a view to determining whether they should enter into hedging transactions to offset such risks.

Hedging Arrangements; Related Regulations. The General Partner is authorized (but not obligated) to endeavor to manage the Fund's or any portfolio investment'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. Certain hedging arrangements may create for the 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 investment to hedge its exposures becomes limited by such requirements.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of an investment, the Fund may be required to make certain representations about the business, financial affairs and other aspects (such as environmental, property, tax, insurance, and litigation) of such investment typical of those made in connection with the sale of an investment. The Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves or escrow accounts. In that regard, limited partners may be required to return amounts distributed to them to fund Fund obligations, including indemnity obligations, subject to certain limits set forth in the Limited Partnership Agreement. Similarly, it may be possible, depending on the laws of the relevant jurisdiction, for buyers of Fund assets to later sue the Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

Environmental, Health or Occupational Safety Liabilities. The Fund may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters or inadequate reserves, insurance or insurance proceeds for such matters. Through its interest in real estate and real estate-related assets, the Fund may be subject to a wide range of environmental, health and safety laws, ordinances and regulations, including without limitation, those relating to the investigation, removal and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard as to whether the owner or operator knew of, or caused, the presence or release of such substances. Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. The presence of such substances, or the failure to properly remediate related contamination, may adversely affect the marketability of the real estate and real estate-related assets, or the value of such property as collateral, which could have an adverse effect on returns on investments. In addition, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to clean-up actions brought by governmental agencies and private

parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs.

Misrepresentation, Fraud and Defects. In connection with the acquisition of the investments contemplated by the Fund, the borrowers are required to make representations about such investment. Any material misrepresentation or omission on the part of the borrowers may adversely affect the valuation of the investment or the collateral (if any) underlying the obligation, or may adversely affect the ability of the Fund or its affiliates to perfect or effectuate a lien on the collateral securing the obligation. The Fund and/or its affiliates will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been made with an intent to defraud or prefer creditors. In addition, the quality of the Fund's investments may be subject to the accuracy of representations made by the underlying borrowers. Accordingly, the Fund may be subject to the risk that the systems used by the originators of debt to control for such accuracy are defective.

The properties securing the Fund's investments may have design, construction or other defects or problems that require unforeseen capital expenditures, special repair or maintenance expenses, or the payment of damages to third parties. Engineering, seismic and other reports on which the Fund's investment committee relies as part of its pre-acquisition due diligence investigations of these properties may be inaccurate or deficient, at least in part because defects may be difficult or impossible to ascertain. Statutory or contractual representations and warranties made by various issuers or sellers of properties that the Fund invests in or acquires may not protect the Fund from liabilities arising from property defects.

Competition with Other Lenders. The Fund's business is highly competitive. Competition may cause the Fund to accept economic or structural features in its investments that the Fund would not have otherwise accepted. The Fund will compete with traditional investors, as well as existing funds, or funds formed in the future, with similar investment objectives. The Fund will face competition from other individuals, family offices, companies, funds, real estate investment trusts and other entities engaged in investing in and/or acquiring real estate and other real estate-related businesses with similar investment objectives, which may make it more difficult for the Fund to consummate its target investments. Many of the Fund's competitors have greater financial resources and lower costs of capital than the Fund, which provides them with greater operating flexibility and a competitive advantage relative to the Fund.

Limited Due Diligence. There can be no assurance that, to the extent the Fund is able to conduct due diligence on its investments, the General Partner's due diligence processes will uncover all relevant facts that would be material to an investment decision. In addition, the Fund may only be able to conduct limited due diligence, or will have to rely on third parties to conduct due diligence, on investments in certain instances, as may be the case when the Fund is participating in a bulk sale. Before making an investment, the General Partner will assess the strength of the underlying properties and any other factors that they believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, the General Partner will rely on the resources available to them and, in some cases, investigations by third parties.

Dependence on Key Personnel. The success of the Fund will be highly dependent on the General Partner and its personnel, particularly Douglas F. Eisenberg and Peter Kraus (each, a “**Key Person**”), and their ability to identify, structure and manage investments. There can be no assurance that any personnel of the General Partner will remain in the employ of the General Partner or its affiliates or otherwise continue to be able to carry on their current duties throughout the life of the Fund, as such personnel are under no contractual obligation to remain with the General Partner for all or any portion of the term of the Fund. There can be no assurance that the General Partner’s management team (the “**Management Team**”) or its other employees will remain in the employ of the General Partner or its affiliates throughout the Fund’s term. Similarly, there can be no assurance that the members of the Management Team will remain the same during the life of the Fund. The loss of the services of the Key Persons or other personnel of the General Partner could have a material adverse effect on the Fund’s operations. Furthermore, certain personnel of the General Partner will be engaged in other activities besides the management of the Fund. In particular, Douglas F. Eisenberg will continue to be involved to a significant extent in monitoring and managing the investments of, and overseeing, other investment activities of the General Partner, including other A&E real estate partnerships. Further, Peter Kraus will continue to be involved to a significant extent in the management and operations of Aperture Investors, LLC, a registered investment adviser to mutual funds and UCITs. Employees of the General Partner and its affiliates are not required to devote all of their business time to the Fund’s affairs. See also “*CONFLICTS OF INTEREST*” below.

Litigation. In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the 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.

Leverage; Potential Restrictive Covenants. The Fund (either directly or via an intermediate entity) intends to utilize target leverage of 75% on a portfolio-wide basis, and enter into debt financing that does not cause the Fund to (i) incur any indebtedness for borrowed money (excluding any subscription-backed credit facility or other excluded leverage) to exceed 75% if such incurrence would cause the aggregate amount of the Fund’s indebtedness for borrowed money (including its pro rata share of such indebtedness of its subsidiaries) to exceed 75% of the greater of: (A) the fair value of the Fund’s investments and (B) the cost of the Fund’s investments or (ii) incur any indebtedness for borrowed money in respect of any single investment in excess of 75% of the greater of: (x) the fair value of such investment and (y) the cost of such investment.

Principal and interest payments on any leverage will be payable regardless of whether the Fund has sufficient cash available. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss.

The Fund’s failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on the Fund. Use of leverage will subject the Fund to risks normally associated with debt financing, including the risk that the Fund’s cash flow will be insufficient to meet required payments of principal and interest, the risk that indebtedness on the

investments will not be able to be refinanced, the risk that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness or the risk that the Fund will be unable to repay its debt at maturity and the lender could seize the Fund's assets. The Fund may incur indebtedness in which recourse is not limited to specific assets of the Fund and indebtedness which is collateralized by more than one Fund asset, creating a situation where the Fund's investment in performing assets could be adversely impacted when those performing assets have been cross-collateralized with assets that become non-performing. It is also possible that certain co-investors will not share in incurring leverage, and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements.

In addition, the Fund may incur indebtedness that may bear interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect the Fund. The Fund may in the future engage in transactions to limit its exposure to rising interest rates as it deems appropriate and cost effective, which transactions could expose the Fund to the risk that counterparties to such transactions may not perform and cause the Fund to lose the anticipated benefits therefrom, which would have the adverse effects associated with increases in market interest rates.

