



ARLINGTON[®]
— FAMILY OFFICES —

ARLINGTON PARTNERS[®], LLC Form ADV, Part 2A

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Brochure Date: March 26, 2012

This brochure provides information about the qualifications and business practices of Arlington Partners[®]. If you have any questions about the contents of this brochure, please contact us at (205) 488-4300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority.

Additional information about Arlington Partners[®] is also available on the SEC's website at www.adviserinfo.sec.gov.

Any reference to or use of the terms "registered Investment adviser" or "registered," does not imply that Arlington Partners[®] or any person associated with Arlington Partners[®] has achieved a certain level of skill or training.

Summary

Arlington Family Offices[®] engages in the practice of family office services. We offer financial solutions to multigenerational families of significant net worth with the goal of providing clients with high quality advisory services in the best professional manner. To serve clients effectively, Arlington Family Offices[®] has three regulated structures:

Arlington Partners[®], LLC ("Arlington Partners"), a registered investment adviser
Arlington Trust Company[®], Inc. ("Arlington Trust"), a private trust company
Arlington Associates, LLC ("Arlington Associates"), a tax services firm

The focus of this brochure is on the services Arlington Partners performs as a registered investment adviser. We furnish this brochure to potential and existing clients to provide them with an understanding of the services Arlington Partners offers. Our brochure also discloses potential conflicts of interest and the experience and education of certain Arlington Partners personnel.

Arlington Partners offers clients Family Office and Co-Investment Services. Our Family Office Services provide integrated services to ultra-high net worth individuals, families, estates, trusts and charitable foundations. We combine and focus our resources to protect assets, control cost, and promote financial education, family governance and philanthropy. We offer Co-Investment Services to families that prefer to outsource their investment advisory services but do not wish to use the full scope of Arlington Partners[®] Family Office Services.

Arlington Partners also provides investment advisory services to privately placed pooled investments ("Funds"). Our Funds, organized as domestic limited partnerships or limited liability companies, provide eligible clients access to alternative investments.

Material Changes

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which requires us to provide clients a brochure and brochure supplement written in plain English. Pursuant to SEC rules, Arlington Partners updates this document annually, or more frequently in the event of certain material changes. Arlington Partners will ensure that you receive a summary of any material changes to this and following brochures within 120 days of the close of our business’ fiscal year to make sure you are aware of any material changes to the our business philosophies and practices. Material changes and certain disclosure may be provided more often.

This disclosure document, dated March 26, 2012, includes the material changes below since the last annual update on March 28, 2011. This section outlines and summarizes the specific changes made since the document’s previous update to disclose the following:

- (1) We revised our website in 2011 and welcome clients to visit us at www.arlingtonfamilyoffices.com.
- (2) We further detail our service offerings regarding hourly charges in our Fees and Compensation section. Please refer to the *Financial Services and Other Family Office Fees* on page 8.
- (3) Arlington Partners makes recommendations to invest in Funds that are managed by Arlington Partners or an affiliate. We revised our brochure to include the addition of two new Funds: Milo’s Holdings, LLC and Milo’s RE Holdings, LLC that are managed by PC1, LLC, an affiliate of Arlington Fund Manager. Please refer to pages 12 and 15.
- (4) We further clarify our *Methods of Analysis, Investment Strategies and Risk of Loss*. Please refer to pages 10-13.
- (5) Arlington-SG, LLC, a special purpose entity formed by Arlington Partners, completed its business purpose and dissolved on June 30, 2011.
- (6) RMB Holdings, LLC changed its name to NBC Holdings, LLC on November 14, 2011 by action with written consent of the Manager.

Clients may request additional copies of this brochure by contacting Mr. Kenneth H. Polk, Managing Member and CCO at (205) 488-4300. This brochure is also available on our website, <http://www.arlingtonfamilyoffices.com>. We will provide clients with a new brochure anytime, without charge.

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Brochure Supplement

Advisory Business

Background

Arlington Partners is a privately owned, limited liability company, headquartered in Birmingham, Alabama. Kenneth H. Polk founded the firm in 1998 to offer advice, resources and guidance to individuals and families seeking to grow human, intellectual, financial and social capital for succeeding generations. The firm is owned by Mr. Polk, Rhett C. Bennett and Greg P. Logan. Mr. Polk is the primary owner. Since inception, Arlington Partners has preserved this same focus and attracted talent to expand services to meet each client's unique and complex needs.

