

ITEM 1 COVER PAGE

INVESTMENT ADVISER BROCHURE

ARSENAL CAPITAL MANAGEMENT LP

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March 27, 2013

This Brochure (“Brochure”) provides information about the qualifications and business practices of Arsenal Capital Management LP (“Arsenal Capital Management” or “ACM”). If you have any questions about the contents of this Brochure, please contact us at (212) 771-1717. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

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

ITEM 2 MATERIAL CHANGES

The date of our initial Brochure was February 14, 2012. Since our initial Brochure, there have been no material changes to report.

Please contact the Chief Compliance Officer to obtain a free copy of our Brochure.

Additional information about Arsenal Capital Management is available at the SEC's website at www.adviserinfo.sec.gov.

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ITEM 4 ADVISORY BUSINESS

Arsenal Capital Management LP (“Arsenal Capital Management” or “ACM”), a Delaware limited partnership formed in 2000 provides investment advisory services on a discretionary basis to several private equity funds: (i) Arsenal Capital Partners LP, Arsenal Capital Partners Qualified Purchaser Fund LP, Arsenal Capital Partners Qualified Purchaser Fund B LP and Arsenal Capital Partners Executive Fund comprise “Fund I”; (ii) Arsenal Capital Partners II LP, Arsenal Capital Partners QP II LP, Arsenal Capital Partners QP II -B LP and Arsenal Capital Partners II Executive Fund LP comprise “Fund II”; and, (iii) Arsenal Capital Partners III LP and Arsenal Capital Partners III-B LP comprise “Fund III.” Fund I, Fund II and Fund III are organized to invest in portfolio companies (each a “Fund” and collectively the “Funds”).

Arsenal Capital Investment LLC (“Fund I GP”), a Delaware limited liability company and an affiliate of ACM, serves as the general partner to Fund I. Arsenal Capital Investments II LP (“Fund II GP”), a Delaware limited partnership, serves as the general partner to Fund II. Arsenal Capital Investments III LP (“Fund III GP and together with Fund I GP, and Fund II GP the “General Partners”), a Delaware limited partnership, serves as the general partner to Fund III. ACM, the General Partners and other affiliates are referred to as “Arsenal.”

ACM is controlled by its general partner, Arsenal Capital Group LLC, a Delaware limited liability company, which is controlled by its board of managers which consist of Jeffrey B. Kovach and Terrence M. Mullen (collectively, the “Senior Partners”). As of December 31, 2012, ACM managed approximately \$1,498,977,000 in private fund assets.

Additionally, one or more direct or indirect wholly-owned subsidiaries of ACM may provide due diligence or similar services to ACM in connection with the investment advisory services that it provides.

In its capacity as the management company of the Funds, ACM has the authority to manage the business and affairs of the Funds.

ACM’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior professionals or other personnel of ACM or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

Arsenal makes buyout, recapitalization, and growth equity investments in middle-market specialty industrial (specialty chemicals, specialty materials and commercial and industrial

services) and healthcare companies (business and information services, medical devices and pharma services/life sciences). Within these sectors, Arsenal seeks to invest in businesses that have the potential for further value creation by accelerating growth and enhancing operational capabilities and competitiveness.

Arsenal provides investment advisory services on a discretionary basis to institutional and other sophisticated investors through the Funds. The advisory services provided to the Funds are tailored to the investment objectives and investment restrictions, if any, as set forth in the respective Fund's limited partnership agreements, private placement or offering memorandum, and other Fund documents (together, the "Partnership Agreements"). Arsenal does not tailor Fund investments to the individual needs of investors in the Fund, nor may Fund investors impose restrictions on Arsenal's ability to invest in certain securities or types of securities. The Funds' General Partner may, however, enter into side letters or other written agreements with Fund investors ("Side Letters") that have the effect of establishing rights under, or altering or supplementing the terms of the Partnership Agreement of the respective Fund. Such Side Letters may be entered into with a Fund investor without the consent of or notice to any other Fund investor.

ITEM 5 FEES AND COMPENSATION

In general, Arsenal receives management fees ("Management Fee") in connection with its advisory services. In addition, Arsenal may receive additional compensation in connection with management and other services performed for Fund portfolio companies and such additional compensation generally will offset in whole or in part the Management Fees otherwise payable to Arsenal. Investors in the Funds also bear certain fund expenses.

