

### **Supplemental figure titles and legends**

#### **Figure S1 GWAS and *APOE* genotype based subject selection and four brain cell type differentiation, Related to Figure 1.**

(A) PCA of 1000G reference ethnic background and *APOE* lines used in this study (black box, TCW lines), confirm all individuals were of European descent. Superpopulation code: AFR, African ancestry, AMR, American ancestry, EAS, East Asian ancestry, EUR, European ancestry, SAS, South Asian ancestry. Subpopulation codes are listed at <https://www.internationalgenome.org/>.

(B) *APOE* rs429358 and rs7412 allelic discrimination plot for the population lines (N=13).

- (C) *APOE* local haplotype (*APOE* $\pm$ 50kbp) of the population lines after haplotype phasing. *APOE4* SNP rs429358 (arrowhead) is indicated; rs56131196 and rs4420638 (dendrogram) out of 15 SNPs are specific to the *APOE* genotype.
- (D) Representative immunofluorescence images of iPSCs confirm expression of the pluripotency markers NANOG, OCT4, TRA1-60 and TRA-1-81.
- (E) FACS analysis of HPCs at day 10 of differentiation. The HPCs collected without sort and used for microglia differentiation are >98% CD43+ with 86.4% CD273a+, 90.3% CD41+ and 92.1% CD45+.
- (F) Whole transcriptome PCA (with percent variance contributed by PC1-3) of each cell type and each *APOE* genotype. MCCs, Mixed cortical cultures.
- (G) Hierarchical cluster analysis of hiPSC-derived cells compared to primary human brain cells (Zhang et al., 2016). A, astrocytes; B, BMECs; M, microglia; N, mixed cortical cultures; WC, whole cortex; O, oligodendrocytes; Mye, myeloid cells; Endo, endothelial cells; tp, temporal lobe; hippo, hippocampus; ctx, cortex.
- (H) Relative expression levels of cell type specific markers from TMM normalized counts of RNAseq data in the four CNS cell types by *APOE* genotype.
- (I) Cell type-specific marker expression by *APOE* genotype in the four cell types. One-tailed unpaired t-test, n.s., not significant.
- (J) Expression (percent positive) of known astrocyte markers in *APOE* astrocytes determined by flow cytometry. 2nd Ab, secondary antibody control.

**Figure S2 *APOE4* effects in microglia, astrocytes and mixed cortical cultures in population hiPSC model, Related to Figure 2.**

- (A) Percent variance explained by *APOE* genotype (A\_P\_O\_E), genetic risk score without *APOE* locus (GRSno*APOE*), sex, RIN and residuals which include sequencing batch, library preparation, etc. in microglia, astrocytes and astrocyte proportion in mixed cortical cultures.
- (B) Maximal TEER measured in *APOE3* and *APOE4* BMECs (N=13). One-tailed unpaired t-test, n.s., not significant.
- (C) Top canonical pathway analysis of Generic transcription pathway negatively enriched in *APOE4* microglia from fGSEA.
- (D) Molecular functions of Generic transcription pathway enriched in *APOE4* microglia.
- (E) Top canonical pathway analysis of Regulation of actin cytoskeleton negatively enriched in *APOE4* astrocytes from fGSEA.
- (F) Molecular functions of Regulation of actin cytoskeleton enriched in *APOE4* astrocytes.
- (G) Cell type proportion method validation on primary human brain cell types (Zhang et al., 2016) including neurons, astrocytes, microglia, endothelial cells and oligodendrocytes using DSA, PSEA, ssKL and PCA-based BRETIGIA.
- (H) Cell type proportion analysis of hiPSC-astrocytes, microglia and neurons by DSA, PSEA, ssKL and PCA-based BRETIGIA.
- (I) fGSEA of DEGs of *APOE4* vs. *APOE3* in mixed cortical culture before cell type proportion correction.
- (J) Functional pathway analysis of Core matrisome enriched in *APOE4* vs. *APOE3* in mixed cortical cultures after cell type proportion correction.