Moreover, the Fund cannot assure that it will be able to meet debt service obligations in general and, to the extent such obligations are not met, there is a risk of loss of some or all of the Fund's investments through foreclosure or a financial loss if the Fund is required to liquidate assets, the impact of which could be magnified if such a liquidation is at a commercially inopportune time.

Subscription Lines. The Fund generally is 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). 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 General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner's 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 partnership 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, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the Fund's limited partners and the terms of the Limited Partnership 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 Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make

contributions to the Fund, or results in short-term gains to the Fund, which in certain circumstances enhances the Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of the 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 the Fund's investment period, and cause or defer a related change in the basis of the Fund's Management Fee calculation under the Governing Documents.

A credit agreement or borrowing facility frequently will contain 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 General Partner's ability to consent to a Transfer 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 General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the 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 General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse AEREF for expenses incurred on behalf of the Fund. The Fund is also permitted to utilize Fund-level borrowing when the 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.

Subsidiary REIT. To the extent practicable, the General Partner will make investments through a Subsidiary entity that is taxable as a REIT (the "**Subsidiary REIT**"). The operating agreements of the Fund and the Subsidiary REIT, with certain exceptions, will authorize the General Partner to take such actions as are necessary and desirable to preserve the Subsidiary REIT's qualification as a REIT, including with respect to ownership rights applicable to REITs. Some of these restrictions are applied on a "look-through" basis to investors in the Fund and may have the effect of delaying, deferring or preventing the admission of new investors into the Fund or increases investments in the Fund by existing investors.

Potential Equity Ownership. In addition to preferred equity investments, the Fund may become the owner of real estate assets, including as the resolution of a defaulted debt investment. To the extent that the Fund becomes the owner of real estate assets engaged in real estate development, the Fund will subject to the risks normally associated with such activities, including without limitations, risks related to the maintenance of the Subsidiary REIT's qualification as a REIT.

Hedging Restrictions. The Subsidiary REIT's compliance with the REIT provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), may limit the Fund's ability to hedge its assets and operations. Under these provisions, any income that is generated from transactions intended to hedge the Fund's interest rate, inflation and/or currency risks will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges (1) interest rate risk on liabilities incurred to carry or acquire real estate, (2) risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75% or 95% gross income tests, or (3) in certain circumstances, an instrument described in (1) or (2), and, in each case, such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that does not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, the Fund may have to limit its use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than the Fund would otherwise incur.

Risks Relating to the Terms of the Partnership

Limited or No Operating History. The Fund is a recently formed entity and has no prior operating history upon which an investor can base its investment decision. Although the General Partner's Management Team has significant experience in the real estate business, the Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

Distributions. There can be no assurance that the operations of the Fund will be profitable, that the Fund will be able to avoid losses or that cash from the Fund's investments will be sufficient to enable the Fund to make distributions to the limited partners. The Fund will pay distributions to the limited partners from cash revenues, released reserves and other funds received by the Fund, including, without limitation, income and gain received from Fund investments and the return of capital, and funds received from third-party lenders to the extent the lender of such funds and the Fund intend that such funds be distributed to the limited partners.

The Fund may depend on payments it receives from its property owning subsidiaries in order to make distributions to limited partners. The timing of and the ability of certain subsidiaries to make payments may be limited by applicable laws, rules and regulations.

Reinvestment. During the investment period of the Fund ("**Investment Period**"), the Fund may, in the absolute discretion of the General Partner, retain for reinvestment amounts which, if distributed to the limited partners, would have represented a return of capital under the distribution waterfall described in Section 6.1 of the Limited Partnership Agreement. Alternatively, with notice to the limited partners, during the Investment Period the General Partner may cause the Fund to return some or all of such amount to the limited partners, in which case, to the extent so identified,

such amount returned to the limited partners will increase the unfunded Capital Commitments of the limited partners and be available to be drawn for Reinvestment during the Investment Period. The Fund may also call capital in anticipation of investments that ultimately do not occur, or for other purposes that do not result in the capital becoming a permanent source of funding for investments. The General Partner may, in its discretion, elect to return capital contributions to such limited partners; provided that such returned capital contributions shall be subject to recall by the General Partner and shall be added back as unpaid Capital Commitments. To the extent such recalled or retained amounts are reinvested in the Fund's investments, a limited partner will remain subject to investment and other risks associated with such investments.

Limited Partners' Strategic Asset Commitment. After a limited partner has made aggregate capital contributions to the Fund equal to the aggregate of such limited partner's Capital Commitment, in the event the Fund or any of its subsidiaries is required to pay for any necessary expenses related to protecting the value of an Investment of which the Fund is required to assume ownership and/or control, such limited partner may be required to make available, in addition to its Capital Commitment, capital contributions (each limited partner's "**Strategic Asset Commitment**") in an aggregate amount equal to fifteen percent (15%) of its aggregate Capital Commitment to enable the Fund to pay for such necessary expenses relating to stabilizing, repositioning or rehabilitating the investment of the Fund or any of its subsidiaries. Except for Strategic Asset Contributions, no limited partner will be obligated to make aggregate capital contributions to the Fund in excess of the aggregate of such limited partner's Capital Commitment.

Limited Partner Liability for Return of Distributions. Any limited partner's Capital Commitment is susceptible to risk of loss as a result of any liability of the Fund. If the Fund is otherwise unable to meet its obligations, including any indemnification obligations, limited partners may, subject to certain conditions under the terms of the Limited Partnership Agreement, be obligated to return distributions previously received by them. In addition, limited partners may be liable to return amounts wrongfully distributed to them, and may also be liable under applicable laws, including bankruptcy or insolvency laws, to return distributions made during the Fund's insolvency.

Appraisals and Valuations. Most of the Fund's investments will be highly illiquid and not readily marketable. The General Partner, therefore, will not have access to readily-ascertainable market prices when establishing valuations of the Fund's investments. While the General Partner will endeavor to determine and establish valuations of any of the Fund's equity investments, in accordance with valuation procedures and based on its estimate of the market values of such investments and underwriting principles it considers to be sound, as a result of the illiquidity of such investments, the General Partner and the Fund can provide no assurance that any given investment could be sold at a price equal to the market value ascribed to such investment in connection with the General Partner's valuation thereof. Similarly, an investment in a debt instrument, like an investment in real estate, is also subject to illiquidity.

Dilution from Subsequent Closings. Limited partners subscribing for Interests after the Initial Closing will participate in existing investments of the Fund, diluting the interest of existing limited partners therein. Although each such investor will be required to pay its allocable portion of Capital Contributions for investments completed after the Initial Closing but prior to such investor's

admission date (plus an additional amount at a rate of 5% per annum thereon, calculated from the date of the Initial Closing until the date of such subsequent closing to account for expenses and interest thereon), there can be no assurance that this payment will reflect the fair market value of the Fund's existing investments at the time such additional investors subscribe for Interests.

