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Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

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This brochure provides information about the qualifications and business practices of Ara Advisers, LLC, which also conducts business as Ara Partners (referred to herein as “Ara” or “the Firm”). If you have any questions about the contents of this brochure, please contact us at (713) 337-9150, or contact our Chief Compliance Officer, Karthik Narasimhan. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about Ara is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This brochure is Ara’s initial Form ADV Part 2A submitted with its application for registration as an Investment Adviser; therefore, there are no material changes to report.

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Item 4 Advisory Business

Ara is a private investment group formed by Charles Cherington and Troy Thacker to pursue investments in the industrial, chemicals and materials and energy efficiency sectors (the “Target Sectors”). Ara was legally formed in May 2017 under the laws of the State of Delaware as a Limited Liability Company. The operations of Ara are managed by a two-person committee, consisting of Charles Cherington and Troy Thacker.

Ara provides investment advisory services to two private funds (one primary fund, and one co-investment fund, and one special-purpose fund collectively the “Funds”), to which Limited Partners or Members (“LPs”) commit capital and make pro-rata contributions to the Funds based on total committed capital. LPs are primarily comprised of institutional investors, such as pension funds, foundations, endowments and alternative asset funds of funds, and others, including high net worth individuals. The Firm’s advisory services are limited to private equity funds and are not tailored to the individual needs of LPs.

Ara’s clients include, but are not limited to, the following private funds:

- Ara Fund I, LP and its affiliated funds (collectively, “Fund I”), and
- Ara Priority Power Holdings, LLC (“Co-investment Fund”).

In general, the Funds invest in middle-market companies in the Target Sectors, predominantly located in North America and Europe. Specific investment criteria, limitations, and restrictions are detailed in the private placement memorandum (“PPM”) of Fund I and the applicable limited partnership agreement or limited liability company agreement of the Funds (collectively, “Operating Agreements”).

In providing services to the Funds, Ara executes the investment objective for each Fund, directs and manages the investment of each Fund’s assets, and provides periodic reports to LPs in each Fund. Investment advice is provided directly to each Fund and not individually to the Fund’s LPs. Ara manages the assets of each Fund in accordance with the terms of the governing documents applicable to each Fund, which are generally established at the time of the formation of such Fund. The LPs may not direct investments by the Funds, and except in limited circumstances, LPs are not permitted to withdraw from a Fund prior to completion of the Fund’s winding up.

Ara is wholly-owned by Ara Partners Group, LLC (“APG”), an entity controlled by a five-person management committee that holds economic interests in other investment advisers. While APG has 100% economic ownership in Ara, it does not control Ara. The general partners and the managers of the funds (collectively, “GPs”) and Ara are controlled by Mr. Cherington and Mr. Thacker.

On a discretionary basis, Ara has \$203,295,543 of regulatory assets under management. The value of the assets was computed on November 12, 2019, using actual data as of October 31, 2019. The Firm does not manage client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Ara is compensated for its advisory services as follows:

- **Management fees**

LPs in Fund I are charged a management fee that is called from each LP on a quarterly basis in advance, based upon calculations and terms detailed in Fund I's Operating Agreement.

- **Carried interest**

The GP of a Fund may receive up to 20% of the realized appreciation in such Fund, once certain return hurdles are met. Specific information with respect to the calculation of carried interest is included in the relevant Operating Agreements.

- **Other fees**

The GP of the Fund may be entitled to receive topping, break-up, monitoring, administration, director's, organizational, commitment, set-up, consulting, advisory, and other similar fees in connection with the purchase, monitoring or disposition of investments or from un consummated transactions in respect of portfolio companies of the Fund. As defined in the Operating Agreement, 100% of such fees received by Ara benefit the LPs by way of a management fee offset. Ara has not received any such fees to date, but retains the right to do so at the GP's discretion. LPs in the Co-investment Fund may be periodically charged a fee, based upon calculations and terms detailed in such Co-Investment Fund's Operating Agreement.