**Figure S3 *APOE4* effects in isogenic individuals revealing individual variability, Related to Figure 3.**

- (A) Whole transcriptome PCA (with percent variance contributed by PC1-3) of population and isogenic lines in each cell type.
- (B) Top significant genes in lipids (MEdarkcyan in WGCNA) and focal adhesion/endocytosis (MEsaddlebrown) in *APOE4* vs. *APOE3* or *APOE* KO vs. *APOE3* in population and isogenic astrocytes.
- (C-E) fGSEA of DEGs of *APOE4* vs. *APOE3* in each isogenic individual cell type, microglia (C), astrocytes (D) and mixed cortical cultures after astrocyte proportion correction (E).
- (F) Relative *APOE* expression in *APOE3* and *APOE4* for each isogenic individual by cell type, microglia, astrocytes and mixed cortical cultures with deconvoluted astrocytes (ast) and neurons (neu) from pooled isogenic individuals or for each isogenic individual. Each dot represents 3 combined replicates. rhat, differential expression value after cell type deconvolution.
- (G) *APOE* protein expression in *APOE* KO lines compared to control (Ctrl, *APOE3*) in isogenic astrocytes (Indiv1, 2) and sequence confirmation of indel in *APOE* KO lines (N=6). Each column in immunoblot images represents an independent CRISPR line.

(H) Clustering analysis (top 500 significant DEGs) of population, isogenic individuals of *APOE4* vs. *APOE3* or *APOE* KO vs. *APOE3* in microglia, astrocytes and mixed cortical cultures.

**Figure S4 *APOE4* and AD effects in brain-deconvoluted cell types, Related to Figure 4.**

- (A) Cell type proportion changes by *APOE* genotype in AD and control of different regions (BA10, 22, 36 and 44) of MSBB AD brain. See Table S7 for t-test statistics (p-values) of each comparison.
- (B) Number of overlapping genes between Matrisome and Matrisome associated in iPSC-mixed cortical cultures and different regions of MSBB AD brain.
- (C) Upregulated canonical pathways of DEGs in different regions of brain comparing various traits of AD phenotypes in *APOE3* carriers.
- (D) Relative *APOE* expression in each cell type, microglia (mic), astrocytes (ast), neurons (neu), endothelial cells (end) and oligodendrocytes (oli) after cell type deconvolution in *APOE4* vs. *APOE3* in AD, *APOE4* AD vs. *APOE3* controls and AD vs. control (demented vs. nondemented by CDR in Figure S4C) in *APOE3* of different regions of MSBB AD brain. rhat, differential expression value after cell type deconvolution.
- (E-L, R) fGSEA of DEGs of *APOE4* AD vs. *APOE3* control in astrocytes (E-H, R), microglia (I-L) after cell type deconvolution in various regions of MSSM and ROSMAP brains. PFC, prefrontal cortex; STG, superior temporal gyrus; PHG, parahippocampal gyrus; IFG, inferior frontal gyrus; DLPFC, dorsolateral prefrontal cortex.
- (M-Q) fGSEA of DEGs of *APOE4* vs. *APOE3* in neurons after cell type deconvolution in various regions of MSBB (M-P) and ROSMAP (Q) AD brain.