Lack of Liquidity of Interests; Investments Longer than Term. The Interests are subject to restrictions on transferability and resale under various securities laws and may not be transferred or resold except in compliance with those laws. There will be no public market for the Interests. Interests may not be transferred without the prior written approval of the General Partner (which may be withheld for any reason) and any lender to the extent required under any subscription line or other credit facility. In the event a request for a Transfer is approved by the General Partner, the transferor and transferee will, among other possible requirements, be required to represent to the Fund and/or the applicable Parallel Fund, Feeder Fund or Subsidiary (each, a "**Fund Entity**") in a form acceptable to the General Partner that the proposed Transfer does not violate any laws or regulations (including, without limitation, any securities laws) applicable to it. In addition, the General Partner may, in its sole discretion, impose certain limitations on the number of, and transfer restrictions on the Interests held by, limited partners from certain non-U.S. jurisdictions in the relevant Fund Entity in order to comply with the laws of such non-U.S. jurisdictions. Where unfunded Capital Commitments are being transferred, in addition to the requirements above, the General Partner must also be satisfied that the transferee has sufficient assets to satisfy the unfunded Capital Commitment and otherwise meets the limited partner suitability and other requirements established by the Fund. The transferor of Interests (whether being transferred compulsorily or voluntarily) has to bear all costs and expenses incurred by the relevant Fund Entity, the General Partner and their respective affiliates in connection with the relevant Transfer. The General Partner may impose certain conditions upon a transferor of Interests in the applicable Fund Entity, including but not limited to requirements that payments be made to the General Partner and/or the applicable Fund Entity.

The Fund may invest in investments that may not offer an opportunity to be disposed of prior to the expiration of the Fund's term. Although the General Partner expects that investments will either be disposed of prior to such time or otherwise be suitable for in-kind distribution with Advisory Board approval, upon the Fund's dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution, or may be unable to do so if such investments are not sufficiently liquid at such time.

Sale or Distribution of Investments on Liquidation of the Fund. If the Fund is liquidated, subject to market conditions and the overall status and size of the Fund, it could take up to one (1) year or longer to liquidate the Fund's investments. However, it may not be possible for the Fund to dispose advantageously of all investments prior to the end of the liquidation period. Although the General Partner expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. The General Partner (or any person or entity selected by the Advisory Board, as permitted under applicable law, to act as liquidating trustee in connection with the winding up of the affairs of the Fund or any Fund Entity thereof (the "**Liquidating Agent**")) will endeavor to sell all of the investments during the liquidation of the Fund. Upon dissolution of any Fund Entity, the expenses of liquidation

(including compensation for the services of the Liquidating Agent and legal and accounting fees and expenses) and such Fund Entity's liabilities and obligations to creditors (including obligations to limited partners thereof, if any) shall first be paid, or reasonable provisions shall be made for payment thereof, from cash on hand or from the liquidation of Fund Entity's assets. If any Fund Entity's liability is contingent, conditional or unmatured in amount, a reserve equal to the maximum amount to which the Fund Entity could reasonably be held liable shall be established. After payment or provision for payment of all expenses of liquidation and liabilities and obligations of such Fund Entity, the remaining assets of such Fund Entity (whether cash or securities) shall be distributed to the limited partners invested therein in accordance with their positive capital account balances.

Distribution of In-Kind Investments. Except as may be otherwise required by law, no distribution of property in kind by the Fund will be made except as approved by the Advisory Board (such distribution of property in kind will be valued by an independent appraiser selected by the General Partner and approved by the Advisory Board). Notwithstanding the foregoing, no in-kind distribution will be made to a "benefit plan investor" ("**Plan**") (as defined in the Limited Partnership Agreement) unless: (a) notice is given to such Plan limited partner at least ten (10) business days prior to the in-kind distribution date, and (b) the Plan limited partner does not deliver to the General Partner, at least five (5) business days prior to such distribution date, an opinion of counsel stating that receiving or holding such property by the Plan limited partner would result in a violation or other adverse circumstance under the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or the Code, as applicable. If such Plan limited partner provides the General Partner with such an opinion of counsel in a timely manner, then such Plan limited partner will be entitled to receive instead such other securities, property or cash of the Fund as the General Partner may determine in its discretion. There can be no guarantee or assurance as to the liquidity of such assets or the effect that the lack of liquidity could have on the value of such assets or such limited partners' return on their investment in the Fund. The General Partner, on behalf of a limited partner that receives a distribution of in-kind property in the form of proceeds of the disposition of such in-kind property, in accordance with the Limited Partnership Agreement, may not be able to dispose of such in-kind property at optimal prices. Consequently, limited partners who receive proceeds from the disposition of property otherwise distributable in-kind, in accordance with the Limited Partnership Agreement, may receive less value than they would have, had they received property in-kind instead. In addition, such distributions of in-kind assets may have adverse tax consequences that may not otherwise apply to an equivalent cash distribution.

Limited Partner Default. Although the General Partner believes that all limited partners will have the financial ability to satisfy their Capital Commitments, there can be no assurance that all Capital Commitments will be honored. The Fund may experience difficulty in making up for a shortfall from other sources should a limited partner fail for whatever reason to pay to the Fund sums requested by the General Partner in respect of its Capital Commitments. Other limited partners may be required to make additional capital contributions to replace such shortfall (up to the aggregate of their Capital Commitments and Strategic Asset Commitments), thereby reducing the diversification of their investments. Thus, a default by one or more limited partners could cause the Fund to lose investment opportunities due to the use of Capital Commitments to fund shortfalls. To the extent that some limited partners do not honor their Capital Commitments, the Fund may make drawdowns from the remaining limited partners, to a larger extent or earlier than it otherwise

would. In addition, to the extent a limited partner fails to fund a drawdown on its Capital Commitment, the Fund may, in certain circumstances, be forced to increase its leverage or breach its contractual obligations and may be subject to liability stemming from potential breach of contract and tort claims, including significant penalties that could have a material adverse impact on the returns to limited partners (including non-defaulting limited partners). Accordingly, any Default by one or more limited partners could have an adverse effect on the Fund, its assets and the interest of other limited partners. A limited partner who fails for any reason to pay any amounts when due in respect of its Capital Commitment or fund its portion of any fees or expenses required to be paid by such limited partner (“**Defaulting Partner**”) may be subject to the remedies specified in the Limited Partnership Agreement including, without limitation, payment of any Default expenses, and other significant financial consequences. In addition, with respect to the Fund, the General Partner may in its sole discretion: (i) prohibit a Defaulting Partner from participating in any future capital contributions with respect to its Capital Commitment; (ii) reduce a Defaulting Partner’s Interests to zero or by such other proportion as the General Partner may select in its discretion and reallocate the forfeited Interests among all limited partners other than the Defaulting Partner; (iii) cause the Defaulting Partner’s Interests to be sold or transferred, with the price to be paid in connection with any such acquisition to be an amount equal to (i) until at least fifty percent (50%) of the aggregate Capital Commitments have been called, twenty percent (20%) of the lesser of (x) the Estimated Value Capital Account (as defined in the Limited Partnership Agreement) of such Defaulting Partner and (y) the Capital Contribution of such Defaulting Partner, and (ii) thereafter, fifty percent (50%) of the lesser of (x) the Estimated Value Capital Account of such Defaulting Partner and (y) the Capital Contributions of such Defaulting Partner, in each case, if the entire Interest of the Defaulting Partner is being purchased, and a pro rata portion thereof if less than the entire Interest is being purchased (in accordance with, and subject to the requirements applicable to the Transfer of Interests discussed in Section 9.2 of the Limited Partnership Agreement); (iv) remove a Defaulting Partner’s right to vote on matters requiring the consent of limited partners; and/or (v) exercise any other remedy available under applicable law.

