

# ARABLE CAPITAL PARTNERS, LLC

10655 NE 4th Street, Suite 705  
BELLEVUE, WA 98004

WWW.ARABLECP.COM

MARCH 27, 2019

## PART 2A OF FORM ADV: FIRM BROCHURE

This brochure provides information about the qualifications and business practices of Arable Capital Partners, LLC (“Arable”). If you have any questions about the contents of this brochure, please contact us at (866) 927-2253 or by email at [info@arablecp.com](mailto:info@arablecp.com). 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 securities authority.

Additional information about Arable is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Arable is registered with the SEC as an investment adviser. Registration as investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This Firm Brochure, dated March 30, 2018, has been updated to provide information that is different from or supplemental to information that Arable provided in its Firm Brochure, dated July 11, 2017. This update reflects edits to Items 5 and 6. All information in this brochure is given as of the date set forth on the cover page.

We encourage all recipients of this brochure to read it carefully in its entirety and to contact us should you have any questions.

### Item 3 – Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	5
Item 7	Types of Clients.....	5
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9	Disciplinary Information .....	12
Item 10	Other Financial Industry Activities and Affiliations .....	12
Item 11	Code of Ethics, Participation or Interests in Client Transactions and Personal Trading .....	12
Item 12	Brokerage Practices .....	14
Item 13	Review of Accounts .....	14
Item 14	Client Referrals and Other Compensation.....	15
Item 15	Custody.....	15
Item 16	Investment Discretion.....	15
Item 17	Voting Client Securities .....	15
Item 18	Financial Information .....	16

#### **Item 4 – Advisory Business**

Arable Capital Partners, LLC (“Arable”), a State of Washington limited liability company, is an SEC-registered investment adviser with its principal place of business in Bellevue, Washington. Arable’s owners are its founding partners, Greg Richards and Derek Yurosek (the “Principals”)

Arable began operations in 2016 and was formed to provide investment advisory services to pooled investment vehicles, related parallel funds alternative investment vehicles and other specially formed investment vehicles (each, a “Fund”) that make private equity investments. Arable specializes in investing in the agribusiness industry with a primary focus on midstream opportunities around fruit, vegetables and forage segments.

Arable does not provide investment advisory services individually to investors in its Funds. The Funds will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Arable’s investment decisions and advice with respect to each Fund will be subject to each Fund’s investment objectives and guidelines, as set forth in such Fund’s offering documents.

Arable generally expects to provide investment advisory services to the Funds through separate advisory agreements (each, an “Advisory Agreement”) tailored to the specific needs of each Fund as may be necessary, appropriate or negotiated on a case-by-case basis. Services to the Funds include identifying, evaluating, structuring and negotiating prospective investments, managing and monitoring portfolio companies and advising the Funds with respect to disposition opportunities. An affiliate of Arable is expected to serve as the general partner (or similar managing body) of each Fund or Client.

Arable serves as the investment adviser to Arable Capital, LLC, a Delaware limited liability company (“Fund I”), a private investment fund that is exempt from registration under the Investment Company Act and the Securities Act. Fund I is Arable’s first Fund under management and only client.

The general partner of Fund I is Arable Capital GP, LLC, a Washington limited liability company (the “General Partner”). Each of Messrs. Richards and Yurosek own 55% and 45%, respectively, of the General Partner. Management and advisory services for the Fund, including all day-to-day operations and investing activities, will be delegated by the General Partner to Arable.

The descriptions set forth in this brochure of specific advisory services that Arable offers to its clients should not be understood to limit in any way Arable’s investment activities. Arable may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that Arable considers appropriate, subject to each client’s investment objectives and guidelines. The investment strategies Arable pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

As of the date of this brochure, Arable does not have any discretionary or non-discretionary assets under management. Arable does not currently participate in any Wrap Fee Programs.

## **Item 5 – Fees and Compensation**

Arable's fee and compensation arrangements as well as the expenses that a Fund may be responsible for may vary among the Funds. The specific terms of such arrangements are set forth in each Fund's written agreement with Arable or the general partner, as applicable.