**Figure S5 Lipid metabolic dysfunction is specific to human *APOE4* glia, Related to Figure 5.**

- (A-D) The number of significant DEGs (FDR<0.1) of *APOE4* vs. *APOE3* (A), *ApoE* KO vs. *APOE3* (B), *ApoE* KO vs. *APOE4* (C) and *ApoE* KO vs. *ApoE* WT (D) comparisons in mMicroglia and mAstrocytes.
- (E) Homology conversion ratio of mouse to human DEGs in each different *APOE* genotype comparison in mMicroglia and mAstrocytes.
- (F-G) fGSEA of DEGs of *ApoE* KO vs. *APOE4* in mMicroglia (E) and mAstrocytes (F).
- (H-I) fGSEA of DEGs of *ApoE* KO vs. *ApoE* WT in mMicroglia (H) and mAstrocytes (I).
- (J) Gene lists of 1Mb range of the *APOE* locus (rs429358) generated (Kunkle et al., 2019). Red labeled genes are expressed both mouse and human microglia astrocytes.
- (K) Gene expression changes (Log2FC) near 1Mb *APOE* locus of *APOE4* vs. *APOE3* in hiPSC-derived population, isogenics and *APOE*-TR mouse microglia and astrocytes. NA, not expressed. \*, FDR<0.05, \*\*, FDR<0.01, \*\*\*, FDR<0.001.

**Figure S6 Decoupled lipid metabolism due to lysosomal free cholesterol sequestration in *APOE4* glia, Related to Figure 6.**

- (A) Average filipin levels in *APOE3* and *APOE4* fibroblasts of whole cells and lysosomal storage organelle, and relative *APOE* expression of *APOE3* and *APOE4* fibroblasts compared with *APOE3* astrocytes.
- (B) Relative *SREBP2* and *HMGCR* expression changes of isogenic *APOE3* and *APOE4* astrocytes.
- (C) Representative immunoblots of *SREBP2* and *HMGCR* in isogenic *APOE* astrocytes (N=12, 3 independent experiments).
- (D) Relative *SMPD1*, *NPC1* and *NPC2* expression (DESeq2 normalized counts) changes of isogenic *APOE3* and *APOE4* astrocytes.
- (E) Representative immunoblots and quantification of *LAMP1* in isogenic *APOE3* and *APOE4* microglia.
- (F) Relative *LAMP1* and *LAMP2* expression changes of isogenic *APOE3* and *APOE4* astrocytes.
- (G-H) Representative fluorescence and Imaris co-localization images of filipin and *LAMP1* masked by cell type specific markers for astrocytes (G) or microglia (H), and quantification of co-localized filipin in *LAMP1* in *APOE3* and *APOE4* AD hippocampal region of human brain. See Table S8 for patient phenotypes. N=200 cells from four individuals (50 cells per person) per genotype.
- (I) Relative *APOE* expression changes of by isogenic *APOE3* and *APOE4* astrocytes qRT-PCR and DESeq2 normalized counts.
- (J) Representative immunoblots of intracellular and secreted *APOE* in isogenic *APOE3* and *APOE4* astrocytes.
- (K) Relative *ABCA1* and *ABCA7* expression changes of isogenic *APOE* astrocytes.
- (L) Representative immunoblots of *ABCA1* in isogenic *APOE* astrocytes.
- (M) Relative *APOE* expression changes of isogenic microglia by DESeq2 normalized counts.
- (N-O) Representative immunoblot images *APOE* and *ABCA1* (N) and quantification (O) in isogenic *APOE*

microglia.

(P) Quantification of DHE retained signal in the cells normalized to *APOE3* cells at 0h. 0.5mg/ml DHE was chased from 0h to 24h. Data shown are average of three independent experiments, 20-30 images were acquired per image, and each dot represents an image.

(Q) Representative immunoblots of ABCA1 and APOE with vehicle control (Ctrl, DMSO), GW3965 (GW), T0903717 (T0) and 25-hydroxycholesterol (25HC) treatments in isogenic *APOE* astrocytes (N=6, 3 independent experiments).

(R) Relative ABCA1, APOE and SREBF2 expression changes of isogenic *APOE* astrocytes treated with vehicle control (Ctrl, DMSO), GW3965 (GW), T0903717 (T0) and 25-hydroxycholesterol (25HC).

(S) Representative immunoblots of ABCA1 and APOE in each treatment (DMSO, GW, T0) in isogenic *APOE* microglia (N=6, 3 independent experiments).

Each column in immunoblot images represents an independent CRISPR line per genotype.