Restrictions on Transfer and Withdrawal of Interests. An investment in the Fund requires a long term commitment, with no certainty of return. The Interests have not been registered under the Securities Act of 1933, as amended (“**Securities Act**”), or any other applicable securities laws. There is no public market for the Interests and none is expected to develop. The Interests are subject to certain transfer restrictions and limited partners will have no right to cancel their Capital Commitments or make the Fund redeem their Interests, except in limited instances when necessary to comply with applicable laws or regulations. Consequently, limited partners will not be able to liquidate their investment in the Fund prior to the end of the Fund’s term. Therefore, Interests should only be acquired by investors able to commit their funds for an extended period of time.

Termination of Interests. Upon demand by the General Partner, a limited partner will withdraw all or a portion of its Interests, if the General Partner receives an opinion of counsel that the continued participation of such limited partner in the Fund could reasonably be expected to (i) result in a violation of the Securities Act or any comparable state law by the Fund; (ii) require the Fund to register as an investment company under the Investment Company Act; (iii) result in a termination of the Fund’s status as a partnership for tax purposes; or (iv) result in a violation of any law, rule or regulation by the Fund, the Fund, the General Partner, their respective officers, directors, employees, shareholders, partners, managers, members or any affiliate of any of the

foregoing. Such withdrawal will be effective on such date as the General Partner may designate. If any limited partner is so terminated, such limited partner will indemnify the Fund against any damages the Fund and/or such Fund Entity incurred as a result of the circumstances leading to the termination of such limited partner's Interests. To the extent such limited partner's Capital Commitment has not been fully drawn and the relevant Fund Entity or a subsidiary of the relevant Fund Entity has outstanding obligations under a subscription line, such limited partner may be required to make a contribution to the relevant Fund Entity in an amount equal to such limited partner's prorated share of such Fund Entity's or such subsidiary's outstanding obligations (including accrued interest thereon) under such subscription line (based on the ratio of such limited partner's unfunded Capital Commitment at such time to the aggregate unfunded Capital Commitments of all limited partners in such Fund Entity at such time), in consideration for the issuance by the relevant Fund Entity to such limited partner of an equivalent number of Interests in such Fund Entity based on the then-prevailing net asset value per Interest of such Fund Entity.

Limited Recourse against, and Indemnification of, the General Partner and the Advisory Board. The Limited Partnership Agreement and the Asset Management Agreement limit the circumstances under which the General Partner, the Advisory Board, and each of their respective affiliates, including their officers, partners, employees, shareholders, members, managers and other agents, and the members of the Advisory Board, can be held liable to the Fund and the limited partners. As a result, limited partners may have a more limited right of action in certain cases than they would have in the absence of such a limitation. To the maximum extent not prohibited by applicable law, the General Partner and its partners, shareholders, members, directors, officers, employees, affiliates, managers and other agents will not be liable to the Fund or the limited partners for acts or omissions performed in accordance with and pursuant to the Fund's Governing Documents, except to the extent that any losses or damages incurred by the Fund are attributable to such parties' fraud, bad faith, intentional misconduct or gross negligence. In addition, to the maximum extent not prohibited by applicable law, the Fund will indemnify the General Partner and its partners, shareholders, members, directors, officers, employees, affiliates and agents for liabilities, cost and expenses arising in connection with services to the Fund, except to the extent that any losses or damages incurred by the Fund are attributable to such parties' material breach of the Limited Partnership Agreement, gross negligence, willful misconduct or bad faith. Furthermore, to the maximum extent not prohibited by applicable law, each of the members of the Advisory Board will not be liable to the Fund or the limited partners for acts or omissions performed in accordance with and pursuant to the Fund's Governing Documents, except to the extent that any losses or damages incurred by the Fund are attributable to the applicable member's fraud, bad faith, intentional misconduct or gross negligence. To the maximum extent not prohibited by applicable law, the Fund will indemnify the members of the Advisory Board for liabilities, costs and expenses arising in connection with services to the Fund, except to the extent that any losses or damages incurred by the Fund are attributable to the applicable Advisory Board member's fraud, bad faith, intentional misconduct or gross negligence.

Lack of Control by Limited Partners. Limited partners will not have an opportunity to evaluate the investments made by the Fund or the terms of any particular investment. Limited partners will be relying on the ability of the General Partner, who will have wide latitude within the investment guidelines in determining the types of assets it may decide are proper investments for the Fund, to identify, consummate and manage investments. The business of the Fund will generally be

managed by the General Partner, and accordingly the General Partner will have significant discretion in managing the Fund's business. The rights and obligations of limited partners will be subject to the limitations set forth in the Limited Partnership Agreement and except for the rights specifically reserved to them by the Limited Partnership Agreement and applicable law, the limited partners will have no part in the management and control of the Fund. Accordingly, no person should purchase a limited partner's Interest unless such person is willing to entrust all aspects of the Fund's management to the General Partner.

Modifications. Some or all of the Fund, the General Partner and their respective affiliates may enter into side letters or other similar agreements without the approval of other limited partners, which would have the effect of establishing rights under, or altering or supplementing the terms of, the applicable Limited Partnership Agreement or subscription agreement with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) different notice periods, minimum investment amounts, or fees and expenses payable by limited partners, (ii) the extension of certain information rights or additional diligence, valuation or reporting rights to such limited partner, including, without limitation, to accommodate special regulatory or other circumstances of such limited partner, (iii) waiver or modification of certain confidentiality obligations of such limited partner, (iv) consent to certain Transfers by such limited partner or other exercises by the General Partner of their discretionary authority under the Limited Partnership Agreement in certain respects for the benefit of such limited partner, (v) restrictions on, or special rights of such limited partner with respect to the activities of the General Partner and its affiliates, (vi) additional obligations of, and restrictions on, the General Partner and the applicable Fund Entity with respect to the structuring of investments in light of the legal, tax and regulatory considerations of such limited partner, or (vii) other rights or terms in light of particular legal, regulatory, public policy or other characteristics of such limited partner. The terms of any such side letter or agreement will not be disclosed to other limited partners unless the General Partner, in its sole discretion, so determines or such disclosure is required by law. Any rights or terms so established in a side letter or other similar agreement with a limited partner will govern solely with respect to such limited partner.

Limited Access to Information. Limited partners' rights to information regarding the Fund, the General Partner or AEREF generally will be specified, and in many cases strictly limited, by the Fund's Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to 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 AEREF's control. Decisions by AEREF 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 AEREF and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on the Fund's 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 AEREF reserves the right to withhold certain information from investors subject to such laws for reasons relating to AEREF's public reputation, business strategy or other reasons.

Material, Non-Public Information; Other Regulatory Restrictions. As a result of the operations of AEREF and its affiliates, as well as in connection with officerships or directorships of AEREF personnel, AEREF frequently comes into possession of confidential or material, non-public information. AEREF and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by the Fund, 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 AEREF's internal policies and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent AEREF 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 investments owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to the Fund's acquisition of a portfolio investment may preclude other funds from making an attractive acquisition or require one or more other funds to sell all or a portion of certain portfolio investments owned by them.