These fees are disclosed in the Funds' Operating Agreements and offering documents, as applicable. The Firm and all supervised persons do not receive any other compensation for the sale of securities or other investment products, other than what is disclosed herein.

Ara calls capital from the Funds to pay for expenses that are permitted in the respective Fund's Operating Agreement. Such expenses include but are not limited to: professional fees charged for audit, tax and legal work, organizational expenses, fees and interest associated with amounts borrowed by the such Fund, fees and expenses for generating and distributing reports and notices to LPs, insurance premiums and third-party fund administrators. A complete list of permitted expenses is in the respective Fund's Operating Agreement and offering documents, as applicable.

Ara also receives reimbursement from the Funds and from portfolio companies held by the Funds, as permitted in the Fund Operating Agreements. Such expense reimbursements include but are not limited to:

From the Funds

- Unconsummated deal expenses, or "dead deal" expenses. This includes any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, engineers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors; provided that if a co-investor is committed to such transaction prior to the time at which it is decided by the applicable parties not to consummate such transaction, the GP may seek to have such co-investor pay or reimburse such expenses on a pro rata basis based on the parties' expected commitment to such transaction.
- All of the costs and expenses related to the organization of the Fund and any related vehicles and the offering of interests in the Fund, including legal, accounting, tax advisory, filing, capital raising, travel and other organizational expenses.

From the Portfolio Companies

- Services of a specialized nature (such as legal counsel, financial and accounting services, etc.) provided by Ara employees (non-investment professionals) to multiple portfolio companies which directly benefit the operations of the portfolio company. The amount and terms of such reimbursement to Ara are no less favorable to the respective portfolio company than would be obtained on an arms-length basis.
- Services provided to any portfolio company in the ordinary course of such portfolio company's business, or as compensation for services provided as an employee of such portfolio company or any of its subsidiaries paid to an employee of Ara who are devoting a majority of their business time to such portfolio companies, where the amount and terms of such payment for services are no less favorable to such portfolio companies than would be obtained on an arms-length basis.

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

As noted in Item 5, Fees and Expenses, the Firm earns carried interest after certain performance hurdles are met. Ara also receives compensation from Fund I in the form of a management fee, and other fees as noted in Item 5. Please refer to that section for additional details.

Possible conflicts of interest resulting from a performance-based fee structure have been addressed as follows:

- The carried interest may create an incentive for the GP of a Fund to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments than would be the case if such carried interest were not allocated to the GP. Members of the GP have committed a meaningful amount of personal capital to the Funds and are subject to the same risk of loss as the LPs.
- Fund I has an Advisory Board (whose seats are filled by institutional LPs that represent a significant percentage of Fund I's committed capital) that reviews all transactions where a conflict of interest exists (i.e., cross-fund investing, related party transactions, or any other situation where the GP believes a conflict of interest exists)
- Each co-investor has the right to invest its pro-rata share of any follow-on investment alongside Fund I per the terms of each applicable Operating Agreement, eliminating any incentive to favor or provide special treatment to Fund I.

Item 7 Types of Clients

Ara provides investment advisory services to two private funds, to which LPs commit capital and make pro-rata contributions based on total committed capital. The majority of LPs are institutional investors, such as pension funds, foundations, endowments and alternative asset funds of funds, and others, including high net worth individuals. LPs must meet the minimum standards of an "Accredited Investor" under Rule 501A of the Securities Act. The minimum commitment accepted from an LP is \$5,000,000, subject to Ara's right to accept lesser amounts.

In addition, a Fund's GP may enter into letter agreements or other similar arrangements (collectively, "Side Letters") with one or more LPs without the approval of any other LP that have the effect of establishing rights under, or altering or supplementing the terms of the Operating Agreements of the Funds as they apply to a particular LP. As a result of such Side Letters, certain LPs may receive additional benefits that other LPs will not receive, including without limitation better information rights and transfer rights. The other LPs will have no recourse against the Funds, Ara or any of its affiliates in the event that certain LPs receive additional or different rights or terms as a result of such Side Letters.

