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This brochure provides information about the qualifications and business practices of Arbor Investments Management, LLC (hereinafter “Arbor”, the “Firm” or “We”). If you have any questions about the contents of this brochure, please contact us at (312)-981-3770 or at info@arborpic.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Arbor is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Arbor is 157442.

Item 2. Material Changes

Pursuant to exemptions which are no longer available, Arbor was not required to register as an investment adviser with the Securities and Exchange Commission (“*SEC*”) prior to March 2012. This Firm Brochure, dated February 13, 2012, is our disclosure document prepared according to the SEC’s requirements and rules applicable to registered investment advisers. As you will see, this document is a narrative providing detailed information regarding our firm, its practices, fees, actual and potential conflicts of interest and key mitigating circumstances, policies and controls.

After our initial filing of this Brochure, this Item 2 will be used to provide our clients and/or Fund investors with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4. Advisory Business

Arbor Investments Management, LLC (hereinafter “**Arbor**”, the “**Firm**” or “**We**”) is an SEC-registered investment adviser with its principal place of business in Chicago, Illinois. Although Arbor is a registered investment adviser, registration itself does not require and should not be interpreted to imply any particular level of skill or training. Arbor was organized in 2006 and is indirectly owned by its principals, Gregory J. Purcell, CEO and Joseph P. Campolo, President, through Arbor Group, LLC. Many of the senior investment professionals of Arbor have extensive backgrounds in private equity/private debt investments and the food and beverage industry.

Arbor provides investment management services solely to private equity funds and their respective co-investment vehicles, parallel funds and alternative investment vehicles (hereinafter collectively, the “**Arbor Funds**” or the “**Funds**”). These funds include Arbor Private Investment Company, L.P., Arbor Investments II, L.P. (which includes its parallel fund, Arbor Investments II QP, L.P., and its alternative investment vehicles, Arbor Investments II AIV Fund, L.P. and Arbor Investments II AIV Fund QP, L.P.), Arbor Investments III, L.P. (which includes its parallel fund, Arbor Affiliates Fund III, L.P.).

Unlike other types of private funds, such as hedge funds, private equity and private debt funds receive unfunded capital commitments from investors during one or more initial fundraising stages, after which the funds are generally closed to new investors. The fund manager will then call on investors to make capital infusions (each a “**capital call**”), based on their commitments, to support the fund’s investments once those investments have been identified and fully vetted through an extensive due diligence and negotiation process. Investments made for the Arbor Funds are generally, but not exclusively, in private, illiquid securities.

Arbor specializes in managing private fund investments primarily in the food and beverage industries. Several of the senior investment professionals of Arbor have served as senior executives, entrepreneurs, investors and advisors to many of the world’s leading food and beverage companies. Our specialization enables us to play a decisive role in portfolio company management and operations while maintaining perspective on valuations, financing parameters and exit/liquidation potential. For each Arbor Fund, Arbor performs in-depth due diligence regarding proposed investments, structures and evaluates platform acquisitions and add-on acquisitions to portfolio companies, works closely with portfolio company management to provide strategic operating and financial advice, examines and implements succession planning, and identifies multiple exit options prior to an initial investment.

INVESTMENTS IN FUNDS:

The general partner of each Fund (as applicable, the “**General Partner**”) is affiliated with Arbor through common ownership and control as well as shared executive officers. Each General Partner and the principals and certain investment professionals of Arbor generally participate in the Fund’s investments by investing assets directly in the Fund (through limited partner interests) or indirectly through investments in the General Partner, which in turn, invests in the Fund. A portion of this participation may be

affected through a waiver and reduction of the Management Fee (as defined below) otherwise payable to Arbor.