As a result of any of the foregoing, the Fund may be adversely affected because of AEREF's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent the Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio investments on a timeline or in a manner deemed undesirable by AEREF or may limit the ability of one or more portfolio investments from conducting their intended business in whole or in part. Consequently, there can be no assurance that the Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

Conflicts of Interest. The General Partner and its affiliates engage in activities in the normal course of its businesses that may conflict with the interests of the Fund, and/or their respective investors. See "*CONFLICTS OF INTEREST*" below.

Legal and Regulatory Risks

Increased Regulatory Oversight. The activities of private funds and their managers have been

subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Fund's and/or the General Partner's exposure to potential liabilities and to legal, compliance and other related costs. The Fund may also be subject to regulatory inquiries concerning its investments. Increased regulatory oversight can also impose administrative burdens on the General Partner, including, without limitation, responding to investigations and implementing new policies and procedures.

The regulation of the U.S. and non-U.S. securities markets and investment funds has undergone substantial change in recent years and such change may continue. The effect of such new and future regulations on the Fund, while impossible to predict, could be substantial and adverse and may, directly or indirectly, subject the Fund to increased capital requirements, fees and expenses, as well as limits on the types of investors it may solicit.

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 AEREF and the Fund. 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 AEREF and its affiliates, the Fund and/or its 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.

Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during the existence of the Fund, may substantially impact the value of real properties securing the Fund's investments, may affect the ability of the Fund to pursue its investment strategies and/or may restrict or prevent the General Partner from continuing to perform services for the Fund in the manner currently contemplated and adversely impact the Fund.

Limited partners should understand that the Fund may be subject to new or additional regulatory constraints in the future. The General Partner and AEREF cannot address or anticipate every possible current or future regulation that may affect the Fund, the General Partner or their respective businesses. Such regulations may have a significant impact on the limited partners or the operations of the Fund, including, without limitation, restricting the types of investments the Fund may make, or requiring the Fund to disclose the identity of its limited partners or otherwise. The General Partner may, in its sole discretion, cause the Fund to be subject to such regulations if it believes that an investment or business activity is in the interest of the Fund, even if such regulations may have a detrimental effect on one or more limited partners. Prospective investors are encouraged to consult their own advisors regarding an investment in the Fund.

Investment Company Act of 1940. While the Fund has not and does not intend to register under the Investment Company Act, there can be no assurance that the Fund will not become subject to requirements of the Investment Company Act in the future, in which case the nature and performance of the Fund's investment portfolio could be materially adversely affected. If the Fund falls within the definition of "investment company" and fails to qualify for an exclusion from regulation as such, the Fund's ability to use leverage would be substantially reduced and it may be unable to conduct its business as described herein. Any such failure to qualify for an exemption or

exclusion from registration as an “investment company” under the Investment Company Act could have a material adverse effect on the Fund.

Compliance with the Americans with Disabilities Act and the Fair Housing Amendments Act. The Fund’s investments may incur costs complying with the Americans with Disabilities Act of 1990 (“ADA”) and similar laws (including but not limited to the Fair Housing Amendments Act of 1988 (“FHAA”) and the Rehabilitation Act of 1973). Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The FHAA requires apartment communities first occupied after March 13, 1991, to comply with design and construction requirements for disabled access. For property development projects receiving federal funds, the Rehabilitation Act of 1973 also has requirements regarding disabled access. Substantial costs incurred to comply with such laws, as well as fines or damages resulting from actual or alleged noncompliance with such laws, could adversely affect the performance of the Fund’s investments. The institution and enforcement of such laws could have the effect of increasing the expenses, and lowering the income or rate of return, as well as adversely affecting the value, of any of the properties securing the Fund’s investments.

Impact of Government Regulation. Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions, environmental protection and safety and other matters affecting the ownership, use and operation of real property. Regulations may be promulgated which could have the effect of restricting or curtailing certain usages of existing structures, or requiring that such structures be renovated or altered in some manner. The institution and enforcement of such regulations could have the effect of increasing the expenses, and lowering the income or rate of return, as well as adversely affecting the value, of any of the Fund’s Investments.

Adverse Treatment of Certain Limited Partners. The operation of the Fund and the tax consequences of an investment in the Fund are substantially affected by legal requirements, including those imposed by ERISA, the Code and regulations promulgated under each statute, and by the laws, including tax laws, of any other jurisdiction in which a Fund Entity may be organized, formed or incorporated. To ensure compliance with regulations and laws which affect one group of limited partners, the General Partner may, acting reasonably and in good faith, take actions or omit to take actions which ensure compliance with such regulations and laws. Such actions or omissions may have an adverse effect on certain limited partners.

Changes in Environmental Laws, Rules and Regulations. The Fund may be exposed to substantial risk of loss from environmental claims arising in respect of investments in real estate and real estate-related assets that have environmental problems, and the loss may exceed the value of such investments. Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with such contamination. Furthermore, changes in environmental laws or in the environmental condition of investments may create liabilities that did not exist at the time of acquisition of an investment and that could not have been foreseen. These laws typically impose clean-up responsibility and liability without

regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person. The owner of a site may also be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain U.S. federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs. In connection with its direct and/or indirect ownership and operation of real estate and real estate-related assets, the Fund may incur liability for such environmental costs.

In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of the properties securing the Fund's investments in order to comply with such regulations.

Cybersecurity Risk. The information and technology systems of AEREF may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches (*e.g.*, "hacking" or malicious software coding), usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although AEREF has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, AEREF may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in AEREF's, the General Partner's and/or the Fund's operations, potentially resulting in financial losses, interference with the ability to calculate fair market value, the inability to transact business, or a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to limited partners (and the beneficial owners of limited partners). Such a failure could subject AEREF, the General Partner, the Fund and/or their respective affiliates to legal claims and otherwise affect their business. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject AEREF, the General Partner and the Fund to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce personnel

of AEREF and its respective affiliates to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at AEREF or one of its service providers holding its financial or investor data, AEREF, its affiliates or the Fund may also be at risk of loss, despite efforts to prevent and mitigate such risks under AEREF's policies and practices.

While AEREF has established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Even if certain risks have been identified, the evolving nature of information and technology systems could result in such risks nevertheless affecting the Fund due to changed circumstances which are beyond the control of AEREF, the General Partner and the Fund. Furthermore, AEREF, the General Partner and the Fund cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Fund or the limited partners. The Fund and the limited partners could be negatively impacted as a result.

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “**Privacy Laws**”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of AEREF, the General Partner, the Fund and/or its portfolio investments, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for AEREF, the General Partner, the Fund and/or its 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 AEREF, the General Partner, the Fund and/or its portfolio investments.

Conflicts of Interest

There will be instances where the interests of the General Partner and its members and their respective affiliates conflict with the interests of the Fund and/or its limited partners. Certain potential conflicts of interest are discussed below.

The Fund. The Fund may be subject to certain conflicts of interest arising out of its relationship

with the General Partner and its affiliates. Certain provisions of the Limited Partnership Agreement are designed to protect the interests of the limited partners in situations where conflicts may exist, and the Advisory Board will be consulted on transactions involving material conflicts of interest, although these provisions do not eliminate such conflicts of interest.