Management Fees

Management Fees from Fund I were 2% of capital commitments during the investment period. Fund I currently pays management fees quarterly in advance equal to 1.5% on an annual basis of such Fund's actively invested capital. Arsenal Capital Partners Executive Fund LP does not pay a Management Fee.

Management Fees from Fund II were 2% of capital commitments during the investment period. Fund II currently pays Management Fees quarterly in advance equal to 1.5% on an annual basis of such Fund's actively invested capital. Arsenal Capital Partners II Executive Fund LP does not pay a Management Fee.

Management Fees from Fund III are 2% of capital commitments during the investment period. Thereafter, depending on the circumstances, the management fees will be reduced to 2% or 1.5% of actively invested capital. Limited partners designated as affiliated partners by Fund III GP do not pay a Management Fee.

Each of the Funds' Management Fees may be reduced by an amount determined by the applicable General Partner. In the event of such reduction, the amount of capital contributions the General Partner would otherwise be required to contribute to such Fund will be reduced by an equivalent amount, and the amount of such reduction instead shall be contributed by the applicable Fund limited partners *pro rata* based upon their respective capital commitments. Waived Management Fees are not subject to the Management Fee offsets described below.

Other Fees

Arsenal and its affiliates may receive transaction, consulting, advisory and other similar fees associated with investments or proposed investments or commitments made by each Fund, fees in connection with transactions that are not completed (i.e., break-up fees), directors fees, and/or monitoring fees from portfolio companies. Such fees net of expenses are credited 50% (50%, until an aggregate of \$25 million of monitoring fees and transaction fees have been received, and 80% thereafter) and 100% respectively, against the Management Fee from Fund II GP and Fund III GP.

In the event that the aggregate amount of other fees to be applied against the respective Fund's applicable Management Fee exceeds the Management Fee for such period, the excess will be carried forward to reduce the Management Fee payable in future periods. In Fund I, such unapplied excess will be retained by ACM and shall not be subject to offset or rebate. In Fund II, such unapplied excess will be returned *pro rata* to the limited partners unless such limited partner has previously notified Fund II in writing of its irrevocable election not to receive its *pro rata* share of such excess. In Fund III, such unapplied excess will be returned *pro rata* to the limited partners unless such limited partner has previously notified Fund III in writing of its irrevocable election not to receive its *pro rata* share of such excess.

Additionally, as further described below, certain operating professionals who provide consulting services to (or operational projects with respect to) certain Fund portfolio companies as employees, operational consultants, or in a "seconded" capacity may receive compensation for such services provided, and such compensation generally will not result in additional offsets to the Management Fee.

Other Information

The Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreements, over the terms of the Funds and investors generally are not permitted to withdraw or redeem interests in the Funds. The Senior Partners and other employees and partners of Arsenal may receive a portion of the Management Fee, Carried Interest (as defined below) or other compensation received by Arsenal. Arsenal reserves the right to waive all or a portion of any Management Fee and/or Carried Interest payable by Fund investors.

Incentive Fees (Carried Interest)

Arsenal, in addition to the base fee, is also entitled to a certain percentage of the Funds' distributions in excess of a limited partner's capital contributions and expenses, which is referred to as "carried interest" ("Carried Interest").

See below, "Performance-Based Fees and Side-by-Side Management."

Other Fees and Expenses

In addition to the Management Fee payable to Arsenal, the Funds bear certain expenses. As set forth in the applicable Partnership Agreements, the Funds may bear all expenses to the extent not paid by portfolio companies, including legal, accounting, investment banking, travel, consulting, research, brokerage, finder's fees, custody, transfer, registration, insurance, advisory board, interest, taxes, conferences or meetings with limited partner(s), extraordinary expense and other similar fees and expenses.

As mentioned above, certain operating professionals who provide consulting services to (or operational projects with respect to) the Funds' portfolio companies as employees, operational consultants, or in a "seconded" capacity may receive reasonable compensation for such services provided, and such reasonable compensation generally will not result in additional offsets to the Management Fee.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Funds' General Partners receive Carried Interest as more fully described in the applicable Partnership Agreements. If any General Partner receives Carried Interest distributions during the life of the applicable Fund which are, in the aggregate, in excess of a stated amount of such Fund's cumulative net profits, then such excess Carried Interest distributions will be subject to repayment by such General Partner.