Over the last 14 years, we have united our disciplines and abilities to provide integrated advice and services to our families. This discipline requires objectivity, independence, teamwork and a strong network to provide solutions.

As of December 31, 2011, Arlington Partners managed \$1,179,175,968 on a discretionary basis and \$928,533,294 on a non-discretionary basis, for total assets under management of \$2,107,709,262.

Family Office Services

Arlington Partners serves as a family office for clients who choose not to manage their own family office. We offer Family Office Services in the areas of investment advisory services, financial services, tax services, trust services, human capital services, and charitable services. Additional information on our services is outlined below:

Investment advisory services – Arlington Partners gathers information regarding client goals, investment objectives, and risk tolerance through personal discussions with our clients. Each client's unique situation is taken into account to create and manage an investment portfolio. Within a client portfolio, Arlington Partners strategically allocates client assets among different asset classes. These may include equities, fixed income, mutual funds, exchange traded funds, hedge funds, private equity, venture capital, real estate, or other alternative investments depending on their suitability with each client's investment objectives and risk tolerance. During the account opening process, Arlington Partners will work with clients to accommodate reasonable, client-specific restrictions on any investment strategy. Arlington Partners offers investment advisory services on a discretionary or non-discretionary basis. A qualified custodian such as a bank, trust company, or broker dealer maintains client assets.

If at any time a client becomes uncomfortable with the chosen asset allocation or specific investments, or if their situation or goals change, it is the responsibility of the client to contact Arlington Partners to revisit the investment strategy and execution. Clients are also responsible for providing Arlington Partners with all relevant information on their financial condition and risk tolerance and should promptly contact us with any changes.

Financial services - Arlington Partners assists clients with creating a comprehensive financial plan that may include developing financial goals, cash flow management, income tax planning, education funding, insurance analysis, debt review, family company advisory, retirement planning, estate planning, bookkeeping, bill payment, and personal financial statements.

Tax services - Tax services are offered by Arlington Associates, an affiliate of Arlington Partners, and focus on serving the unique needs of family office clients. Services offered include tax compliance, management, risk management, and controversy resolution.

Trust services - Trust services are offered by Arlington Trust, an affiliate of Arlington Partners, which provides a discrete and private setting for Arlington Partners' clients to custody their assets and manage their complex estate plans.

Human capital services - Arlington Partners' human capital services focus on growing and developing succeeding generations within a family. Services can include financial literacy and education, heir preparation and development, family dynamics assessment, succession planning, and family governance. Focusing on the human capital within the family allows for family office sustainability.

Charitable services - Arlington Partners assists families with managing their charitable intentions. Services offered can include assistance with a family foundation or the use of Arlington Partners' internal donor advised foundation, the Arlington Partners Charitable Foundation, Inc. Arlington Partners assists with mission development, organizational planning, and software systems that enable efficient execution of foundation operations.

Co-Investment Services

Arlington Partners provides Co-Investment Services to clients who wish only to use the investment advisory services above without engaging in any other Family Office Services. We establish portfolios for Co-Investment clients that are consistent with their investment objectives and risk tolerance. The investment advisory services provided to Co-Investment clients are the same as the investment advisory services for family office clients.

Funds

Arlington Partners serves as investment adviser to private Funds and selects third-party managers to manage client assets. Arlington Partners' Funds give eligible clients the opportunity to pool their assets and invest with high quality, independent managers that they otherwise may not have access to. Funds are managed according to their own characteristics and are not tailored to any particular Fund investor ("Investor"). Each Investor must be an "accredited investor" or "qualified purchaser" (as defined in Rule 501, Regulation D under the Securities Act of 1933). Investments in these Funds involve additional risk. Therefore, investors should consider whether a Fund meets their investment objectives, liquidity needs, and risk tolerance before investing. Some Funds are illiquid and have no readily available market or sales price, and some Funds may only produce a return on capital invested when making distributions or when liquidating the investment entities themselves. The offering documents, including private placement memorandums, contain details about each Fund.