The General Partner will attempt to resolve any conflicts of interest by exercising the good faith required of a fiduciary as required by the Advisers Act. The Fund believes that it generally will be able to resolve any conflicts on an equitable basis, although it is possible that potential conflicts may not be resolved in favor of the Fund.

AEREF 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.

Other Funds. In connection with managing investment funds, vehicles and accounts other than the Fund (collectively, “**Other Funds**”), certain members of the Management Team expect to spend a portion of their business time and attention pursuing investment opportunities for such Other Funds and other than on behalf of the Fund. The General Partner’s investment staff will continue to manage and monitor such Other Funds. The General Partner believes that the significant investment of the General Partner in the Fund, as well as the General Partner’s interest in and the structure of the Management Fee, operate to align, to some extent, the interest of the Management Team with the interest of the limited partners, although the General Partner and/or the Management Team have or may have economic interests in such Other Funds as well and receive management fees and carried interests relating to those interests. Such Other Funds that the Management Team may control or manage are expected to compete with the Fund or investments acquired by the Fund.

The General Partner, its members and their respective affiliates engage in a broad spectrum of real estate investment activities that are independent from, and are expected to from time to time conflict with, the real estate investment activities of the Fund. In particular, an affiliate of the General Partner currently advises three other real estate investment vehicles (A&E Real Estate Partnership, A&E Real Estate Partnership II, and A&E Real Estate Partnership III) as well as several co-investment vehicles related to Other Funds. Furthermore, the General Partner or one or more of its affiliates may serve as adviser or subadviser to one or more separate accounts and/or REITs or other commingled vehicles formed to pursue an investment strategy substantially similar to that of the Fund (“**Other Accounts**”).

A&E Real Estate Partnership, A&E Real Estate Partnership II, A&E Real Estate Partnership III and such Other Accounts are expected to acquire a separate and distinct portfolio of assets from the Fund’s assets and would not co-invest with the Fund in its investments. Accordingly, the investment performance of A&E Real Estate Partnership, A&E Real Estate Partnership II, A&E Real Estate Partnership III or an Other Account will differ from that of the Fund. Certain affiliates of the General Partner engage in transactions with, provide services to, invest in, advise, sponsor and/or act as investment manager to portfolio investments, investment vehicles and other persons or entities that have similar structures and investment objectives and policies to those of the Fund (including, in particular, certain existing debt funds that are expected to compete with the Fund for

investment opportunities and that may co-invest with the Fund in certain transactions).

In the future there might arise instances where the interests of the General Partner, its members and their respective affiliates conflict with the interests of the Fund and/or the limited partners. The General Partner and certain of its affiliates expect to organize and sponsor additional real estate investment funds that operate in the United States and international capital markets and it is possible that conflicts may arise between the interests of the Fund and such other funds. In addition, as a result of different investments, the existing and future business interests of the General Partner and its affiliates may compete with the interests of the Fund. Moreover, certain principals of the General Partner that serve as members of the investment committee for the Fund serve or contemplate serving in similar roles for additional investment funds to be organized by the General Partner. These principals may experience diversions of their attention and potential conflicts of interest in the event that the interests of the Fund run counter to the interests of other funds organized and managed by the General Partner.

From time to time, AEREF will be presented with investment opportunities that would be suitable not only for the Fund, but also for other funds and other investment vehicles operated by advisory affiliates of AEREF. In determining which investment vehicles should participate in such investment opportunities, AEREF and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the Governing Documents, AEREF is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of AEREF or an affiliate thereof in a portfolio investment also have the potential to raise the risk of using assets of a client of AEREF to support positions taken by other clients of AEREF or its affiliates.

Other Investments in Real Estate. The members and affiliates of the General Partner, including, but not limited to, the Key Persons, may have investments in real estate and real estate-related assets in which the Fund does not have an ownership interest, including real estate that competes with the properties securing the Fund's investments. Certain conflicts of interest may result from such investments. The interests of the General Partner's members and affiliates in such investments may conflict with the interests of the Fund in related investments at the time of origination or in the event of default or restructuring of the investment.

Other Personal Investments. AEREF 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. AEREF's principals and AEREF's investment staff will continue to manage and monitor such investments until their realization. Such other investments that AEREF principals expect from time to time to control or manage generally have the potential to compete with investments acquired by the Fund.

Diverse Limited Partner Group. The limited partners may include taxable and tax-exempt persons and entities and may include persons or entities organized in various jurisdictions. As a result, conflicts of interest are expected to arise in connection with decisions made by the General Partner that may be more beneficial for one type of limited partner than for another type of limited partner. In addition, the General Partner may make investments for the Fund that may have a

negative impact on other investments made by the limited partners in separate transactions. In selecting investments appropriate for the Fund, the General Partner will consider the investment objectives of the Fund as a whole, not the investment, tax or other objectives of any limited partner individually, but it is inevitable that such decisions may be more beneficial for some limited partners than others.

Transactions involving Affiliates of AEREF or the General Partner. The Fund may, from time to time, enter into services and other transactions described herein with the General Partner and its affiliates, which will require Advisory Board approval, as applicable, unless otherwise specified in the Limited Partnership Agreement. The General Partner will bring any transactions between the Fund and affiliates of the General Partner, other than any such transactions specified in the Limited Partnership Agreement, to the Advisory Board for review and approval.

AEREF generally exercises its discretion to recommend to the Fund or to a portfolio investment thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) AEREF or a related person of AEREF; (ii) an entity with which AEREF or its affiliates or current or former members of their personnel has a relationship or from which AEREF or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where AEREF personnel are seconded, or from which AEREF receives secondees; or (iii) certain limited partners or their affiliates. For example, AEREF expects to be presented with opportunities to receive financing and/or other services in connection with the Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects AEREF to conflicts of interest, because, although AEREF selects service providers that it believes are aligned with its operational strategies and will enhance portfolio investment performance and, relatedly, returns of the Fund, AEREF has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that AEREF, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund, AEREF, Other Funds and Other Accounts), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. AEREF will not necessarily seek out the lowest cost options when incurring (or causing the Fund or its portfolio investments to incur) such expenses. Although AEREF 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. Additionally, from time to time, AEREF expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside the Funds, and due to the nature of the service provider relationships, these persons have the potential to have information advantages relative to other investors or co-investors. In certain circumstances where AEREF commits or has committed to seek "market" or "arms-length" rates or terms, AEREF 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. AEREF 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 "arms-length." Consequently, AEREF 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,