Performance based compensation may cause Arsenal to engage in a higher risk, more speculative investment strategy than might be the case in the absence of such compensation arrangement. Because Arsenal invests in securities that frequently must be fair valued, Arsenal also has an interest in establishing valuations of invested securities. Arsenal engages in certain procedures to fair value securities in a manner deemed to establish the most accurate valuations possible based on information gathered by Arsenal.

Arsenal manages each Fund in accordance with the investment strategy disclosed in the Funds' Partnership Agreements to help ensure that investors are aware of the investment strategy and the risks associated with the strategy.

Fund investors should review the respective Partnership Agreements for detailed information with respect to performance based allocations and distributions and the allocation of investment opportunities.

ITEM 7 TYPES OF CLIENTS

ACM provides investment advice to the Funds.

Generally, only "accredited investors" or "qualified purchasers" as specified in the Funds' Partnership Agreements may invest in the Funds. Fund investors may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations, corporations or business entities and may include, directly or indirectly, principals or employees of Arsenal.

Details concerning applicable fees, minimum investment amounts and suitability criteria are set forth in the respective Funds' Partnership Agreements. The General Partner of each Fund typically reserves the right, in its sole discretion, to waive the minimum investment amount requirement.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Arsenal primarily makes control investments in growing lower-middle-market companies in which Arsenal believes there are opportunities to create value post-acquisition. More specifically, Arsenal principally seeks to invest within the specialty industrials and healthcare sectors.

Within its targeted sectors, Arsenal seeks to invest in growing, niche market-leading companies that provide specialized and / or technical products or services with competitive and defensible market positions and sustainable cash flow. Following acquisition, Arsenal uses its team of investment and operating professionals to apply a prioritized growth and improvement investment strategy designed to accelerate growth, mitigate risks, and improve businesses. Arsenal works collaboratively with management teams to set a clear strategy and drive well-resourced execution. Finally, Arsenal works to sell its companies to buyers, particularly strategic buyers, seeking acquisition candidates.

Arsenal typically invests in established businesses with enterprise values ranging from \$50 million to \$250 million. Arsenal seeks to invest in specific industry segments within the specialty industrials and healthcare sectors that it has identified as attractive for long-term growth, cash flow generation, and sustainable profitability. Arsenal has a team, which it believes consists of professionals with investment and transaction acumen, industry knowledge within the specialty industrials and sectors, and operating capabilities that it leverages from investment sourcing to exit.

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

Investment and Operating Strategy

Middle Market Focus. Arsenal is focused on sectors of the lower-middle-market, which is composed of thousands of established companies with revenues between \$50 million and \$500 million. Arsenal believes that a significant number of these lower-middle-market businesses have reached their near-term potential due to resource, process, or operating skill limitations. Further, Arsenal believes that a large number of these companies also have high growth prospects and significant potential for improvement. Arsenal believes it can identify a number of such companies that can be purchased at reasonable valuations. Arsenal seeks to apply its capabilities and resources to address many of the limitations of these companies.

Targeted Industry Focus. Arsenal's primary target industries of specialty industrials and healthcare contain segments that, in Arsenal's opinion, generally exhibit attractive growth, limited cyclicity, reasonable levels of competition, and manageable risks. Arsenal actively targets businesses that provide specialty products and services and deliver high value add solutions to their customers. These specialty sectors are typically comprised of many niche businesses and generally have higher margins and barriers to entry than commodity sectors.

Specialty industrials companies in the lower-middle-market are differentiated by having significant customer intimacy, sustainable and continued product innovation capabilities, and proprietary products, services or technologies that provide value-added solutions to customers. Arsenal believes that many specialty industrials businesses operate in fragmented and regional markets which offer consolidation opportunities as well as options to enter high growth regions, such as Asia. Arsenal's segments of interest include specialty chemicals, specialty materials, and commercial and industrial services.

Healthcare is a large sector with numerous segments, many with distinct growth and structural attributes. Arsenal believes that the complexity, fragmentation and rapid innovation in the sector generate attractive investment opportunities. Arsenal concentrates on healthcare investment opportunities in service and product companies primarily within the business & information services, pharmaceutical & life sciences services and medical device solutions segments.

Investment Parameters. Within its target sectors, Arsenal seeks companies that typically exhibit some or all of the following characteristics:

- Defensible market leading positions in niche segments,
- Significant growth potential through organic and strategic acquisition avenues,
- Opportunities to improve efficiency, reduce costs and improve margins,
- Options to expand the value-added component of the company's offering, and
- Global market and supply chain opportunities.