CO-INVESTMENTS:

Arbor may make co-investment opportunities of any Fund available to the limited partners of such Fund as appropriate and in the best interest of such Fund. Allocation of such opportunities creates a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, Arbor must determine which investors will be given the opportunity to co-invest and which will not. To address this conflict, we have adopted policies and procedures designed to ensure that Arbor does not favor certain investors over others, that investors are provided with appropriate disclosures regarding the conflicts of interest inherent in co-investing and that all investors are treated fairly with respect to co-investment opportunities. Investors should note, however, that Arbor's allocation of co-investment opportunities is primarily driven by prior arrangements. For example, Arbor will generally give priority to limited partners that had negotiated, at the time of their original capital commitment to the corresponding Fund, side letters requiring that Arbor provide them any co-investment opportunities that become available. In addition, co-investment opportunities may be allocated to third party investors that are part of a consortium for the particular deal as a way for Arbor to complete a deal. Finally, although limited partners are not typically a source of investment opportunities, when applicable, Arbor will generally give priority with respect to co-investment opportunities to any limited partner that brought an opportunity to Arbor's attention.

WRITE-OFFS:

As disclosed in Item 6 below, following the investment period of a Fund, Management Fees paid to Arbor are calculated based on funded Capital Commitments that remain invested in portfolio companies less write-offs, defined as significant and permanent declines in value. In accordance with the respective Fund's limited partnership agreement, for purposes of computing the quarterly Management Fee payable to Arbor, these assets are typically valued at cost minus write-offs, as appropriate. Investments are reviewed quarterly by Arbor's investment professionals for significant and permanent impairment. As a result of this fee calculation methodology, a conflict of interest is created whereby Arbor may have an incentive to not reduce (i.e., make write-offs to) valuations of portfolio companies as may otherwise be dictated by available market data and prudent fair valuation techniques. To address this conflict, we have adopted detailed Valuation Policies and Procedures which are reviewed on a periodic basis by Arbor's Chief Financial Officer. The respective advisory committee of each Fund, comprised of representatives of certain limited partners of such Fund, reviews the General Partner's valuations of investments of such Fund and may object to any valuation and cause an independent valuation expert to determine such valuation. Any write-offs are communicated to the respective Fund's investors on a quarterly basis. In addition, our portfolio company valuations are reviewed in connection with the annual audit of each Fund by an independent certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board (PCAOB), and a copy of the audited financials are sent to each of the Funds' investors within 120 days of such Fund's fiscal year end.

LOCK-UPS:

Except as set forth in the respective Fund's limited partnership agreement, an investor in any of the Funds generally may not rescind any part of its capital commitment or otherwise withdraw from any of the Funds. Private equity fund investing is appropriate only for those with sufficient resources to have capital locked up for long periods of time and who are able to bear the risk of significant losses.

Investors in each Fund should refer to the respective Fund's limited partnership agreements for complete information regarding lock-ups and penalties or other consequences for failure to fulfill capital calls made by the Fund.

ORGANIZATIONAL EXPENSES:

In accordance with the terms of each Fund's offering documents, each Fund is responsible for paying its own organizational expenses (which may vary) from the aggregate capital contributions of the Fund. Investors in any new Fund launched by Arbor should refer to the corresponding offering document for such Fund which contains information regarding the amount of organizational expenses that will be incurred by the Fund. No Fund will be responsible for or otherwise incur any percentage of the organizational expenses of any other of the Funds. Additionally, each of the Funds is responsible for payment of certain expenses incurred in conducting the operating, investment and financial reporting activities of such Fund, including: financial statement preparation expenses, legal expenses, tax preparation fees, and insurance premiums.

SIDE LETTERS:

Arbor or the applicable General Partner, as appropriate, has and may in the future, waive or modify certain terms of investment for certain large or strategic investors in side letters or otherwise, in its sole discretion, including but not limited to, co-investment opportunities, increased Fund and portfolio company transparency and more frequent or varied formats or modes of portfolio reporting. We have never entered into side letters in which we or any General Partner has waived or lowered the management fees or carried interest payable to the General Partner.