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

Ara expects to deploy more than 70% of Fund I in the United States and Canada and up to 30% in Europe and other markets. The Firm plans to pursue investments in the range of \$10 million to \$100 million per transaction.

Ara's senior management believes that decarbonization of the global industrial economy will create an attractive private equity investment environment for decades to come. Specifically, we believe that the increasingly prominent role of renewable and carbon-efficient resources in the global energy mix provides investment opportunities in the areas of services and specialized infrastructure. Ara will seek to exploit the sector-wide demand for lower-carbon feedstocks; lower-carbon energy delivery and management; reduced consumer and industrial waste; and higher "zero carbon" post-consumer and post-industrial content.

Ara has developed a methodical approach to portfolio management. Within its Target Sectors, Ara seeks to: (i) source and execute differentiated deal flow; (ii) execute hands-on investment management; (iii) acquire platform companies at attractive prices with downside protection; (iv) upgrade personnel and practices; and (v) drive platform company growth to position for exit.

An investment with Ara involves significant risks, including loss of the entire investment that the LP should be prepared to bear, as disclosed in detail in Fund I's PPM. The following is a list of risks that Ara considers significant:

- **No Assurance of Investment Return.** No assurance can be given as to the Funds' ability to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Funds 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 companies and transactions described herein. Investments made by the Funds are subject to a wide range of risks beyond the control of the Funds, Ara or its affiliates any of which could cause the Funds' investments to lose value. There can be no assurance that any LP will receive any distribution from any of the Funds. Accordingly, an investment in the Funds should only be considered by persons that can afford a loss of their entire investment. Past activities of investment entities associated with the Ara investment team provide no assurance of future success.
- **Long-Term Commitment by LPs.** An investment in the Funds represents a long-term commitment. There can be no assurance as to the length of time that any Fund may be required to hold any or all of its investments. LPs will generally not be able to withdraw capital contributions or terminate their capital commitments, irrespective of material changes in the world economy, the Target Sectors, applicable laws and regulations or taxes. In addition, the interests in the Funds are subject to substantial restrictions on transferability. The interests in the Funds generally may not be

transferred without the prior written consent of the GP in its sole discretion. In addition, the interests will not be registered under the Securities Act, or the securities laws of any states or any other jurisdictions and, therefore, cannot be resold unless they are subsequently registered under such laws or registration thereunder is not required pursuant to an exemption from such registration or otherwise.

- **Lack of Operating History.** Although the Ara investment team has extensive experience investing in the Target Sectors, the Funds have recently commenced operations and therefore have limited operating history upon which prospective investors may evaluate its performance. As with any performance data, the prior investment performance of the Ara investment team can provide no assurance of future results. The Firm is a newly formed investment adviser with no track record and the Funds are its first clients.
- **Potential for Insufficient Investment Opportunities.** The activity of identifying, completing and realizing attractive investments for the Funds is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. The Funds will be competing for investments with other investors, including companies, individuals, and other financial institutions. Over the past several years, an increasing number of private investment funds have been formed, including in the Target Sectors (and many such existing funds have grown in size), resulting in greater capital available for investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. Competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Funds and adversely affecting the terms upon which investments can be made. Accordingly, there can be no assurance that the Funds will be able to invest fully its committed capital.
- **Concentration of Investments.** The Funds generally will seek to diversify its investment portfolio in a manner consistent with its investment objective and strategy. However, given the nature of the Funds' investment strategy, the Funds may participate in a limited number of investments, and as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single investment.
- **Valuation of Investment Opportunities.** The Funds may make investments relying upon projections developed by the Firm or a portfolio company concerning such company's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of the Firm and the company in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values and/or cash flow.
- **Uncertainty of Financial Projections.** The GP will generally base its investment decisions on the basis of financial projections for each portfolio company. Projected operating results will typically be based primarily on management judgments. In all cases, 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, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.
- **Risk Relating to Due Diligence and Conduct at Portfolio Companies.** Before the Funds make an investment, the GP and/or the Firm will conduct such due diligence as they deem reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence

may entail feasibility and technical studies, environmental studies, marketing studies, business plan development, evaluation of important and complex business, financial, tax, accounting, environmental and legal issues as well as background investigations of individuals. Outside professionals, engineers, consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The involvement of such third parties may present a number of risks primarily relating to reduced control of the functions that are outsourced and may entail significant third-party expenses, which will be borne by the Funds subject to certain limitations thereon set forth in the applicable Operating Agreements. In addition, if the Funds are unable to timely engage third-party providers, its ability to evaluate and acquire more complex assets could be adversely affected. Due diligence investigations with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. Moreover, there can be no assurance that attempts to identify risks associated with an investment will achieve their desired effect. Potential investors should regard an investment in the Funds as being speculative and having a high degree of risk.

- **Resource and Time Intensive Strategy.** Ara's strategy is resource- and time-intensive. This aspect of its strategy constrains the Funds' ability to include a large number of significant investments in its portfolio and necessarily limits the amount of due diligence and research which can be completed on any given proposed investment.
- **Reliance on the GP and the Firm.** The GP and the Firm will have exclusive responsibility for the Funds' activities. Other than as may be set forth herein or in the Operating Agreements, LPs will not be able to make investment or any other decisions in the management of the Funds. In general, the LPs will have no opportunity to control or participate in the day-to-day operations, including investment and disposition decisions, of the Funds. As such, the LPs will not have an opportunity to evaluate for themselves the relevant economic, financial or other information regarding the investments made by the Funds, and instead will be relying on the ability of the GP and the Firm to select the investments to be made using the capital available to the Funds. Accordingly, the success of the Funds will depend in large part upon the skill and expertise of the Ara investment team and other professionals employed by the Firm. There can be no assurance that the Ara investment team and such other professionals will continue to be associated with the Firm throughout the life of the Funds. Were the services of certain of such persons to become unavailable, the effect on the Funds could be material and adverse. In order to maintain their limited liability status under applicable Delaware law with respect to the liabilities and obligations of the Funds, LPs are expected to rely entirely on the GP and the Firm to conduct and manage, respectively, the affairs of the Funds.
- **Reliance on Portfolio Company Management.** The Funds may make debt or minority equity investments in entities where the Funds do not control the business or affairs of such entities. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the GP and the Firm will be responsible for monitoring the performance of each investment and generally intend to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in a successful manner.
- **Debt Financing.** The Funds may provide debt financing in connection with one or more of its investments. The Funds will bear the risk of any changes in capital markets that may adversely affect the ability of a portfolio company to refinance any such debt investment. If such portfolio company

were unable to complete a refinancing, the Funds could have a long-term investment in a junior debt security or a junior debt security that is convertible into equity, and the interest rate on such debt financing may not adequately reflect the risk associated with the unsecured position taken by such Fund.

- **Global Economic Conditions; Market Dislocation.** General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial markets may affect the value of investments made by the Funds. Instability in the securities markets may increase the risks inherent in portfolio investments made by the Funds. Events of the past decades in the sub-prime mortgage market and other areas of the fixed-income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. To the extent the Funds' portfolio companies participate in such markets, the results of their operations may suffer. In addition, to the extent that such marketplace events continue or worsen, this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S., European and global economies. Any resulting economic downturn could adversely affect the financial resources of the Funds' portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Fund could lose both invested capital in and anticipated profits from such portfolio companies.
- **Cyber Security Breaches and Identity Theft.** Information and technology systems of Ara 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 Ara, the Funds 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 in Ara's, the Funds' 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 Ara's, the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.
- **Risks of Investment in the Target Sectors.** The Funds will make investments in the Target Sectors, including in companies involved in, or supporting speculative businesses involving a high degree of risk. These companies are sensitive to fluctuations in product supply/demand, interest rates, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Such fluctuations may, among other things, increase compliance costs and other costs of doing business. Furthermore, the Target Sectors may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of materials, acts of terrorism, changes in government regulation and sudden changes in prices of related materials. The Funds may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.