As compensation for its services, Arable typically expects to receive a management fee (the "Management Fee") quarterly in advance from its Funds. The annual Management Fee is expected to typically be in the range of 1.50-2.00% of the aggregate capital commitments of a Fund's investors while the Fund is actively investing, and thereafter, the fee percentage is typically applied only to such Fund's aggregate invested capital as of the end of the immediately preceding quarter. For Fund I, such Management Fee percentage is 1.75%. Arable expects to be entitled to draw the fee quarterly in advance directly from its Funds.

In addition, certain affiliates of Arable that serve as a general partner of a Fund and/or commit capital to a Fund are entitled to receive a carried interest distribution from such applicable Fund, as further discussed below in Item 6.

Each Fund will be responsible for, and shall pay, its own expenses ("Fund Expenses") as set forth in such Fund's governing documents. As used herein, the term "Fund Expenses" generally shall mean all costs and expenses attributable to the Fund's activities and Investments, including, but not limited to: (i) legal, accounting, bookkeeping, tax compliance, auditing, consulting and other professional expenses, including those of valuation firms; (ii) all out-of-pocket expenses associated with the organization of the Fund and the syndication of interests therein, including, without limitation, offering, legal, compliance, accounting, travel, consulting and filing expenses; (iii) third-party and out-of-pocket research and market data expenses; (iv) interest and fees on loans, committed loan facilities and other indebtedness; (v) bank service, custodial and similar fees; (vi) litigation costs, insurance premiums (excluding any insurance premiums that are Overhead Expenses), indemnifications, and other extraordinary expenses; (vii) fees, costs, liabilities, and expenses (including travel expenses) related to the due diligence, analysis, purchase or sale of Investments, whether or not such Investments (and proposed investments) are consummated, including all fees and expenses of legal counsel and financial advisers incurred in connection therewith; (viii) broken-deal expenses; (ix) the management fee; (x) expenses related to the purchase, sale, settlement, custody or transfer of Fund assets, including any associated taxes and duties; (xi) entity-level taxes (other than income taxes), regulatory fees and expenses of the Fund (such as for blue sky, Form D and other filing fees and corporate fees payable to governments and agencies); (xii) investor reporting expenses, costs of meetings of Fund investors (including the reasonable travel and other out-of-pocket costs incurred by the Arable and its principals in attending such meetings); (xiii) expenses of the Fund's advisory committee; (xiv) any expenses for services that Fund investors require Arable to obtain including, but not limited to, any costs or expenses incurred in connection with the compliance with certain investor-specific requirements; (xv) costs associated with the establishment and operation of any alternative investment vehicle or subsidiary vehicle used by the Fund for holding and/or originating investments; (xvi) costs with respect to the dissolution, winding up, or termination of the Fund; and (xvii) any other expenses of the Fund not listed in the preceding clauses (i) - (xvi) that, in the determination of Arable, are reasonably incurred in connection with the business or maintenance of the Fund and its investment activities and are not overhead expenses of Arable.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As mentioned above in Item 5, in addition to an asset-based Management Fee, the Funds are generally expected to allocate a portion of their investment profits to their general partners or other special purpose vehicles that are affiliates of Arable, as “incentive equity allocations.” The incentive equity allocations will generally be an amount equal to a percentage of the net realized and unrealized profits from investments above a specified preferred return to the investors of the Funds, calculated pursuant to the offering documents of each Fund. For Fund I, the incentive equity allocation will be 15% of the net realized and unrealized profits from investments above a 6% preferred return, calculated pursuant to the offering documents of Fund I.

The incentive equity allocations is structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In accordance with Rule 205-3, investors in a Fund that is assessed carried interest must meet the qualifications set forth in Rule 205-3, and are advised of the terms of such performance-based fees and the associated risks.

The incentive equity allocations may create an incentive for the general partner of a Fund to make riskier or more speculative investments on behalf of such Fund than would be the case in the absence of this arrangement. The code of ethics adopted by Arable, which is described in more detail in Item 11 below, sets forth policies and procedures to address conflicts of interest. Such policies and procedures require Arable and its personnel to act in its Funds’ best interests.