IMPORTANT ADDITIONAL CONSIDERATIONS:

The information provided herein merely summarizes the detailed information provided in each Fund's offering and organizational documents. Each of the existing Funds is closed and does not admit new investors. Existing investors in the Funds and prospective investors in any new Fund launched by Arbor should be aware of the substantial risks associated with investment as well as the terms applicable to such investment. These risk factors and other detailed information is provided in the respective Fund offering documents and limited partnership agreements.

None of the Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. We manage each Fund on a discretionary basis in accordance with the terms and conditions of such Fund's offering documents and limited partnership agreements.

ASSETS:

As of December 31, 2011 Arbor had \$650,000,000 in discretionary assets under management. Arbor does not manage any assets on a non-discretionary basis.

Item 5. Management Fees, Organizational Expenses and Compensation

For our services to the Funds, we charge an asset management fee (the “*Management Fee*”) which includes a fixed fee for an initial period, a reduction in the fee for the subsequent fee, and a management fee offset for transaction and other fees, and we are entitled to reimbursement for organizational expenses of each Fund. These fees and expenses are described below. With respect to our services to co-investment vehicles, we may charge asset management fees which vary depending upon the particular investment, and if any such fee is charged, the fee is calculated as percentage (that varies among co-investment vehicles between 1% and 3%) of the aggregate capital contributions of the co-investors to such investment, which varies among co-investment vehicles between an annual fee payable over the term of such investment or a one-time fee payable in a lump sum at the closing of such investment. In addition, the respective General Partner, an affiliate of Arbor through common ownership and control, will be entitled to receive carried interest distributions from each Fund, a form of performance-based compensation, as described below.

INITIAL:

Subject to the respective limited partnership agreement of each Arbor Fund, the Fund pays Arbor an annual fee, as compensation for managing the affairs of the Fund, equal to a percentage (that varies among the Funds between 2.0% and 2.5%) of the aggregate capital commitments of the limited partners of the Fund (other than affiliates of the General Partner). The Management Fee is paid in advance on a quarterly basis until the final distribution of the Partnership’s assets, as stated in the respective Fund’s limited partnership agreement.

REDUCTION:

Effective upon the termination or expiration of the Fund’s investment period or certain other circumstances specified in the respective Fund’s limited partnership agreement, the Management Fee is reduced to an annual amount equal to a percentage (that varies among the Funds between 2.0% and 2.5%) of the aggregate capital contributions of the limited partners used to make unrealized investments of the Fund.

MANAGEMENT FEE OFFSET:

The Management Fee is reduced by any Excess Organizational Expenses (as defined below) or placement fees paid or reimbursed by the Fund. In addition, to the extent that Arbor or its affiliates or employees receive any directors’ fees, consulting or advisory fees, monitoring fees, transaction fees or break-up fees from portfolio companies, a percentage of all such fees are applied to reduce the Management Fee. Generally, Arbor applies (i) 100% of any breakup fees and directors’ fees and (ii) a percentage (that varies among the Funds between 50% and 100%) of any transaction fees and monitoring fees to reduce the Management Fee.

In the event that the amount of such fees applied against the Management Fee exceeds the Management Fee for any applicable period, such excess is carried forward to reduce the Management Fee payable in following periods. If any Fund and an existing or subsequent investment fund (including any parallel fund) formed by the applicable General Partner have co-invested in a portfolio company, any such fees will be allocated between that Fund and such other funds in proportion to the cost of securities in such portfolio company held by each or in such other manner as the General Partner and the governing bodies of such other Funds may mutually agree.

PARTIAL PERIOD:

Installments of the Management Fee payable for any period other than a full twelve-month period shall be adjusted on a pro rata basis according to the actual number of days in such period.

REDUCED MANAGEMENT FEE:

100% of the Management Fee is allocated to the partners of each Fund (other than the General Partner and its affiliates) ratably in accordance with their respective capital commitments to such Fund.

ORGANIZATIONAL EXPENSES:

Each of the Funds pays or reimburses the applicable General Partner for all organizational expenses of such Fund, subject to a maximum amount specified in such Fund's limited partnership agreement. Organizational expenses in excess of such maximum amount ("*Excess Organizational Expenses*") are applied to reduce the Management Fee payable by the applicable Fund.