Collaborative / Multidisciplinary Approach. Arsenal believes that its team of investment and operating professionals has the skills and experience necessary to create advantages throughout the investment process. This team combines industry-specific knowledge and relationships, experience in managing and improving businesses, and functional resources to support management teams. Arsenal strives to work in a coordinated manner designed to improve the efficiency and effectiveness of execution in all phases of the investment cycle.

Source and Complete Investments. Arsenal professionals engage in leveraging their broad network of relationships within Arsenal's targeted industries to access high-quality deal flow. In addition, industry expertise creates advantages in diligence, strategy formulation, and value assessment through an improved understanding of key business drivers, competitive and structural dynamics, and potential opportunities and risks. Arsenal incorporates this industry and

operating knowledge into its disciplined valuation approach, carefully balancing the risks and opportunities identified with respect to a given investment and making sure they are appropriately reflected in a reasonable valuation.

Employ a Prioritized Growth and Improvement Program. Prior to acquisition, Arsenal identifies and prioritizes what it believes are the key value creators and holdbacks for a particular investment. Arsenal will not make an investment if it does not believe that there is an opportunity for Arsenal to create significant value post-acquisition. The Arsenal team works in active collaboration with the management teams of portfolio companies to address these value creators and holdbacks. This process is often enabled by an Arsenal assessment and strengthening of the management team and improvement of a company's business processes. In any given investment, Arsenal looks to: (i) accelerate growth, (ii) mitigate key risks, and (iii) fundamentally improve businesses.

Capture Value on Exit. Arsenal's realization process begins prior to acquisition with the development of an investment strategy to guide the business toward attractive exits. With its experience in its focus industries, Arsenal believes it is equipped to understand the acquisition interests and criteria of strategic buyers and strives to take a proactive approach to developing relationships with these buyers that could ultimately lead to attractive exits.

Arsenal seeks to take a conservative approach to the amount of leverage in the capital structures of its portfolio companies so that they can invest in growth and improvement initiatives that will fundamentally improve cash flow and build long-term value. Arsenal believes that conservative leverage also provides additional downside protection, allowing companies greater flexibility as well as an ability to address unforeseen issues. Once Arsenal determines that a company has sufficiently improved but still has significant upside, Arsenal often seeks to appropriately recapitalize the business and return capital to investors.

Risk of Loss

Investing in securities involves risk of loss that investors in the Funds should be prepared to bear.

The risks involved with Arsenal's investment strategy and an investment in the Funds include, but are not limited to the following.

Business Risks. The Funds' investment portfolios will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performance of Arsenal's prior investments is not necessarily indicative of the Funds' future results. While Arsenal intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no

assurances that the targeted internal rates of return will be achieved. On any given investment, loss of the entire principal is possible.

Investment in Junior Securities. The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

Concentration of Investments. The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Funds' investment portfolios could become highly concentrated, and the performance of a few holdings may substantially affect aggregate returns. Furthermore, to the extent that capital raised is less than the targeted amounts, the Funds may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Fund investors will be required to pay annual management fees during the respective Funds' commitment period based on the entire amount of their commitments.

Illiquidity; Lack of Current Distributions. An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains, if any, on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Funds (including the annual management fee payable to Arsenal) may exceed its income, thereby requiring that the difference be paid from the applicable Funds' capital.

Leveraged Investments. The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of an investment in a given portfolio company. Leverage generally magnifies both opportunities for gain and risks of loss from a particular investment. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of investments. In addition, this leverage could accelerate and magnify declines in the value of the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Funds may suffer a partial or total loss of capital invested in such portfolio company, which could adversely affect the returns of the Funds. Furthermore, the companies in which the Funds invest generally will not be rated by a credit rating agency.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in-kind to the Funds' limited partners.

Reliance on the General Partner and Portfolio Company Management. Control over the operation of the Funds will be vested entirely with Arsenal, and future profitability will depend largely upon the business and investment acumen of Arsenal. The loss of service of one or more of the Senior Partners could have an adverse effect on the Funds' abilities to realize their investment objectives. Fund investors generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend entirely on the actions of Arsenal. Although Arsenal will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Projections. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

Need for Follow-On Investments. Following an initial investment in a given portfolio company, Arsenal may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by Arsenal not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

Non-U.S. Investments. The Funds may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the terms of the Funds), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Funds and/or the Fund investors with

respect to applicable Fund's income, and possible foreign tax return filing requirements for the Funds and/or the Fund investors.