## **Item 7 – Types of Clients**

Fund I is Arable’s only client until Arable is permitted to begin capital raising for a successor fund pursuant to Fund I’s offering documents. As Arable’s fund complex grows, Arable expects its clients will generally be pooled investment vehicles (and their parallel funds, alternative investment vehicles, feeder funds and special purpose vehicles) that are exempt from registration under the Investment Company Act. The investors in such Funds are generally required to meet certain suitability and net worth qualifications, e.g., the investors must be (i) “accredited investors” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended, and (ii) “qualified clients” within the meaning of the Advisers Act. Investors are also generally expected to be “qualified purchasers,” as defined in the Investment Company Act of 1940, as amended. Investors in Arable’s Funds may include, among others, high net worth investors, family offices, pension plans, endowments, trusts, sovereign wealth funds, funds-of-funds, financial institutions and other U.S. and non-U.S. corporations. Generally, the minimum initial commitment of an investor in a Fund is \$1 million, although lesser amounts may be accepted at the discretion of the general partner of such Fund. Conditions for investing in each Fund are stated in each Fund’s applicable offering documents.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### ***Methods of Analysis and Investment Strategy***

Arable seeks to make significant investments in operating companies at various stages through acquisitions, recapitalizations and company expansion programs, generally in conjunction with the management of target companies. Arable generally focuses on transactions where investment opportunities are created by addressing complexity and developing solutions for sellers, management teams or corporate partners. Arable has both formal and informal processes for identifying investment opportunities and focus industries. In

evaluating potential portfolio companies, Arable's analysis typically focuses on the target company's (i) business model and competitive environment, (ii) financial structure and performance, (iii) business plan and opportunities for value creation, (iv) management team capabilities and (v) potential for attractive exit opportunities. Arable from time to time utilizes legal, industry, financial and other advisors and the skills of certain portfolio company employees to complement its due diligence process. Arable's investment analysis methods may include fundamental, technical gain/loss forecast models, cash-flow models, sensitivity analysis, charting, fundamental, technical and cyclical analysis.

In identifying focus areas, investment professionals develop top-down investment theses, build relationships with industry constituents and target specific transaction opportunities.

### ***Investment Risks***

The items set forth below are a brief overview of the risks associated with Arable's investment strategy; they are not intended to serve as a comprehensive exposition of all risks and conflicts that may arise in connection with the management and operation of the Funds.

#### **Fund and Management Related Risks**

*Lack of Operating History.* Fund I consists of a recently formed entity with no operating history. In general, none of the Funds will have identified any particular investment(s) at closing and may be unable to find a sufficient number of attractive opportunities to meet their respective investment objectives or fully invest its committed capital. Investors must rely on the ability of the management team to identify, structure and implement investments consistent with each Fund's investment objectives and policies.

*New Ventures.* Fund I and Arable are new entities with limited operating histories. They are subject to the risks involved with any speculative new venture. No assurance can be given that Fund I or any other Fund will be profitable.

*Reliance on Management.* All decisions regarding management of the Funds' affairs will be made exclusively by Arable and not by any of the Funds' investors. Accordingly, investors should not buy Fund Interests unless they are willing to entrust all aspects of management to Arable. Investors should carefully evaluate the personal experience and business performance of Arable and its Principals. The ability of Arable to discharge its duties is dependent on the services of its Principals. The loss of the services of one or more of them could have a significant adverse effect on the Funds.

*Illiquidity of Investor Interests; Consequences of Default.* Fund interests are highly illiquid, have no public market and generally are not transferable. Accordingly, an investor in a Fund may not be able to liquidate its investment and must be prepared to bear the risks of owning its Fund interest for an extended period of time. A default by an investor in making a required capital contribution or any other payment to a Fund may result in loss of all or a substantial part of the investor's investment in the Fund, as well as in the application of other remedies as set forth in the particular Fund's offering documents.

#### **Strategy and Investment Related Risks**

*Volatility of Commodity Prices.* The performance of certain of the Funds' investments are expected

to depend to some extent upon prevailing prices of agricultural and other commodities. Commodity prices have been, and are likely to continue to be, volatile and subject to wide fluctuations in response to various factors, including: (i) supply or demand changes; (ii) market uncertainty; (iii) geopolitical developments; (iv) natural conditions such as storms, floods, drought, windstorms, hail, temperature extremes, frosts, soil erosion, infestations and blights; (v) pests and crop disease; (vi) governmental regulation of and risks associated with the use of fertilizers, herbicides and other chemicals used in commercial agriculture; (vii) production, transportation, storage or processing capacity; (viii) the regulatory landscape in the United States and other markets, including import and export restrictions or tariffs, government subsidies, tax credits or other support that lower the cost of production, transportation, storage or processing; (ix) technological developments; (x) overall economic conditions; and (xi) other factors which are beyond the control of Arable or a Fund. Although certain of the Funds' portfolio companies may mitigate commodity risk through certain hedging activities, such transactions are costly and may themselves entail certain other risks.