GENERAL INFORMATION:

INVESTMENT IN THE FUNDS:

Each General Partner is affiliated with Arbor through common ownership and control, as well as shared executive officers. Each General Partner will participate in the respective Fund's investments by investing assets directly in the Fund (through limited partner interests) or indirectly through investments in such General Partner, which in turn, invests in the Fund. A portion of this participation may be affected through a reduction of the Management Fee payable to Arbor.

OTHER FEES AND EXPENSES:

In accordance with the terms of each Fund's offering documents, each Fund is responsible for its own organizational expenses up to a disclosed amount (less than 1% of committed capital). Investors in any new Fund launched by Arbor should refer to the offering documents for such Fund for information regarding the amount of organizational expenses that may be incurred by such Fund. No Fund will be responsible for or otherwise incur any percentage of the organizational expenses of any other of the Funds.

In addition to fees paid to our Firm and affiliates, as appropriate, a portfolio company in which a Fund invests may also be responsible for fees for structuring and negotiating

transactions (transaction fees) and expenses incurred in the acquisition or sale of portfolio companies, as well as follow-on and other investments made by the Funds. In accordance with the terms of each Fund's offering documents, Arbor will offset its Management Fee for a percentage of any such Transaction Fees earned by us or our affiliates as specified in the respective Fund's limited partnership agreement and described above. Please refer to Items 10 and 12 of this brochure for additional information.

Arbor investment professionals are frequently appointed as directors to portfolio companies in which an Arbor Fund has a controlling interest. Arbor investment professionals closely monitor the business activities of the portfolio companies of each Fund and frequently provide management with strategic advice and access to industry resources. As compensation for this service, Arbor charges annual monitoring fees to many of its portfolio companies.

GENERAL:

Prospective investors should refer to the appropriate offering and organizational documents of each Fund for additional important information, terms, conditions and risks involved with investing in the applicable Fund(s).

Item 6. Performance-Based Fees and Side-By-Side Management

As disclosed in Item 5 of this Brochure, the General Partner, an affiliate of Arbor through common ownership and control, will be entitled to receive carried interest distributions, which is a form of performance-based compensation structured as a profits interest. Such a performance-based profits interest is calculated based on a share of aggregate realized profits on assets of the Fund (subject to achieving a preferred return on invested capital as set forth in the applicable Fund's offering documents).

Investors in the Funds, and prospective investors in any new Fund launched by Arbor, should note that a performance-based profits interest, in some contexts, may create an incentive for an adviser such as Arbor to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. However, the long term nature of private equity fund investing mitigates such risk because the carried interest is calculated on the basis of realized, but not unrealized, gains, leading Arbor to focus on fundamentals when making platform investments and add-on acquisitions for the Funds. In addition, the General Partner, through its own investments in the Funds, also puts its own capital at risk.

At this time, we do not offer advisory services to clients who do not pay performance-based compensation in the form of a profits interest to the General Partner, and therefore, we do not have an incentive to favor performance-based fee accounts over non-performance-based fee accounts. However, within this compensation arrangement, we could have a theoretical incentive to favor a Fund paying higher aggregate performance-based compensation than another Fund paying less or another Fund in which officers and employees of Arbor and General Partner may have more of their personal assets invested. Since we endeavor at all times to put the interests of the Funds and our Fund investors

first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to investors and prospective investors the existence of material conflicts of interest, including the potential for Arbor and its employees to earn more compensation from some Funds than others.
2. Pursuant to the terms of each Fund's partnership agreement and/or private offering memorandum, we will have substantially (though not necessarily entirely) completed the investment phase of one Fund before the launch of a new subsequent Fund with similar investment goals and objectives.
3. With respect to Funds managed in parallel and those other limited situations where an "add-on" or other investment may be appropriate for more than one of the Funds, we have implemented policies and procedures for fair and equitable allocation of investment opportunities among the Funds, subject to the Funds' maturity or stage of investment, availability of remaining capital commitments, availability of interests in the underlying portfolio companies and other appropriate considerations.
4. With respect to cross-fund investments, where guidelines are not provided in the respective Fund's limited partnership agreement, the General Partner seeks the consent of the applicable Funds' limited partner advisory committees to the transaction.