Wrap Fee Programs

Arlington Partners does not participate in wrap fee programs.

Fees and Compensation

Investment Advisory Services Fees

The Financial Services Agreement (“Agreement”) entered into by each client fully discloses the investment advisory fees. Arlington Partners charges investment advisory fees as a percentage of assets under management. Fees are payable quarterly, in advance, and are often deducted directly from the client’s account in line with standing instructions from the client. Some clients request to receive an invoice for fees rather than the fee being directly debited from their account.

Fees are calculated by applying the applicable advisory fee rate to the assets in each tier of the fee schedule in the client’s agreement. Asset values are calculated on the close of business on the last trading day of the previous calendar quarter.

Arlington’s standard investment advisory fee schedule is as follows:

Assets Under Management	Annual Fee
First \$50 million	0.75%
Over \$50 million	0.50%

Clients are subject to minimum annual fees. The minimum annual fee for Family Office services is \$250,000. The minimum annual fee for Co-Investment services is \$75,000. Investment advisory fees are negotiable. Some clients may pay higher or lower rates than those shown in the current fee schedule depending on the complexity and nature of the services provided and particular client circumstances. Existing investment advisory clients are subject to Arlington Partners’ minimum advisory fees in effect when entering the advisory relationship. Arlington Partners has the discretion to reduce or waive advisory fees for services provided to family members and friends. These rates are not available to all Arlington Partners investment advisory clients. Fees for special projects may vary from the stated schedule.

Tax Services Fees

Arlington Partners’ affiliated tax services firm, Arlington Associates, charges hourly fees on tax consulting, compliance, and preparation. Hourly charges may vary depending on the nature of work or scope of services, sophistication of the services provided, and professional level of personnel required. Typically, hourly charges range from \$90 to \$400 per hour.

Trust Services Fees

Fees on custody of assets, trust administration, and estate administration are charged by Arlington Partners’ affiliated trust company, Arlington Trust. Charges vary depending on the size of the asset base and the nature of work or scope of services performed. The current fee schedule is available on request.

Financial Services and Other Family Office Fees

Fees related to other Family Office Services outside investment advisory services, tax services, and trust services are charged on an annual fixed fee, hourly or project basis. Hourly charges may vary depending on the nature of work or scope of services, sophistication of the services provided, and professional level of personnel required. Typically, hourly charges range from \$90

to \$400 per hour. We determine fixed and project fees on a case-by-case basis depending on the number of households served, services used, and size of the asset base. All fees are agreed to in advance with the client. Annual fixed fees are payable quarterly, in advance, and project fees are payable per the specific terms of the project.

Funds and Other Securities Fees

All fees paid to Arlington Partners for investment advisory services are separate and distinct from the fees and expenses charged by the Funds and other securities including but not limited to management fees, incentive fees, private fund expenses, mutual fund sales charges and expenses, and commissions on trades charged by broker dealers. These fees and expenses are described in each Fund's prospectus or offering memorandum. The Brokerage Practices section of this document further describes the factors Arlington Partners considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Fees charged to some Funds are not readily apparent to investors. Although these fees are not paid to Arlington Partners, you need to be aware of them. For example, the Funds may invest in other privately offered pooled investments that in turn invest in underlying limited partnerships. The fees charged by an underlying pooled investment are incorporated in its net income, resulting in fees that may not be visible to Investors.

Investors should review fees charged by the Funds and other securities (some of which are earned by Arlington Partners or its affiliates) and fees charged by Arlington Partners for investment advisory services to fully understand the total amount of fees paid and to thereby evaluate the services provided.

Arlington Partners makes recommendations to invest in Funds managed by Arlington Partners or a related person. Therefore, management and performance fees associated with the Funds accrue to the benefit of the Members of Arlington Partners.

Out-of-Pocket Expenses

In addition to Arlington Partners fees, clients may be responsible for out-of-pocket expenses for reasonable and direct costs incurred on the client's behalf. These expenses may include but are not limited to travel costs, long-distance telephone charges, courier fees, and express delivery fees. Arlington Partners will provide clients with an invoice that details any such expenses.