*Use of Leverage.* Investments in leveraged companies offer the opportunity for capital appreciation, but also involve a higher degree of risk. A Fund's investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase investment interest expense, causing losses and/or the inability to service debt levels. If an investment cannot generate adequate cash flow to meet debt obligations, a Fund may suffer a partial or total loss of capital invested in a portfolio company.

*Construction and Development Risk.* In connection with any new development or renovation project, expansion of a facility or acquisition of a facility in late-stage development, a portfolio company of a Fund may also face construction risks, including: (i) labor disputes, shortages of material and skilled labor or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) receipt of all relevant permits; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents or the breakdown or failure of construction equipment or processes; and (vi) catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the Fund's control. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, or operation, any of which could have an adverse effect on such Fund. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project startup. Delays in the completion of any construction project may result in lost opportunities or revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company. Investments under development or investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and construction and may experience operating deficits after the date of completion.

*Climate Conditions and Natural Events.* Weather conditions and access to water can adversely affect the timing of crop planting, acreage planted, crop yields and commodity prices, which could affect portfolio company operations and, in turn, the financial performance of a Fund. Natural disasters or industrial accidents could also affect the Funds' portfolio companies and assets. There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather



patterns, and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, the Funds' portfolio companies may be subject to decreased availability or less favorable pricing for certain commodities. The Funds' portfolio companies may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of portfolio company facilities or supply chain operations, all of which could negatively affect the Funds' performance. The increasing concern over climate change also may result in more regional, federal, and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that the Funds' portfolio companies are undertaking to monitor emissions and improve energy efficiency, certain portfolio companies may experience significant increases in costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with certain portfolio company products. As a result, climate change could negatively affect portfolio company business and operations and, in turn, the Funds' financial performance.

*Agricultural Real Property Considerations.* In certain cases, a Fund may acquire real estate in connection with an investment in a portfolio company. The ownership and holding of property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate; (ii) local conditions; (iii) the quality and philosophy of management; (iv) competition; (v) attractiveness and location of the properties; (vi) condition of the properties (including water rights); (vii) financial condition of buyers and sellers of properties; (viii) quality of maintenance; (ix) insurance services; and (x) changes in operating costs. If investments do not generate sufficient revenues to meet their operating expenses, including any debt service and capital expenditures, a Fund's cash flow may be adversely affected. In addition, in certain circumstances, the Fund may be required to drawdown additional capital from the Limited Partners to pay Fund expenses or to make follow-on investments in properties then held by a Fund. Certain significant expenditures associated with each investment (such as debt service payments, real property taxes and insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in income from such investment. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing, participation by other investors in the financial markets and potential liability under changing laws.

*Labor Related Expenses.* The Funds' results could be adversely impacted as a result of increased pension, labor, and people-related expenses or labor disruptions of the Funds' underlying portfolio companies. Inflationary pressures and any shortages in the labor market, including strikes, could increase labor costs, which could have a material adverse effect on portfolio company and, in turn, Fund operating results or financial condition. Portfolio company labor costs include the cost of providing employee benefits in the U.S., including the possibility of pension, health and welfare, and severance benefits. Additionally, the annual costs of benefits may vary with increased costs of health care and the outcome of collectively-bargained wage and benefit agreements.