In addition, because of the structure of our business model, we typically only have the capital of one Fund to invest at any given time, which minimizes this potential conflict.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

Item 7. Types of Clients

We provide investment management services to several private equity funds as disclosed at Item 4 of this Brochure.

Except as permitted by us or the applicable General Partner, and in accordance with the respective Fund's offering documents, the minimum stated capital commitment to the Funds from our investors ranges from \$1 million to \$5 million, depending on the Fund.

Prospective investors in any new Fund launched by Arbor should refer to the appropriate Fund offering documents for information regarding that Fund's minimum required capital commitment and any additional qualifications required for investment.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Arbor senior professionals' frequent interaction with owners and senior executives of various companies help us to identify investment opportunities for the Funds. In addition, Arbor has gathered seasoned executives and others to act as advisors and consultants to the Funds (hereinafter, the "*Operating Partner Team*"). These individuals

typically have had long and established careers and background in the food and beverage industries. From time to time, Arbor may also engage traditional investment banks or brokers to generate investment opportunities and/or sales of portfolio companies. Finally, due to our reputation as one of the largest food and beverage-focused investment firms and a value-added partner to our portfolio companies, food and beverage entrepreneurs often proactively approach Arbor as a resource for financing.

As an adviser to the Funds, Arbor primarily, though not exclusively, invests in securities issued by private companies. As such, traditional securities analysis is not possible when formulating investment recommendations. Instead, we rely on a robust due diligence process of prospective portfolio companies in determining which to invest in on behalf of the Funds.

Arbor employs a disciplined investment process in evaluating potential investments and performs rigorous analysis of the historical and prospective performance of potential portfolio companies. Our due diligence investigation is comprehensive and includes: (a) detailed financial and operational analyses; (b) extensive face-to-face management meetings; (c) primary industry, served market, technology and competitive research; (d) customer calls and reference checks; and (e) additional company and sector specific analyses. The due diligence process is designed to verify our investment thesis by thoroughly understanding the company's strategy, market position, operations and management expertise. In addition, the due diligence process includes the identification of both acquisition candidates and potential strategic buyers. Prior to any investment, we will identify multiple exit options.

Our due diligence process ensures that each deal team benefits from the experience of our senior management and from additional Arbor colleagues who have devoted substantial portions of their careers to the particular business activity in which the prospective portfolio company is engaged. In addition, Arbor has built a network of lawyers, accountants, information technology and due diligence professionals and consultants with expertise in the food and beverage industry who work in tandem with Arbor to advise on certain Fund investments from time to time.

Arbor professionals also provide guidance to portfolio companies based upon the collective experience of our team of investment professionals. Arbor believes its depth of industry expertise makes us a preferred partner for a middle-market food and beverage company. Through their prior experiences as owners, operators and advisors, Arbor professionals are able to add insight and value through strategic, operating and financial recommendations to maximize growth and profit potential. Arbor often introduces add-on acquisition candidates, provides advice on the timing of asset/subsidiary divestitures and exit strategies, consults on financial structuring issues and generally provides a knowledgeable, yet objective, perspective to operating decisions. This wealth of knowledge and experience can be leveraged to assist a portfolio company in defining strategic direction, refining product line expansion, identifying add-on acquisitions, evaluating competitors and facilitating strategic introductions and alliances. Arbor has seats on portfolio companies' board of directors with its investments for the Funds.

RISKS OF LONG-TERM INVESTING THROUGH PRIVATE EQUITY FUNDS:

One of the primary risks of a long-term investment strategy is that, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. This risk is particularly pronounced when investing for the long term in privately issued securities due to the absence of an immediate and liquid market for these investments. Any sale of such securities will typically take some time to complete. The particular portfolio company, its competitors or its industry may behave in ways which were not, and in some cases could not have been predicted, leading to significant losses and/or a lack of any attractive exit option.