Contract Termination

Either party can terminate financial services agreements without penalty at any time by providing 1) notification within five business days after the agreement's effective date; or 2) written notice delivered in accordance with the notice provisions of the Agreement. On termination, any prepaid, unearned fees due to Arlington Partners will be prorated to reflect partial periods and promptly refunded. Any earned, unpaid fees will be due and payable.

The private placement memorandum ("PPM") governs termination of investments in private Funds. Each Fund's PPM outlines the terms for liquidating an investment. It may be contractually impossible to promptly redeem these types of funds because of significant notice periods, lockups or holdbacks.

Performance-Based Fees and Side-By-Side Management

Performance based fee arrangements can create incentives for Arlington Partners to recommend investments that may be riskier than those we would recommend under a different fee arrangement. Such fee arrangements also create an incentive to favor accounts paying higher fees over other accounts when allocating investment opportunities. Arlington Partners has implemented procedures designed to ensure we treat all clients fairly and equally, and to prevent influencing allocation of investment opportunities among clients.

Occasionally, Arlington Partners may enter performance based fee arrangements with qualified clients. Performance based fee arrangements, if any, are subject to negotiation with each such client. Arlington Partners will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940, and according to available exemptions. When measuring clients' assets for the calculation of performance-based fees, Arlington Partners will include realized and unrealized capital gains and losses.

Types of Clients

Arlington Partners provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, businesses and private investment Funds.

Clients are subject to minimum account requirements. Arlington Partners requires a total family net worth of \$100 million or \$20 million per household for Family Office Services. An account minimum of \$10 million is required for Co-Investment Services.

Account minimums are negotiable, thus Arlington Partners may accept clients with smaller account balances depending on the complexity and nature of the services provided and particular client circumstances. Existing investment advisory clients are subject to Arlington Partners' minimum account requirements in effect when entering the advisory relationship.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

The investment advice Arlington Partners provides is primarily driven by each client's personal investment profile. This profile is based upon numerous factors including the client's investment objectives and goals, personal risk assessment, asset class preferences, investment horizon, liquidity needs, generational requirements, charitable desires, estate planning and tax considerations. We consider these client factors in light of the then current market landscape, including appropriate asset-classes, asset-class returns (historical and projected) and correlations, various asset-class risk metrics, and general global and domestic economic conditions. Our investment team incorporates all such client/investment/economic data points

and prepares an Investment Policy Statement and Asset Allocation Plan appropriate for each client's personal situation.

Our clients generally have multiple generations of family members, existing illiquid assets, complicated estate plans and numerous types of qualified and non-qualified accounts. We consider the location and nature of these various accounts and investments in developing an integrated plan for each client.

Critical to formulating our clients' investment framework, we believe:

- 1) "Value-driven" investment decisions may provide for a margin of safety that results in a lower probability of losing permanent capital, which may ultimately lead to long term wealth accumulation
- 2) Investment discipline structured around (a) *strategic* asset allocation that is focused on clients' long-term objectives and (b) *tactical* asset allocation that, from time to time, requires us to reduce overpriced assets and purchase underpriced assets, will naturally create a "buy low, sell high" framework to protect capital in down markets and reduce volatility.
- 3) Collectively pooling clients' capital for certain investment objectives provides advantages such as (a) diversification benefits; (b) greater manager access; and (c) tax-efficiencies.
- 4) Capital allocation, when appropriately allocated to both traditional and alternative investment strategies, has potential to produce more consistent and less volatile returns.
- 5) Allocating meaningful capital to highly qualified managers and ideas is better than over diversifying a portfolio.
- 6) It is unlikely that a single investment firm can internally employ the "best" talent to trade all types of securities and strategies; therefore, we seek out highly qualified independent third-party managers within each asset class to manage our clients' capital.

Arlington Partners' investment manager search, selection, evaluation, and monitoring services assist our clients in the identification of independent third-party managers that are consistent with the determined asset allocation plan for each client. Key factors we consider when evaluating third party managers are investment process, investment philosophy, risk management, historical performance, investment strategy and style, fees and operating expenses, manager longevity, fund size, and tax-efficiencies.

In evaluating investment managers, we also incorporate fundamental and technical analysis to validate and confirm a manager's investment style and skill, as well as compare them to other managers of similar style. We utilize various research databases, proprietary models, financial periodicals, prospectuses and filings with the SEC, industry contacts and manager data, among other items, as part of the research process.