*Compliance with Regulations.* The Funds' portfolio companies' facilities and products are subject to

many laws and regulations administered by the United States Department of Agriculture, the Federal Food and Drug Administration, the Occupational Safety and Health Administration, and other federal, state, local, and foreign governmental agencies relating to the processing, packaging, storage, distribution, advertising, labeling, quality, and safety of food products, the health and safety of employees, and the protection of the environment. Failure to comply with applicable laws and regulations could subject a portfolio company to lawsuits, administrative penalties, and civil remedies, including fines, injunctions, and product recalls, which could negatively affect a Fund's financial performance. Operations of certain portfolio companies will be subject to extensive and increasingly stringent regulations administered by the Environmental Protection Agency, which pertain to the discharge of materials into the environment and the handling and disposition of wastes. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties and negative publicity, which could negatively affect a Fund's financial performance. Changes in applicable laws or regulations or evolving interpretations thereof, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, may result in increased compliance costs, capital expenditures, and other financial obligations, which could affect profitability or impede the production or distribution of a portfolio company's products, which could negatively affect a Fund's financial performance.

*No Assurance of Investment Return.* There can be no assurance that any Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such Fund participates. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment. **There can be no assurance that projected or targeted returns for any Fund will be achieved or that invested capital will be returned.**

*Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate, consummate and exit investments that satisfy its investment objectives.

*Risk of Limited Number of Investments.* A Fund may participate in a limited number of investments and, as a consequence, the unfavorable performance of any single investment may substantially adversely affect the aggregate returns to a Fund's investors. Moreover, there can be no assurance that one or more of any Fund's investments will perform well enough for such Fund to achieve above-average returns.

*Availability of Financing.* A Fund's ability to invest in portfolio companies may depend on the availability and terms of any borrowings that are required or desirable with respect to such investments. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions, whether due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders, may impair a Fund's ability to consummate these transactions and may adversely affect the Fund's returns. Availability of financing may also adversely affect the liquidity position of a portfolio investment.

*Operating, Financial and Regulatory Risks affecting Portfolio Companies.* The performance of the operating companies in which a Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, an economic downturn, changes in weather and weather patterns, changes in laws, regulations, fiscal policies or political conditions, including the risks of war and the effects of terrorist attacks. Regulation generally, including tax laws and regulation,

whether in the United States or abroad, also could increase the cost of acquiring, holding or divesting portfolio investments, the profitability of enterprises and the cost of operating a Fund. As a result, a Fund's portfolio investments may experience significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or experience financial distress.

*Controlling Interests.* Because of its equity ownership, representation on the board of directors and/or contractual rights, a Fund may often be considered to control, participate in the management of or influence the conduct of portfolio companies. Under certain circumstances such ownership or roles could be used by third parties as the basis for such parties to assert claims against the Fund or its affiliates whether or not there is any actual liability on such basis. If these liabilities were to arise, a Fund may suffer a significant loss.

*Illiquid and Long-Term Investments.* Investment in a Fund may require a long-term commitment with no certainty of return. Many of a Fund's investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize on such investments in a timely manner. Although investments may occasionally generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition or refinancing of such investment.

*Minority Investments.* Although Arable's typical investment approach is to acquire controlling interests or positions of significant influence, a Fund may invest in securities where it is not a lead or organizing investor. In such cases, a Fund may not be able to exert significant influence or protect its position. A Fund will be significantly reliant on the existing management and board of directors of such companies and may be exposed to risks related to third party co-investors. For example, the board and/or third party co-investors may include representation of other financial investors with whom a Fund is not affiliated or other third parties whose interests may be contrary to a Fund's investment objectives and may conflict with such Fund's interests.

*Uncertainty of Financial Projections.* Arable generally establishes the capital structure of companies in which a Fund invests on the basis of financial projections for such companies, which normally are based primarily on management judgments. Projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed, there can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

*Sector Focus; Dependence on Performance of Certain Investments.* Going forward, Arable will focus its investment activities primarily in the global food and agribusiness sectors. As a result, the performance of Funds concentrated in these sectors may be particularly sensitive to certain market forces as well as natural and political circumstances such as fluctuations in commodity prices, weather and environmental factors, wars, conflicts and similar upheavals, seasonality and government and regulatory intervention.

*Non-U.S. Investments.* The Funds' investment activities may, in some cases, include investments in businesses outside the United States. Investing in non-U.S. securities involves risks relating to (i) currency exchange matters, including fluctuations in the rates of exchange and costs associated with currency conversion; (ii) differences between the U.S. and foreign securities markets, including potential price

volatility in and relative liquidity of some foreign securities markets, absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and varying degrees of government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital; and (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. In addition, laws and regulations of foreign countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S.