In addition, we do not control the management of all portfolio companies, and as a result, the management of these companies may act in ways which are contrary to our advice and plans for their growth or profitability.

INDUSTRY RISKS:

The food and beverage products business is highly competitive and there can be no assurance that any Fund's investments can compete successfully with other companies in the industry. Numerous brands and products compete for shelf space and sales, with competition based on, among other things, product quality, convenience, price, brand recognition and loyalty, customer service, effective advertising and promotional activities and the ability to identify and satisfy emerging consumer preferences. The portfolio companies compete with a significant number of companies of varying sizes, including divisions or subsidiaries of larger companies. A number of these competitors will have broader product lines, substantially greater financial and other resources available to them, lower fixed costs and/or longer operating histories than the portfolio companies. Competitive pressures, escalating commodity costs, or other factors could cause the products produced by the Fund's portfolio companies to lose market share or result in significant price erosion, which could have a material adverse effect on the applicable Fund's business, financial condition and results of operations.

RISKS IN GENERAL:

Securities investments are not guaranteed and you may lose money on your investments. Investors or prospective investors should carefully review the detailed explanation of the many risks associated with investment as provided in the appropriate Fund's private offering memorandum.

Item 9. Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our management personnel have reportable disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

Our Firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Each of the Funds has a separate General Partner and each is related to Arbor through common ownership and control. Each General Partner typically shares many of the same executive officers with each other and with Arbor.

Each General Partner will be entitled to receive carried interest distributions pursuant to the terms and conditions set forth in the applicable Fund's limited partnership agreement. Any such distributions will ultimately inure to the benefit of the owners and executive officers of Arbor.

Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading

Our Firm has adopted a Code of Ethics, which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code provides for oversight, enforcement and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in one or more of the Funds, upon request to the Chief Compliance Officer, at the firm's principal office address.

As disclosed at Item 5 of this Brochure, certain executive officers and/or other employees of Arbor have invested and may invest a portion of their personal net worth in one or more of the Funds. Employees of Arbor and its Operating Partner Team may also be offered the opportunity on a case-by-case basis to co-invest in portfolio companies with the Funds.

It is the expressed policy of our Firm that no person employed by us may usurp an investment opportunity which may be appropriate for one or more of the Funds without first presenting the opportunity to our deal team (as defined below), particularly when there is limited availability for participation in the opportunity.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. No officer or employee of our Firm may prefer his or her own interest to that of an advisory client. Co-investments by such individuals or their affiliates are limited to and may not exceed the maximum aggregate percentage of the total investment made by the Fund as defined in the respective Fund's limited partnership agreement.
2. We maintain a list of all securities holdings for our Firm and anyone associated

- with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer.
3. All of our principals and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
 4. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Investment Advisers Act of 1940 makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. The SEC has indicated that when an investment adviser and/or its controlling persons own more than 25% of a fund's outstanding securities, it would be effectively treated as a principal transaction if such an account were to engage in a trade with another client account or fund. Such levels of participation in any one of the Funds by our owners, principals or employees is limited by the terms of each Fund's partnership agreements and/or offering documents though side-by-side investments are typically allowed.

Without obtaining the consent of the investment management team established for each Fund, neither Arbor nor any General Partner or other affiliated person shall engage in a principal trade with any of the Funds or purchase from or sell of securities to a Fund from a proprietary or person account, other than through side-by-side investments as provided for in the respective Fund's limited partnership agreement.

Item 12. Brokerage Practices

Arbor, directly or in conjunction with each General Partner or other affiliates, is responsible for all parts of the investment cycle, including deal sourcing and origination, investment decision-making, deal negotiation and transaction structuring, portfolio management (the act of overseeing the investments that we have made) and exit strategies. Arbor will typically make direct investments on behalf of the Funds in privately-held companies. Rarely will any Fund acquire securities of publicly traded companies, except, perhaps, in connection with a merger of a privately held portfolio company with a company that is publicly traded.