Public Company Holdings. The Funds' investment portfolios may contain securities issued by public companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in private companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including Arsenal, if serving in such capacity, and increased costs associated with each of the aforementioned risks.

Director Liability. The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which they invest. Serving on the board of directors of a portfolio company exposes the Funds' representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Conflicts of Interest

During the commitment period of the Funds, all appropriate investment opportunities will be pursued by Arsenal principals through the Funds, subject to certain limited exceptions. Without limitation, Arsenal principals currently manage several other investments similar to those in which the Funds may be investing, and may direct certain relevant investment opportunities to those investments. Arsenal principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that Arsenal principals may control may potentially compete with companies acquired by the Funds. Arsenal principals may and will likely focus their investment activities on other opportunities and areas unrelated to the Funds' investments, subject to limitations set forth in the Partnership Agreements.

From time to time, Arsenal will be presented with investment opportunities that would be suitable not only for the Funds, but also for other investment vehicles operated by advisory affiliates of Arsenal. In determining which investment vehicles should participate in such investment opportunities, Arsenal may be subject to conflicts of interest among the investors in such investment vehicles and the Funds. Arsenal attempts to resolve such conflicts of interest in light of its obligations to investors in the Funds and other investment vehicles and attempts to allocate investment opportunities among the Funds and other investment vehicles in a fair and equitable manner. Where necessary, Arsenal consults and receives consent to conflicts from an advisory board consisting of limited partners of the applicable Fund and such other investment vehicles.

The Funds and other investment vehicles may invest together in the manner set forth in the relevant Partnership Agreements. Arsenal strives to determine the allocation of investment opportunity in a manner that it believes is fair and equitable to the Funds and other investment vehicles consistent with Arsenal's obligations and may take into consideration factors such as the following: the Funds' and investment vehicles' investment restrictions and objectives (including those set forth in the relevant Partnership Agreements), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions.

ITEM 9 DISCIPLINARY INFORMATION

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

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

ACM's affiliates include the Funds' General Partners and investment advisers. These affiliated investment advisers operate as a single advisory business together with ACM and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Arsenal Capital Management has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of Arsenal principals and employees and addresses conflicts that arise from personal trading. Among others, the Code requires employees to:

- Place the interest of the Funds above personal interests;
- Seek to identify conflicts of interest;
- Keep confidential all material nonpublic information;
- Not effect transactions based on material nonpublic information;
- Pre-clear transactions in initial public offerings and limited offerings of securities; and
- Report personal securities transactions and holdings.

Arsenal, its affiliates, principals and employees, may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain vehicles sponsored by

Arsenal may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such vehicles or may give priority with respect to investments to such vehicles. Some of these restrictions could be waived by investors (or their representatives) in such vehicles.

From time to time, the General Partners may borrow funds on behalf of their respective Funds and contribute such borrowed amounts to their respective Funds as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the limited partners consistent with the applicable Partnership Agreement. In borrowing on behalf of the Funds, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of their respective Funds. The General Partners will engage in such borrowings in a manner they believe to be fair and equitable to their respective Funds, and consistent with the General Partners' obligations to their respective Funds and the applicable Partnership Agreements.

Employees must acknowledge understanding and agree to comply with the Code initially upon employment and must certify on an annual basis that they have read and understand the Code and have complied with it.

Employees who violate the Code are subject to disciplinary action including, but not limited to, written warnings and termination of employment.

A copy of the Code will be provided to any investor or prospective investor upon request made to the Chief Compliance Officer.

ITEM 12 BROKERAGE PRACTICES

Arsenal typically does not utilize broker-dealers to effect transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions. However, the Funds may receive portfolio company shares registered for sale as part of a portfolio company's general distribution or Arsenal may buy or sell publicly traded securities. In these instances, Arsenal may utilize a broker-dealer to effect these transactions.

Generally, Arsenal selects broker-dealers on the basis of best execution. "Best execution" does not mean effecting transactions at the lowest possible commission rate, transaction costs and best price, but includes a number of factors including, but not limited to, (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the broker being considered; (iv) responsiveness to requests for trade data and other financial information; (v) experience in liquidating distributions from private equity funds; (vi) nature and size of the transaction; and (vii) willingness to commit capital, access to a particular trading market, and security conditions (e.g., liquidity, volatility, etc.).