geographies or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, AEREF 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. Whether or not AEREF has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, one of AEREF's principals (the "**Principal**") is the owner of a real estate brokerage firm (the "Brokerage Firm"). Representatives at the Brokerage Firm are expected to receive inbound leads on real estate debt investment opportunities, which it will present to AEREF on a non-exclusive basis, and AEREF will be given the opportunity to bid on such opportunities to the extent it deems them to be in the best interests of the Fund. The Brokerage Firm will earn fees to be paid by the borrowers (and generally not by AEREF or the Fund) in connection with such real estate debt investments. Any fee paid by a borrower is expected to impact the net operating income, profitability and available cash of the borrower and the related real estate that serves as collateral for the financing arrangement(s) in which the Fund invests. If the value of such collateral materially declines, it is expected that the value of the Fund's related investment(s) will also decline. AEREF is not required to invest in any real estate debt opportunities presented to it by the Brokerage Firm and will decide, in its sole discretion, whether to engage in such investments. The Brokerage Firm has a history of sourcing, and currently sources, investments for Other Funds sponsored by affiliates of the General Partner. The Brokerage Firm, in such capacity, typically acts as a mortgage broker and receives fees for securing or arranging mortgage and mezzanine financing for acquisitions and refinancings in connection with the Other Funds' investments, as well as for securing third-party equity as needed to close deals. This arrangement subjects AEREF to conflicts of interest, because, although AEREF selects service providers that it believes are aligned with its operational strategies and will enhance portfolio investment performance and, relatedly, returns of the Fund, AEREF has an incentive to rely solely on the Brokerage Firm to source its investments and, in turn, directly or indirectly monetarily benefit the Principal, his affiliates and employees. There is a possibility that AEREF, because of its and its affiliates' longstanding relationship with the Principal and the Brokerage Firm (as applicable), would rely solely on the Brokerage Firm to source its investments regardless of whether better pricing and/or quality of services could be obtained from other entities. As such, the Principal who owns the Brokerage Firm will not be allowed to vote on whether AEREF bids on, or invests in, opportunities presented to it by the Brokerage Firm.

Further, each mortgage originated by AEREF is expected to be serviced through Evergreen Servicing ("**Evergreen**"), an affiliate of AEREF. Evergreen will earn fees to be paid by the borrowers (and generally not by AEREF or the Fund) for its services, and such fees will not offset the Management Fee under the Governing Documents. As noted above, any fee paid by a borrower is expected to impact the net operating income, profitability and available cash of the borrower and the related real estate that serves as collateral for the financing arrangement(s) in which the Fund invests. If the value of such collateral materially declines, it is expected that the value of the Fund's related investment(s) will also decline. This arrangement subjects AEREF to conflicts of interest, because, although AEREF selects service providers that it believes are aligned with its operational strategies and will enhance portfolio investment performance and, relatedly, returns of

the Fund, AEREF has an incentive to rely solely on one of its affiliates to service mortgages it originates.

Management Fee Payable Regardless of Performance. Whether or not suitable investment opportunities are available to the Fund and regardless of whether the Fund experiences net losses in a particular year or over the term of the Fund, limited partners will be required to make payments to the Fund to cover AEREF's Management Fee and to reimburse AEREF for certain expenses.

Because there is a fixed investment period after which capital from investors in the Fund may only be drawn down in limited circumstances and because Management Fees are generally based upon capital invested by the Fund, this fee structure creates an incentive to deploy capital when AEREF may not otherwise have done so.

Supplemental Fees. Since AEREF or an affiliate thereof is permitted to retain certain Supplemental Fees (as described under "**Fees and Compensation**") in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio investment, but also have the potential to be charged on a flat-fee basis or based on another metric, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed or tangible work product generated on behalf of, or in respect of, the portfolio investment. In certain circumstances, regardless of whether a portfolio investment is undergoing financial stress, AEREF reserves the right to accrue, defer or forego payments of Supplemental Fees.

Allocation of Personnel. The principals and key professionals of the General Partner will allocate such time and attention as is deemed appropriate and necessary to carry out the operations of the Fund effectively. The General Partner's personnel will work on other projects and conflicts may therefore arise in the allocation of certain personnel and other resources.

Side Letters. AEREF and/or its affiliates reserve the right to enter into Side Letters with certain investors in the 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 AEREF's or the General Partner's compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's Advisory Board, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic, procedural and other terms, many of which will not be subject to the "most-favored nation" provisions of the Fund's Governing Documents.

AEREF 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 the Fund(s) or the timing thereof, the ability of a limited partner to provide sourcing or other services to AEREF, 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 AEREF, its affiliates and

personnel, or the Funds. Further, Side Letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Funds. Except where required by Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against the Fund, AEREF, the 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 AEREF to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's Advisory Board 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 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 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 AEREF 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 the Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the 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 the Fund.

Intangible Benefits. In connection with its services to the Fund and its investments, AEREF, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of AEREF's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, AEREF and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio investment (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**AEREF Information**"). In many cases, AEREF Information will include tools, procedures and resources developed by AEREF to organize or systematize AEREF Information for ongoing or future use. Although AEREF expects the Fund and its portfolio investments generally to benefit from AEREF's possession of AEREF Information, it is possible that any benefits will be experienced solely by Other Funds, Other

Accounts or portfolio investments (or by AEREF and its personnel) and not by the Fund or portfolio investment from which AEREF Information was originally received or derived. AEREF Information will be the sole intellectual property of AEREF and solely for the use of AEREF. AEREF reserves the right to use, share, license, sell or monetize AEREF Information, without offset to Management Fees, and the Fund or portfolio investment will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Fund or portfolio investments 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 investments, the Fund or limited partners; no such rewards will offset Management Fees.

Fund Liabilities. Although AEREF generally structures Funds to avoid circumstances in which one of the Funds will ultimately bear liability for all or part of the obligations of any other Funds or AEREF affiliate, in certain circumstances lenders and other market participants negotiate for the right to face only select fund entities, which may result in the Fund being solely liable for Other Funds’ share of the relevant obligation and/or joint and several liability among Funds. In such case, AEREF intends to cause the relevant Other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In other circumstances, lenders and other market participants are expected to seek “cross default” rights under which the Fund will be treated as in default under the relevant facility in the event of a default by another fund or an AEREF affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, the Fund’s limited partners could suffer adverse effects resulting from any default by any fund or an AEREF affiliate, whether or not related to the Fund in which such limited partners have invested.

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

Legal Representation. The Fund’s legal counsels also represent the General Partner and its affiliates, including other affiliated investment funds and investments, in a variety of matters. In connection with the organization or operation of the Fund, the Fund has not previously engaged, and it is not expected that the Fund will engage counsel separate from counsel to the General Partner and other AEREF entities. These law firms are not representing the limited partners in the Fund.

The General Partner and its affiliates have entered into arrangements with service providers that include fee discounts for services rendered to the General Partner and its affiliates. For example, certain law firms retained by the General Partner or one or more of its affiliates discount their legal fees based upon the type and volume of services provided to the General Partner or its affiliates. The cost of legal services paid by the Fund is separately negotiated and is not included in the negotiation or calculation of the General Partner's rate and, as a result, the fees that are charged to the Fund may reflect higher billing rates. In the event legal services are provided jointly to the General Partner or its affiliates and the Fund with respect to a particular matter, the Fund and the General Partner will each bear their pro-rata share of the cost of such services which may reflect the General Partner's discount or a higher rate, depending on the facts and circumstances of the particular engagement.

Other Conflicts. AEREF, its affiliates, and equity holders, officers, principals and employees of AEREF and its affiliates reserve the right to buy or sell securities or other instruments that AEREF has recommended to the Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for the Fund, but will not in such circumstances be required to share in or reimburse the 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 Governing Documents and any related policies and procedures set forth in AEREF's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the Fund. Employees and related persons of AEREF have, and are expected to continue to have, capital investments in or alongside the Fund, or in prospective portfolio investments directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

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

DISCIPLINARY INFORMATION

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

AEREF is affiliated with other A&E entities, including general partners and equivalent entities formed from time to time, and subject to the Advisers Act pursuant to AEREF's registration in accordance with SEC guidance. These entities operate as a single business together

with AEREF and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

AEREF is also affiliated with A&E Real Estate Management, LLC, JW Development Holdings, LLC, A&E Asset Management, LLC and Evergreen Servicing.