Each direct investment is carefully structured through negotiations by members of the applicable General Partner and Arbor's investment professionals and Analysts (the "**deal team**"), as well as various professionals engaged by the firm to facilitate a particular deal, as appropriate. These professionals may include attorneys, accountants, consultants, information technology and due diligence professionals, among others. Arbor will utilize the expertise of these professionals in evaluating each deal, including negotiating the most favorable pricing and other terms for the transaction under the circumstances. Transactions in securities that are made by Arbor for the Funds, therefore, are generally discreetly negotiated deals which may or may not involve the participation of an investment bank or broker dealer (hereinafter, collectively, "**Brokers**").

The initial factor considered by Arbor in determining whether or not to enter into a transaction on behalf of a Fund through a Broker will depend, in part, on whether we are seeking to acquire securities or exit a position. If a Broker is involved in a Fund transaction involving an acquisition or other new investment, it is typically because the selling company has engaged such firm to assist it in negotiating and structuring the terms of a particular deal on its behalf including organization of an auction(s) or otherwise. In this way, the selling company hopes to obtain the best possible terms for its sale. Acquisitions and investments are generally funded with capital raised from the Funds' limited partners, but may also be partially or substantially financed by debt obtained for the Fund by Arbor. Under these circumstances, the cash flow from the portfolio company generally will provide the source for the repayment of such debt.

Of course each Fund's ultimate goal when investing is to sell or "exit" its investments in portfolio companies for a return in excess of the price paid. When selling a portfolio company, in order to obtain the best possible selling price, and depending on the particular circumstances of the proposed deal, Arbor may engage a Broker to assist in the sale if Arbor determines that such third party has a broader reach than our firm alone and that engaging the third party will be in the best interests of the Funds.

If, consistent with our goal of seeking best execution, Arbor determines that it will engage a Broker to assist with the structuring of a particular transaction, such Broker will be selected on the basis of the following, as applicable:

- expertise in the particular market;
- market reach and liquidity
- history of similar transactions;
- the fees and other cost associated with its services;
- its reputation;
- our past experience with the firm, including any past deal flow or ideas provided by the firm, if any;
- our anticipation of future deal flow, if any;
- willingness and ability to commit capital to complete the deal, if necessary; and
- responsiveness of staff.

Due to the nature of private equity fund investing, Arbor does not typically aggregate investments or trades for more than one Fund. However, if Arbor has determined that an underlying investment is to be made on behalf of two or more of the Funds, Arbor will typically enter into a single transaction, aggregating the investments for each Fund, as well as any co-investor that was allocated a percentage of the trade. Each participant will participate in the applicable investment or trade at the same price. Transaction costs will typically be borne by the portfolio company whose securities are being acquired. As disclosed at Item 5 of this Brochure, Arbor or the General Partner of a particular Fund may also make co-investment opportunities available to such Fund's limited partners and their affiliates as appropriate and in the best interest of such Fund. Allocation of such co-investment opportunities creates a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, Arbor must determine which investors will be given the opportunity to co-invest and which will not. To address this conflict we have adopted policies and procedures designed to ensure

that Arbor does not favor certain investors over others and that, over time, all investors are treated fairly with respect to co-investment opportunities.

Certain executive officers and employees of Arbor also have direct investments in one or more of the underlying portfolio companies which the Funds have invested in.

Employees of Arbor and members of the Operating Partner Team may also be offered additional opportunities, on a case-by-case basis, to co-invest in portfolio companies with the Funds. These co-investments are limited to and may not exceed a predefined total aggregate percentage of any such investment, typically 1% in accordance with the respective Fund's limited partnership agreement.