\*, p<0.05, \*\*, p<0.01, \*\*\*, p<0.001, n.s., not significant, Error bar=SEM

### **Figure S7 Actin cytoskeleton defects and enriched chemokines/cytokines in *APOE4* astrocytes, Related to Figure 7.**

(A) Average cell size ( $\mu\text{m}$ ) of dissociated isogenic *APOE3* and *APOE4* cells measured during astrocyte differentiation (<day 25, day 25-40 and >day 40) (N=6, Indiv 1 and 2).

(B) Attached cell area on the surface measured by whole cell masks in isogenic *APOE* astrocytes with serum (S) and without serum (no serum, NS).

(C) Attached cell area on the surface in different initial seeding density (20-40,000 cells).

(D) Relative S100 $\beta$  area (percent area fraction) in different initial seeding density (20-40,000 cells) compared to NS of *APOE3* and 44 astrocytes, and representative images of cell area stained by S100 $\beta$  in *APOE* astrocytes (N=6).

(E) Expression changes (Log<sub>2</sub>FC) of AD risk genes involved in actin cytoskeleton in *APOE4* vs. *APOE3* isogenic astrocytes and microglia, and relative *NCKAP1L* expression level of *APOE4* vs. *APOE3* in isogenic astrocytes.

(F) Clustering heatmap for the 45-plex human panel 1 including chemokines, cytokines and growth factors in isogenic *APOE* astrocytes.

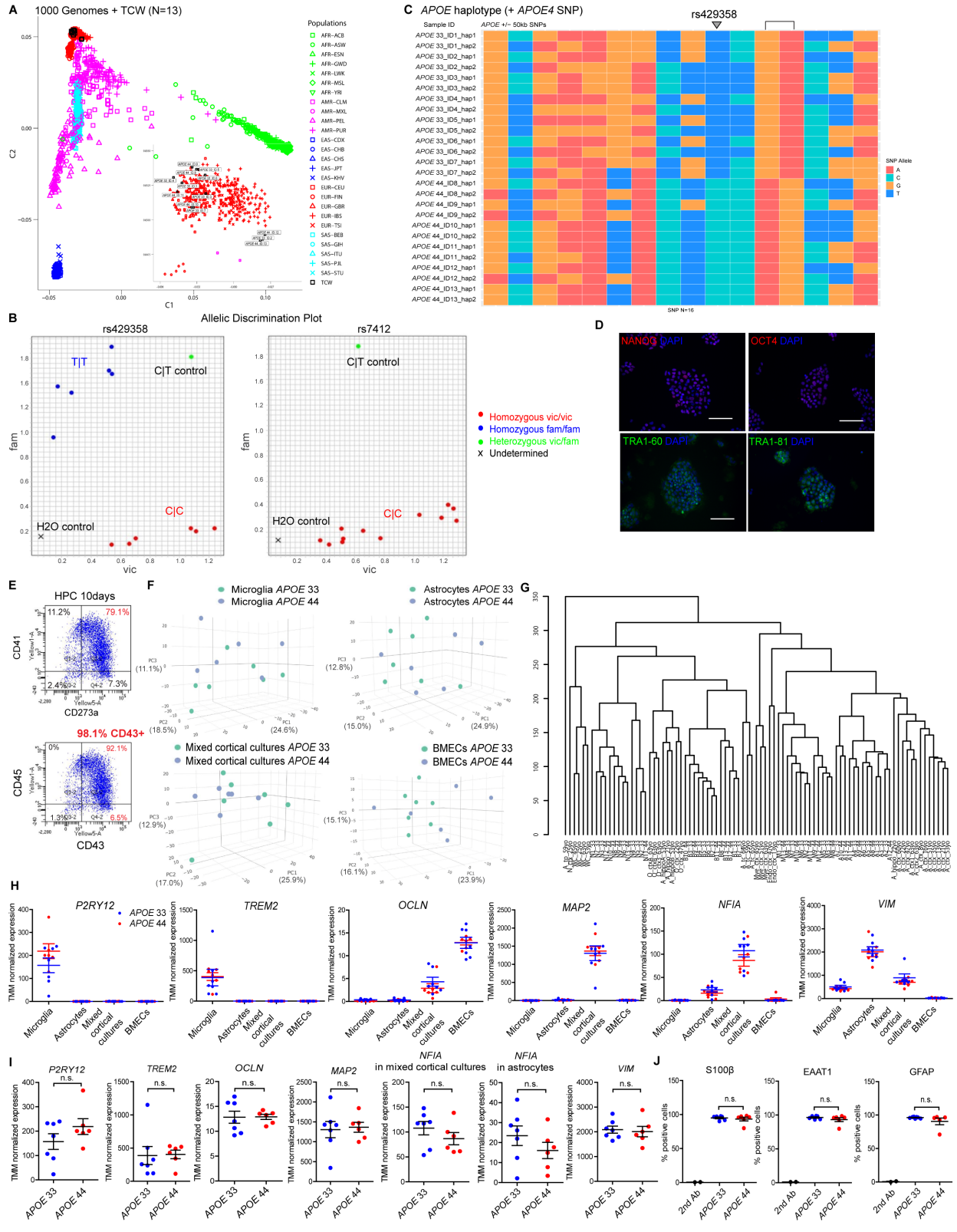
(G) Clustering heatmap for the top 24 differentially secreted proteins by *APOE* genotype. A\_isoE33, isogenic *APOE3* astrocytes, A\_isoE44, isogenic *APOE4* astrocytes. A-C and a-c are independent CRISPR lines. t-test is measured on the most significant sets of targets in Fig 7C. \*, p<0.05.