If we believe that a particular manager is no longer suitable for clients, or that a different manager is more suitable for its clients' needs, then we will contract with a different manager.

Investment Strategies

When appropriate, Arlington Partners will recommend to clients investments in numerous asset classes and investment strategies, including, but not limited to, the following:

- **Cash:** short-term money market instruments, FDIC-insured certificates and US Treasury Bills, as well as other cash-equivalent holdings;
- **Fixed Income:** government, sovereign, corporate, municipal, agency, collateralized, domestic, international and other types of fixed income assets or multi-strategies, both investment-grade and non-investment-grade;
- **Global Equities:** common stock, preferred stock and real estate investment trusts of domestic and international companies, of various sectors, styles and sizes;
- **Hedge Funds:** private investment pools with sophisticated strategies that buy and sell equity and debt instruments, commodities and derivatives deemed appropriate and display characteristics intended to limit the Portfolio's downside risk profile;
- **Private Equity:** equity and debt of illiquid, privately-held companies;
- **Real Estate:** equity and debt in both public and private real estate across multiple property types; and
- **Commodities:** physical assets and derivatives of assets such as energy, precious metals, industrial metals, agriculture and currencies.

Arlington Partners may recommend to eligible advisory clients investments in private placement offerings or investment limited partnerships such as hedge funds and other pooled investment partnerships, including funds managed by Arlington Partners or an affiliate of Arlington Partners.

Arlington Partners' Funds focus on specific investment objectives falling into one of the following categories:

- **Global Equities:** Long-term capital appreciation of long-only global stocks. These funds (Arlington Private Value Fund, LLC and Arlington Global Value Fund, L.P.) are sub-advised by independent third-party managers.
- **Hedge Funds:** Long-term capital appreciation through value driven long/short, event driven and multi-strategy managers. The fund of hedge funds (Arlington Diversified Fund, LLC) is advised by Arlington with manager due diligence services performed internally as well as provided by an independent third party.
- **Real Estate & Private Equity:** Illiquid investments in small-cap buyouts, minority equity and debt positions, and/or real estate for which there is no readily available "market" or sales price. The funds (Arlington Private Equity Fund I, L.P.; Arlington Private Equity Fund II, LLC; Arlington Private Equity-Fund of Funds, LLC; Arlington Private Equity-Opportunity Fund, LLC; Arlington Opportunity Fund, LLC; Arlington Hospitality, LLC; APE Hotels Tuscaloosa, LLC; APE Hotels Hoover, LLC; APE Hotels Niceville, LLC; NBC Holdings, LLC; Milo's Holdings, LLC; Milo's RE Holdings, LLC) are advised or managed by Arlington Partners or an affiliate of Arlington Partners.

Additional information about the Funds and the fees related to the Funds is included in each Fund's offering documents, which we provide to eligible prospective investors.

Risk of Loss

All investments involve the risk of loss, including the loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk and general economic risk. Although we manage assets in a manner consistent with clients' risk tolerances, there can be no guarantee that these efforts will be successful. Clients should be prepared to bear the risk of loss.

Our investment approach constantly keeps the risk of loss in mind. Investors can face the following investment risks:

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market value to decline.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also known as exchange rate risk.
- **Investment Risk:** When you sell securities from your portfolio, they could be worth less than what you paid for them. As with any investment, you may lose some or all of your invested capital.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while Private Funds and real estate properties are not.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management. Arlington Partners and our management personnel have no reportable events to disclose.

Other Financial Industry Activities and Affiliations

To provide family office clients with convenient, private, and cost-effective services, Arlington Partners is affiliated with a bank and an accounting firm. Managing Members of Arlington Partners hold various financial interests in the following affiliations:

Arlington Trust

Arlington Trust is an Alabama chartered, non-depository bank based in Birmingham, Alabama with a branch office located in Concord, New Hampshire built to serve the family office clients of Arlington Partners. Arlington Trust provides a discrete and private setting for Arlington Partners' clients to custody their assets and manage their complex estate plans. Arlington Trust has sub-custodial arrangements with various depository institutions that keep physical custody of Arlington Trust client securities and funds.