- As noted above, A&E Real Estate Management, LLC has been engaged by AEREF to provide certain real estate-related personnel and services to AEREF. A&E Real Estate Management, LLC provides property management, building and maintenance services to properties in which AEREF and its clients invest. For such services, the properties will pay a Property Management Fee to A&E Real Estate Management, LLC, in accordance with the Fund's Governing Documents.
- JW Development Holdings, LLC is expected to provide construction, redevelopment and remodeling services to properties in which AEREF and its clients invest. For such services, the properties will pay a Construction Management Fee to JW Development Holdings, LLC, in accordance with the Fund's Governing Documents.
- A&E Asset Management, LLC provides asset management services for asset-based fees, deploying capital on behalf of institutions, endowments, pension plans, and family offices, among other types of clients, through Other Funds and Other Accounts. Although such Other Funds and Other Accounts do not engage in any investment strategies that overlap with those of the Fund, it is expected that investors in such vehicles or arrangements will be allowed to invest in the Fund. See *"Conflicts of Interest – Other Funds"* for additional information.
- Evergreen Servicing services mortgages originated by AEREF in connection with Fund investments. Evergreen will earn fees to be paid by the borrowers (and generally not by AEREF or the Fund) for its services, and such fees will not offset the Management Fee under the Governing Documents. See *"Conflicts of Interest – Transactions involving Affiliates of AEREF or the General Partner"* for additional information.

Further, as noted above, one of AEREF's principals is the owner of a real estate brokerage firm – Estreich & Company (*i.e.*, the Brokerage Firm). Representatives at the Brokerage Firm are expected to receive inbound leads on real estate debt investment opportunities, which it will present to AEREF on a non-exclusive basis, and AEREF will be given the opportunity to bid on such opportunities to the extent it deems them to be in the best interests of the Fund. The Brokerage Firm will earn fees to be paid by the borrowers (and generally not by AEREF or the Fund) in connection with such real estate debt investments, and such fees will not offset the Management Fee under the Governing Documents. The Brokerage Firm has a history of sourcing, and currently sources, investments for Other Funds sponsored by affiliates of the General Partner. The Brokerage Firm, in such capacity, typically acts as a mortgage broker and receives fees for securing or arranging mortgage and mezzanine financing for acquisitions and refinancings in connection with the Other Funds' investments, as well as for securing third-party equity as needed to close deals. See *"Conflicts of Interest – Transactions involving Affiliates of AEREF or the General Partner"*

for additional information.

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

AEREF has adopted a Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of its principals and employees and addresses conflicts that arise from personal trading. The Code requires certain A&E personnel to report their personal securities transactions, prohibits or requires pre-clearance for directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits A&E personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the AEREF Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material, non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Christopher McCarthy, the AEREF Chief Compliance Officer, at (212) 721-5500. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

AEREF and its affiliated persons may come into possession, from time to time, of material, non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, AEREF and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of AEREF.

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

Principals and employees of AEREF and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio investments as a Fund. Co-invest opportunities generally are also expected to be presented to certain affiliates of AEREF, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio investment or through an intermediate entity in a portfolio investment’s structure. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

AEREF and its affiliates, principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and,

potentially, for family members, friends or others who do not invest in a Fund, as well as give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Funds, even though their investment objectives may be the same or similar. The Governing Documents and investment programs of certain Funds will generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds or be subject to limitations (*e.g.*, by time or percentage of capital deployed).

In borrowing on behalf of the Fund, AEREF 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 capital commitments (each, a "**Capital Commitment**"). 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 General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. The relevant General Partner generally will not participate in a Fund-level borrowing facility, and generally will not bear the related costs attributable thereto, including interest expenses or costs payable, in which case such amounts will be borne solely by the limited partners. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

AEREF will effect such borrowings consistent with the Fund's Governing Documents and in a manner it believes to be fair and equitable under the circumstances to the Fund.

BROKERAGE PRACTICES

AEREF focuses on private securities transactions and generally purchases and sells investments through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, AEREF reserves the right to distribute securities to investors in the Fund or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although AEREF 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 AEREF sells publicly traded securities for the Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by AEREF. In such event,

AEREF will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, AEREF reserves the right to consider a variety of factors, including: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker-dealer; AEREF's risk in positioning a block of securities; the quality, comprehensiveness and frequency of related services considered to be of value; and the competitiveness of commission rates in comparison with other broker-dealers.

AEREF 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 AEREF 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 AEREF 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 AEREF generally does not make use of such services at the current time and has not made use of such services since its inception.

In AEREF's private company securities transactions on behalf of the Funds, AEREF reserves the right to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund(s) and/or their portfolio investments. In determining to retain such parties, AEREF reserves the right to consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although AEREF generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

REVIEW OF ACCOUNTS

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

Each Fund generally will provide to its limited partners (i) annual GAAP audited financial statements, (ii) quarterly unaudited financial statements and capital account statements, and (iii) annual tax information necessary for each limited partner's tax return.

CLIENT REFERRALS AND OTHER COMPENSATION

AEREF and/or its affiliates intend to provide certain business or consulting services to investments in the Fund's portfolio and expect to receive compensation from these investments in connection with such services. These fees are in addition to Management Fees. See *"Fees and Compensation."*

AEREF 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 will be disclosed in the Fund's Form D. Any fees payable to any such placement agents generally will be borne by AEREF indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

CUSTODY

AEREF generally expects that it will be deemed to have "custody" (within the meaning of Advisers Act Rule 206(4)-2) of assets held in the name of one or more Funds, and intends to maintain such assets with the following qualified custodians:

Flagstar Bank, N.A.
565 Fifth Avenue
New York, NY 10017

INVESTMENT DISCRETION

AEREF has discretionary authority to manage investments on behalf of the Fund. As a general policy, AEREF does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, AEREF 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 the 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. AEREF assumes this authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of the Fund.

VOTING CLIENT SECURITIES

AEREF has adopted a Proxy Voting Policies and Procedures (the **"Proxy Policy"**) to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that AEREF votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. AEREF generally believes its interests are aligned with those of each of the Funds' investors, for example, through the principals' beneficial ownership interests in such Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict

of interest in voting proxies, the Proxy Policy provides that AEREF may address the conflict using several alternatives, including by seeking the approval or concurrence of the Fund's Advisory Board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Advisory Board is authorized to approve AEREF's vote in a particular solicitation. AEREF does not consider service on portfolio company boards by AEREF personnel or AEREF's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by AEREF when voting proxies on behalf of the Funds. Clients or investors that would like a copy of AEREF's complete Proxy Policy or information regarding how AEREF voted proxies for particular portfolio companies may contact Christopher McCarthy, the AEREF Chief Compliance Officer, at (212) 721-5500, and it will be provided at no charge.

FINANCIAL INFORMATION

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