*Market Conditions.* A Fund will be materially affected by conditions in the financial markets and economic conditions throughout the world, including interest rates, availability and terms of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances, and such conditions may adversely its performance.

*Cyber Security Breaches and Identity Theft.* Information and technology systems of Arable and the Funds' portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, Arable, a Fund and/or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions to Arable, a Fund and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Arable, a Fund or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

*ERISA.* A Fund may hold "plan assets" subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA imposes certain general and specific responsibilities and restrictions on fiduciaries with respect to plan assets. Arable endeavors to structure the Funds so that Arable or related entities are not classified as "fiduciaries" under ERISA as a result of holding such plan assets. If Arable or a related entity were to be considered a "fiduciary" with respect to plan assets in a Fund, such Fund may be prohibited from entering into certain transactions if the investment would violate ERISA with respect to such Fund, or may be obligated to take certain actions or refrain from taking certain actions in order to avoid a violation of ERISA with respect to such Fund.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Neither Arable nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer; or as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Arable intends to organize and sponsor Funds. The Funds managed by Arable are controlled by general partner entities affiliated with Arable (“GP entities”). The GP entities delegate the management of the Funds to Arable through a management agreement for each Fund. No other relationship or arrangement exists between Arable and any related person that is material to Arable’s advisory business or the Funds.

## **Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading**

### ***Code of Ethics***

Arable has adopted a comprehensive Code of Ethics (the “Code”) intended to ensure that it fulfills its role as a fiduciary to the Funds. The Code requires that Arable personnel and certain associated persons act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent they arise. Personnel are also required to comply with applicable provisions of the federal securities laws and make prompt reports of any actual or suspected violations of such laws by Arable or its personnel. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Arable’s personnel. The Code requires that personnel pre-clear certain public and all private personal securities transactions, report all personal securities transactions to the Chief Compliance Officer on at least a quarterly basis and provide Arable with a summary of personal securities holdings at least annually. The Code also addresses confidentiality and insider trading, and expressly prohibits personnel from disseminating material nonpublic information or using such information to inappropriately benefit any party through securities trading activities. Personnel are required to provide a written certification as to their compliance with the Code on an annual basis.

Copies of Arable’s Code are available to investors upon request by contacting us at [info@arablecp.com](mailto:info@arablecp.com).

### ***Participation or Interest in Client Transactions; Related Person Investments***

As a matter of general practice, neither Arable nor any of its related persons acquire or sell securities that are also recommended to the Funds other than through direct participation in the Funds.

In connection with the Funds’ investments, Arable, from time to time, expects to allow affiliates of the Funds’ investors and financing sources to co-invest in a Fund investment on a side-by side basis with the Funds. From time to time, in appropriate circumstances and subject to satisfaction of the policies and procedures set forth in the Code and the Fund’s offering documents, Arable personnel and other related persons may also co-invest in a Fund investment. Arable does not believe that this common industry practice gives rise to a material conflict of interest. Arable believes that any potential conflicts of interest are addressed by the Code and the Funds’ offering documents.

### ***Potential Conflicts of Interest***

It is expected that most or all of the officers and employees responsible for managing a Fund will have responsibilities with respect to other funds or accounts managed by Arable, including funds and accounts that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Arable and certain of its professionals will typically perform management, advisory, financial advisory and other services for, and may receive fees from, actual or prospective portfolio companies, which fees will be in addition to any asset-based Management Fees and carried interest paid to Arable or its affiliates by the Funds. Subject to the terms of the relevant governing agreement and management agreements for the Funds, Arable may be required to reduce its asset-based Management Fees by all or a portion of such fees, and the Funds will benefit from these fees only to the extent set forth in such governing agreement and management agreements.

Certain of Arable's professionals, in connection with the monitoring of portfolio company investments, also may serve on the board of directors of certain portfolio companies. In these circumstances, such professionals may receive director's fees, stock options and/or other equity compensation in connection with such service. While such compensation may initially be received by the applicable professionals, such compensation may be transferred to Arable and if so transferred all or a portion of such fees and other compensation typically offsets the Management Fee received by Arable from the applicable Fund.