The Managing Members of Arlington Partners hold a majority investment interest in Arlington Trust. Mr. Polk, a Managing Member of Arlington Partners, also serves as CEO, President, and Chairman of the Board of Arlington Trust. Mr. Bennett and Mr. Levant serve as investment professionals for both Arlington Partners and Arlington Trust. Arlington Partners receives a monthly management fee for oversight of Arlington Trust.

Arlington Partners recommends Arlington Trust to its investment advisory clients in need of custody, trustee or other services due to Arlington Trust's flexibility, competitive cost, and focus on controls, privacy and diligence. Most of Arlington Partners' clients use Arlington Trust for custody, trustee or cash management services. However, clients of Arlington Partners are under no obligation to use services provided by Arlington Trust. Fees charged by Arlington Trust can be more, or less, than fees charged by other custodians.

Because Members of Arlington Partners have an interest in Arlington Trust, fees earned by Arlington Trust will accrue to the benefit of such Members and thus create a conflict of interest in using Arlington Trust for Arlington Partners' clients. Clients may choose to use another custodian or fiduciary and retain Arlington Partners for their investments advisory services.

Arlington Associates

Arlington Associates is a tax services firm built to serve the unique needs of Arlington Partners' clients. Services offered include tax compliance and management, tax risk management, and tax controversy resolution.

Arlington Associates is wholly owned by Managing Members of Arlington Partners, thus fees earned by Arlington Associates accrue to the benefit of such Members. Arlington Associates may recommend Arlington Partners to tax clients in need of investment advisory services. Arlington Partners may recommend Arlington Associates to investment advisory clients in need of tax services. Tax services offered by Arlington Associates are separate and distinct from the investment advisory services of Arlington Partners and are provided for separate and typical compensation.

There is no obligation for investment advisory clients to use Arlington Associates for any tax services. There is no obligation for Arlington Associates tax clients to use investment advisory services provided by Arlington Partners. Arlington Associates' tax services do not include the authority to sign checks or disburse funds on behalf of any Arlington Partners investment advisory client. Arlington Partners may contract directly with Arlington Associates to provide tax services to an Arlington Partners investment advisory client. In such instances, Arlington Associates' fees will be paid directly by Arlington Partners.

Other Affiliations

Arlington Partners makes recommendations to invest in Funds that are managed by Arlington Partners or an affiliate. Thus, management and performance fees associated with the Funds accrue to the benefit of the Members of Arlington Partners. Such Funds include those described below.

- As well as owning Arlington Partners, Arlington Holdings, LLC also owns Arlington Fund Manager, LLC ("AFM") which serves as the Manager or General Partner to Arlington Diversified Fund, LLC; Arlington Global Value Fund, L.P.; Arlington Private Equity Fund I, L.P.; and Arlington Private Equity Fund, II, LLC.
- Arlington Private Equity Fund II, LLC invests through two wholly owned subsidiaries: Arlington PE Fund of Funds, LLC and Arlington PE Opportunity Fund, LLC. Arlington PE Opportunity Fund, LLC directly invests in Arlington Hospitality, LLC that invests directly or indirectly in APE Hotels Niceville, LLC; APE Hotels Tuscaloosa, LLC; and APE Hotels Hoover, LLC.
- AFM is also an owner of APV Fund Manager, LLC, which manages Arlington Private Value Fund, LLC.
- ATB Management, LLC ("ATB"), is an Alabama limited liability company formed by Managing Members of Arlington Partners. It manages NBC Holdings, LLC.
- AFM is also an owner of PC1, LLC ("PC1"), which manages Milo's Holdings, LLC and Milo's RE Holdings, LLC.

Arlington Holdings, LLC has a minority interest in Arlington Capital Advisers, LLC ("ACA"), which provides merger and acquisition consulting services to assist clients in the purchase or sale of a business. This service may be recommended to Arlington Partners clients for whom it is appropriate; however, no Arlington Partners client is obligated to use ACA or its services. The services provided by ACA are separate and distinct from the advisory services provided by Arlington Partners and are provided for separate compensation.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Arlington Partners has adopted a Code of Ethics ("Code") to address the securities-related conduct of our employees. It is our policy to establish such procedures and guidelines governing the conduct of our business to prevent actual or potential conflicts of interest with our clients and to prevent violations of securities laws.