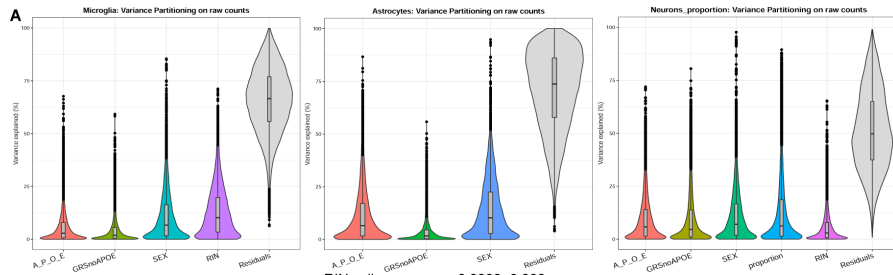
(H-J) Correlation coefficient analysis for the top 12 differentially secreted proteins in *APOE3* (H), *APOE4* (I) and all samples (J).

(K-M) Representative images and quantification (mean intensity per cell) of chemotaxis marker, CXCL10 (IP-10) expressions in *APOE3* and *APOE4* mixed cortical cultures (K), astrocyte ROIs in mixed cortical cultures (L) and pure astrocytes (M) (N=6, Indiv 1 and 2). t-test, \*, p<0.05, \*\*, p<0.01.

(N) Correlation analysis of hiPSC-astrocytes and deconvoluted astrocytes from mixed cortical cultures in isogenic lines and population lines.





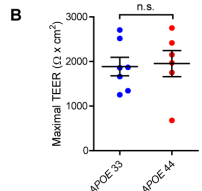


**C Microglia** Generic transcription pathway

Canonical pathway	p-value
Cell Cycle: G1/S Checkpoint Regulation	1.65E-03
Estrogen-mediated S-phase Entry	3.68E-03
FXR/RXR Activation	9.71E-03

**E Astrocytes** Regulation of actin cytoskeleton

Canonical pathway	p-value
Actin Cytoskeleton Signaling	2.68E-132
Integrin Signaling	3.92E-67
Rac Signaling	8.40E-65
Signaling by Rho Family GTPases	5.33E-58



**F Astrocytes**  
 Regulation of actin cytoskeleton:  
 decreased projection, phagocytosis, homeostasis and mitosis but increased cell death