Mr. Richards presently serves as a Managing Director of HarvestWest Management, LLC ("HarvestWest"), a sponsor of a pooled investment vehicle that specializes in investing in farmland. Although Arable will have no business dealings with HarvestWest in connection with the advisory services to Arable's clients, some of Mr. Richards' business time will be dedicated to managing HarvestWest's affairs.

The Funds may have tax-exempt, taxable, foreign and other investors, whereas most members of the general partners of the Funds are taxable at individual U.S. rates. Potential conflicts exist with respect to various structuring, investment and other decisions because of divergent tax, economic or other interests, including conflicts among the interests of taxable and tax-exempt investors, conflicts among the interests of domestic and foreign investors, and conflicts between the interests of investors and management. For these reasons, among others, decisions may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations.

## **Item 12 – Brokerage Practices**

Because Arable primarily invests in private securities, Arable does not typically select or recommend broker-dealers for Client transactions. From time to time, Arable may be in a position to select a broker-dealer due to the purchase of public securities or as a result of a portfolio company going public. In the event that a broker-dealer is selected or recommended, Arable expects to employ a review process to ensure that any such transaction is executed in the best interest of the Fund taking into account factors such as a broker's execution capability and trading and industry expertise in addition to pricing.

## **Item 13 – Review of Accounts**

Arable intends to regularly supervise and monitor the investment activities of each Fund. Additionally, Arable's investment professionals and senior management will monitor and review the Funds' portfolio investments on an ongoing basis, including, for example, by participating in board meetings and management calls, reviewing financial statements, and making on-site visits. Arable expects to review the valuation of a Fund's portfolio companies with such frequency as required by such Fund's offering documents.

Arable will provide written reports describing each Fund's portfolio investments to such Fund's investors on at least an annual basis. Arable may also hold investor update calls from time to time in appropriate circumstances.

Arable provides to investors in each Fund audited annual financial statements as well as unaudited financial statements and investor-specific account statements, in accordance with such Fund's offering documents.

#### **Item 14 – Client Referrals and Other Compensation**

In connection with the affairs of a Fund, Arable may receive, from prospective portfolio companies, actual portfolio companies or their respective affiliates, (i) monitoring fees, financial consultation fees, advisory fees, directors' fees and other similar fees, and (ii) transaction fees and break-up fees.

Neither Arable nor any of its related persons compensates any person for Client referrals. However, from time to time, in the context of organizing a Fund, Arable may compensate one or more placement agents for referrals of Fund investors. A prospective investor solicited by a placement agent or other third party will be advised of any such arrangement, including the receipt of fees. Commissions and fees due to a placement agent in respect of such services are generally offset in full against the management fees payable by the applicable Fund(s) to Arable.

#### **Item 15 – Custody**

In connection with the management of Fund investments, Arable may have, or may be deemed to have, custody of Client assets. Rule 206(4)-2 (the "Custody Rule") of the Advisers Act defines custody as holding client securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client's accounts or ownership of or access to client funds or securities (such as through fee deductions). With the exception of certain assets that qualify as "privately offered securities" under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"), all Fund assets will be held in custody by unaffiliated broker/dealers or banks that are qualified custodians.

Investors in the Funds will not receive statements from the custodian. Instead, Arable will arrange for annual independent audits of the Funds by a major accounting firm and obtains and delivers to investors in the Funds audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") within 120 days of the Fund's fiscal year end.

#### **Item 16 – Investment Discretion**

Arable will have discretionary authority to determine the securities or other investments and the amounts thereof to be bought or sold by its Funds. Such authority is subject to the limitations set forth in the offering documents of the applicable Fund.

#### **Item 17 – Voting Client Securities**

Since Arable will invest primarily in private securities, it generally will not have occasion to vote proxies on publicly traded securities. However, in the event that Arable were to obtain securities with voting authority,

Arable would vote proxies for companies in which Funds have investments in the best interest of the Funds under applicable client governance principles. In all instances, the reason for the decision as to how to vote a proxy and a record of the vote will be retained by Arable.

#### **Item 18 – Financial Information**

Arable does not solicit prepayment of fees six months or more in advance, has never been the subject of a bankruptcy petition and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.