In addition to the firm's fiduciary duty to our clients, which requires each employee to act solely for the benefit of the clients, employees also have a duty to act in the best interests of the firm. Therefore, it is in the best of interest of Arlington Partners to avoid potential conflicts of interest, or even the appearance of such conflicts, in the conduct of our officers and employees.

While it is impossible to define all situations that might pose a risk of securities laws violations or create conflicts, the Code is designed to address those circumstances where such concerns are most likely to arise. The Code sets out the basic principles to help guide the daily conduct of all supervised employees, with particular focus on employee personal trading.

The Code also includes protecting the confidentiality of client information and complying with ethical restraints relating to clients and their own accounts. Arlington Partners expects all Supervised Persons to comply with the spirit and letter of all applicable laws, regulations and Company policies. We expect employees to be sensitive to, and act appropriately in, situations that may give rise to actual as well as perceived conflicts of interest or violations of this Code.

The Code prohibits certain transactions by employees and requires pre-clearance on certain personal trades. It also reinforces the principals of fiduciary responsibility that our employees are to follow. The Code places de minimus limits on gifts given to and received from employees.

All employees must promptly report any violation of the Code to the Chief Compliance Officer. Violations of the Code may result in disciplinary action, including termination.

A copy of our Code is available to any client or prospective client upon written request to the Chief Compliance Officer at Arlington Partners' principal office address located on the front of this brochure.

Participation or Interest in Client Transactions

Participation in client transactions always involves real or perceived conflicts of interest. Arlington Partners acts as investment adviser to numerous clients. Arlington Partners may give advice and take action on any investment advisory accounts or Funds it manages that may differ from action taken by Arlington Partners for other investment advisory accounts or Funds. Arlington Partners or its related persons may invest client accounts in securities in which Arlington Partners or its related persons have a financial interest.

Personal Trading

Personal trading encompasses Arlington Partners' supervised persons (directors, officers, members and certain employees), some of whom are also clients or investors. Supervised persons may buy or sell securities for their personal accounts that are identical to or different from those recommended to clients. Supervised persons also may have an interest or position in certain securities that we also recommend to our clients, inclusive of our Funds.

If it is appropriate to buy or sell a security at the same time for both a client and a Supervised Person, combined orders may be placed. In such instances, if any order is not filled at the same price, the prices obtained will be allocated among accounts on an average basis. Placing combined orders is not required. There may be times when the sale or purchase of a security for a Supervised Person may precede, occur at the same time, or follow, the sale or purchase of a security for a client, subject to the overriding principle that the interests of clients must come before the interests of Arlington Partners or its Supervised Persons.

Arlington Partners has the following restrictions governing personal investment activities by Arlington Partners Supervised Persons:

- The interests of client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Supervised Persons must not take inappropriate advantage of their positions.

Arlington Partners requires employees (defined as access persons under the Investment Advisers Act) to submit certain reports regarding their personal investment accounts. Per Arlington Partners' policy, the Compliance Department receives and reviews duplicate account statements and trade confirmations for these employees. This includes trades and accounts in which they or their immediate family members have a beneficial interest. Employees must obtain pre-approval prior to investing in initial public offerings or private placements.

Brokerage Practices

Broker Selection & Best Execution

Best execution takes into account the net cost of a transaction in addition to other factors such as, but not limited to, the specific security being traded, the size of the transaction, the desired

timing of the trade, and the reputation of the broker or dealer. Best execution may not always yield the lowest commissions.

In most cases, Arlington Partners selects unaffiliated third-party managers to conduct the daily investment activities of client accounts. These managers typically determine the type and quantity of securities purchased and sold, the broker or dealer to be used, and the commission paid. Arlington Partners relies upon the fiduciary responsibility of each unaffiliated manager to review such charges on a regular basis to evaluate the reasonableness of commissions.

In the instances that Arlington Partners transacts securities for clients, Arlington Partners endeavors to select brokers or dealers that will provide best execution for client transactions.