Because Arbor, on behalf of the Funds, primarily makes direct investments in privately held companies, the use of brokers to execute trades of public securities occurs very infrequently. However, for any security that is a publicly traded security, Arbor will seek to conduct the trade in a manner in which the least amount of commission will be payable and the sole focus when selecting an executing broker for this purpose is best execution. Arbor does not have any formal or informal soft-dollar arrangements nor do we receive any soft-dollar benefits from any broker, dealer or other counterparty. The receipt of research services or other soft dollar benefits is not a factor when selecting an executing broker in the instances where such a broker is required for a public trade. Additionally, Arbor's policy is not to permit clients to direct brokerage to any particular executing broker.

Item 13. Review of Accounts

Arbor monitors the portfolio companies of each Fund on an ongoing basis. As part of the terms of investment, Arbor also arranges, if possible or applicable, for the Funds' to have one or more representatives serving on the board of directors of many portfolio companies.

The respective deal team for each Fund will approve all portfolio investments and dispositions and will be actively involved in analyzing each investment and reviewing those investments on an on-going basis.

This team meets regularly to review ongoing monitoring activities and to evaluate potential new platform investments and add-on acquisitions. The deal team also meets once per quarter to review and approve quarterly carrying values of each Fund's respective investments. The following individuals serve on the deal team for the Arbor Funds:

Gregory J. Purcell, CEO
Joseph P. Campolo, President
Ryan R. McKenzie, Partner
Richard N. Boos, Partner
Alan A. Weed, Vice President
Brody D. Lynn, Senior Associate

Michael B. Eisinger, Analyst
Jeffery A. Smith, Analyst

Other investment professionals may be included in meeting of the investment management team who review investment materials, due diligence materials and provide valuable industry insight.

The Advisor regularly reviews the Funds' accounts and various financial and operating statements. In addition, the Funds are audited annually by an independent, certified public accountant and a copy of the audited financials are sent to each investor on a timely basis.

In addition to annual audited financials, investors in each Fund will receive at least quarterly operations summary reports, capital account statements and unaudited consolidated financial statements containing valuation and performance information for the applicable Fund.

Item 14. Client Referrals and Other Compensation

Arbor may engage other individuals or entities as placement agent in the offer and sales of limited partnership interests in the Funds.

Arbor reserves the right to enter into arrangements with placement agents. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the Arbor Funds are the most suitable to the prospective investor's needs. To address this potential conflict of interest, all referred investors are carefully screened to ensure that the particular Fund is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

Item 15. Custody

Because we act as investment adviser to the Funds and are affiliated with each Fund's General Partner through common ownership and control and have access to client funds or securities, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have each of the Funds audited on an annual basis by an independent public accountant. We seek to send, directly, the audited financials to each Fund investor within 120 days of the applicable Fund's fiscal year end. All certificates evidencing securities of portfolio companies of the Arbor Funds will be held by a third party qualified custodian.

Item 16. Investment Discretion

As investment adviser to the Funds, Arbor is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which securities and the amounts of securities that are to be bought or sold on behalf of the Funds.

Item 17. Voting Client Securities

Because the Funds transact primarily in privately issued securities, Arbor rarely is required to vote proxies with respect to the Funds' investments and securities. Under certain limited circumstances, however, we may be required to vote proxies solicited by portfolio companies. Under these circumstances, we will vote proxies in the best interest of the Funds, typically with the goal of maximizing value for the Funds and the investors in the Funds. To that end, Arbor endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the Funds' investments to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. Arbor's complete proxy voting policy and procedures has been memorialized and is available for investors to review.

It is important to note that Arbor or the General Partner will typically name one or more affiliated persons to serve on the board of directors of portfolio companies. As such, a conflict of interest could arise when voting certain common proxies, including board composition, tenure or compensation. Under these circumstances, Arbor will either abstain or engage an unaffiliated third party to vote the proxy on behalf of the affected Fund.

Item 18. Financial Information

Arbor does not require prepayment of client fees more than three (3) months in advance of services rendered, therefore, we are not required to include a financial statement with this Brochure.

Arbor has not been the subject of a bankruptcy petition at any time during the past ten years.