Arsenal has discretion to determine without obtaining prior consent from the Funds the broker-dealer to execute transactions and the commission rates or commission equivalents charged for effecting the transaction.

Research and Other Soft Dollar Benefits: Arsenal does not obtain proprietary and third-party research services or products with the Funds' commissions or "soft dollars."

Brokerage for Client Referrals: Arsenal does not consider investor referrals in selecting broker-dealers.

Directed Brokerage: Arsenal does not accept instructions to effect Fund transactions with certain broker-dealers.

Cross Trades: From time-to-time, Arsenal may effect a purchase of a security for one or more Funds at the same time as a sale of the same security for another Fund. Such transactions may be effected to rebalance the positions held in the Funds' portfolios in order to achieve uniform results among Funds, to take into account Funds' cash flows or to comply with investment guidelines and restrictions. Such transactions, at Arsenal's discretion, may generally be effected at a price and time as it deems appropriate under the circumstances.

Principal Transactions: "Principal transactions" are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. Arsenal is neither registered as, nor is affiliated with, a broker-dealer.

Aggregation and Allocation: Generally, aggregation of the purchase and sale of securities for the Funds does not apply as investments are primarily in private equity securities.

However, where practical and appropriate, Arsenal will generally aggregate orders for Funds transacting in the same publicly traded security and will generally allocate the purchase or sale of such security or proceeds to the Funds in the order based on an average price and on a pro rata basis if the order is partially filled.

ITEM 13 REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, ACM's investment professionals closely monitor companies in which the Funds invest. These reviews include, but are not limited to, reviewing the operational and financial performance as well as strategic direction of each portfolio company in that the respective Fund has invested.

The Funds provide to their limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) annual and quarterly reports providing a narrative summary of the status of each portfolio company investment.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

Arsenal may provide certain business or consulting services to companies in the Funds' portfolio, including as operational consultants to, or in a "seconded" capacity to such companies and may receive compensation for such services provided. As described in the applicable Partnership Agreements, such compensation may offset a portion of the Management Fees paid by the Funds. However, in other cases (e.g., reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

Arsenal has entered into placement agent arrangements pursuant to which it compensates placement agents for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees and expenses payable to placement agents will be paid by the applicable Fund but borne by Arsenal indirectly through an offset against the Management Fee.

ITEM 15 CUSTODY

ACM, or an affiliate, is deemed to have custody of the Funds' assets. ACM reviews statements received from the Funds' qualified custodians against its records to verify that the Funds' assets held by these qualified custodians are accurately reflected.

ACM's policy is to have the Funds audited annually by an independent auditor registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and to distribute copies of the audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") to Fund investors within 120 days of the end of a Funds' fiscal year.

In addition, upon the final liquidation of a Fund, ACM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to Fund investors in the liquidated Fund promptly after completion of the audit.

ITEM 16 INVESTMENT DISCRETION

ACM has discretionary authority to manage investments on behalf of the Funds.

ACM assumes this discretionary authority pursuant to the terms of the limited partnership agreements and powers of attorney executed by the limited partners in the Funds. As a general policy, ACM does not allow clients to place limitations on this authority. The Funds' General

Partner may enter into Side Letter agreements with certain limited partners whereby the terms applicable to such limited partner's investment in the applicable Fund may be altered or varied including, but not limited to, the right to opt-out of certain investments for legal, tax, regulatory or other reasons.

ITEM 17 VOTING CLIENT SECURITIES

Arsenal has discretionary authority to vote proxies on Fund securities.

Arsenal may represent a Fund by its representation on the board of directors of a Fund's portfolio company. In such circumstance, Arsenal typically is involved in establishing the agenda and matters to be voted upon by shareholders. Accordingly, in these situations, Arsenal typically will vote with management. Arsenal exercises its discretion with respect to the voting of proxies in a manner that is intended to serve the best interests of the Fund.

In the event that there is or may be a conflict of interest in voting proxies, Arsenal may address the conflict using several alternatives including, but not limited to, seeking the approval or concurrence of the applicable Fund's advisory board on the proposed proxy vote or through other alternatives.

Fund investors may obtain a free copy of Arsenal's Proxy Voting Policy, as well as relevant proxy voting records, upon written request to the Chief Compliance Officer.

ITEM 18 FINANCIAL INFORMATION

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