Research and Other Soft Dollar Benefits

Arlington Partners does not participate in soft dollar arrangements. Additionally, Arlington Partners does not have commitments or understandings to trade with specific brokers or generate a specified level of brokerage commissions with a particular broker in exchange for research, brokerage or other such services.

Directed Brokerage & Aggregated Trades

Occasionally clients, when undertaking an advisory relationship, may already have a pre-established relationship with a broker or dealer and will instruct Arlington Partners to direct brokerage transactions through a particular broker or dealer for their account. Clients who make such a designation must do so in writing and should be aware that there may be brokerage and execution services available elsewhere at a lower cost. In such situations, Arlington Partners may not be able to negotiate commissions or obtain volume discounts, and best execution for those transactions may not be achieved. Therefore, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients.

Arlington Partners has adopted policies and practices to ensure trading practices are fair to all clients and that no client or account is advantaged or disadvantaged over any other. Arlington Partners trading policies forbid unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interest as well as resolve such conflicts in the client's favor.

Arlington Partners may choose, but is not required, to combine orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. Most trades are mutual funds where trade aggregation does not garner any client benefit.

Review of Accounts

Accounts are reviewed at least on an annual basis by a registered Investment Adviser Representative. During these reviews, a statement of holdings is provided and strategies for implementation of changes are discussed. Reviews that are more frequent may occur based on

client request, changes issued by the Investment Committee, portfolio values and client objectives, among other factors.

Arlington Partners provides written reports at least quarterly to Family Office and Co-Investment advisory clients that include portfolio performance, positions, values, transactions, and other information. Clients receive reports at least quarterly from the qualified custodians maintaining the client's accounts. Clients also have the option to receive confirmation of any transactions from broker-dealers.

Arlington Partners may allocate a portion of a client's entire portfolio to third party managers. Arlington Partners has an Investment Committee that reviews the performance of third-party managers on a regular basis.

Client Referrals and Other Compensation

Arlington Partners may occasionally enter solicitation agreements with others who may or may not be affiliated and compensate, either directly or indirectly, them for client referrals. Arlington Partners is aware of the special considerations under the Advisers Act. Accordingly, appropriate disclosures will be made, and Arlington Partners will preserve written agreements and records to comply with relevant federal and state rules.

Certain Managing Members of Arlington Partners, through Arlington Holdings, LLC or individually, have ownership interests in Arlington Trust, Arlington Associates, AFM, ACA, ATB and PC1 ("Related Entities"). As a result, fees earned by the Related Entities will accrue to the benefit of such Managing Members and thus create a conflict of interest. Clients of Arlington Partners, however, are under no obligation to utilize any of the Related Entities to retain Arlington Partners to provide its advisory services.

Custody

A "qualified custodian", such as a bank, trust company, or broker-dealer, holds client assets. Arlington Partners has a reasonable belief that the custodians holding its client assets provide at least quarterly account statements directly to those clients. Clients should carefully review these statements, and should compare these statements to any account information Arlington Partners provides. Clients should contact Arlington Partners or their custodian with any discrepancies or questions.

Investment Discretion

Arlington Partners provides investment advisory services on a discretionary or non-discretionary basis as designated by the client in their Agreement. For many of our clients, Arlington Partners has discretion over the selection and amount of securities purchased or sold in client accounts and the broker-dealer used, without obtaining prior consent or approval from the client. Any limitations that might be placed on Arlington Partners are "client specific" and, to the extent that they exist, are detailed in writing at the opening of the client's account. Clients must communicate any changes to these limitations to Arlington Partners in writing.

Voting Client Securities

Arlington Partners does not vote or proactively give advice to clients about how to vote proxies for securities held in their accounts. Clients retain all proxy voting rights and authority. For pension plans or other employee benefit plans governed by ERISA, the right and responsibility to vote proxies is reserved for the plan trustees or other plan fiduciary. If requested, Arlington Partners may provide assistance to a client, but the client always has the responsibility to make the voting decision and vote any proxies.

Arlington Partners does not advise or act on behalf of clients in legal proceedings, such as class action settlements, involving companies whose securities are held in a client's account. Clients may request Arlington Partners to send copies of class action notices to the client or a third party. In such instances, we will make commercially reasonable efforts to send these notices in a timely manner.

Financial Information

Arlington Partners has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.