- **Portfolio Company Development, Construction and Operational Risks.** A portfolio company may face development and construction risks, including, but not limited to: (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) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents, breakdowns or failures of equipment or processes; and (vi) catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the Funds' control, such as any event of force majeure. Events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, construction or operation of portfolio company assets or businesses. Such delays or disruptions may result in lost revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company.

While portfolio companies may maintain insurance to protect against certain operational risks, such as business interruption insurance, such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of a portfolio company's losses. In addition, events outside the control of the portfolio company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring facilities. Such operational interruptions or the occurrence of such force majeure events could adversely affect the amount of revenues from operations, which in turn may impair a portfolio company's ability to repay its debt or make distributions to the Funds.

- **Natural Disasters, Terrorist Acts and Similar Dislocations.** Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on portfolio companies and other developing economic enterprises in such country. In particular, natural disasters could cause structural and other damage to physical infrastructure and energy assets, which could lead to significant expense for repairs and/or decreased revenue generation. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. or European military and related actions in Afghanistan, Syria, and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S., European and other world economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to the Funds' investments.
- **Key Inputs.** The operations of the businesses in which the Funds invest may rely on access to certain key inputs such as strategic consumables, raw materials and drilling and processing equipment. The inability to obtain such key inputs in a timely manner could delay or reduce a portfolio company's production, which could have an adverse impact on its results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and cash flows of the Funds' investments.
- **Risk of Loss.** The Funds may lend to distressed businesses. These loans by their nature are made to companies in unstable financial condition, and thus entail substantial inherent risks. Although the Firm will attempt to manage these risks, there can be no assurance that the Funds' investments will be repaid as agreed or that the Funds will not incur significant losses. The Firm anticipates that

several of the Funds' investments may incur losses; thus, investors should be prepared to lose all or substantially all of their capital commitments and contributions to the Funds.

- **Operational Risk.** Operational risks associated with an industrial or infrastructure asset in full operation include start-up risk, performance risk and maintenance risk. New build products must be tested prior to entering into full operation. If modifications or corrections are required as a result of such testing, there is the potential for increased costs and delayed revenue generation. Performance risk can include falling short of volume or price objectives or increased costs of doing business. Maintenance risk includes unplanned maintenance costs that can reduce operating cash-flow levels. In particular, mechanical breakdown, spare parts shortages, failure to perform according to design specifications, labor strikes, labor disputes, work stoppages and other work interruptions, and other unanticipated events may adversely affect operations. Exposure to operational risk varies by asset type. Regulated assets, for example electricity grids, can be more protected against certain risks through regulatory formulas or pass through to the customer, while unregulated assets are usually more exposed.
- **Investments in Highly Leveraged Companies.** The Funds may invest in portfolio companies which are expected to employ significant leverage (including substantial leverage senior to the Funds' participation), a considerable portion of which may be at floating interest rates. The leveraged capital structure of such companies will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such company or the energy industry. The Funds' investment in a portfolio company may be among the most junior financing in such company's capital structure. In the event a portfolio company cannot generate adequate cash flow to meet its debt service obligations, the portfolio company may default on its loan agreements or be forced into bankruptcy, resulting in a restructuring or liquidation of the company, and the Funds, particularly in light of the subordinated and/or unsecured position of its mezzanine debt securities, may suffer a partial or total loss of capital invested in the portfolio company.
- **Counterparty Risk.** To the extent that contracts for investment will be entered into between the Funds or a portfolio company and a market counterparty as principal (and not as agent), the Funds or the portfolio companies are exposed to the risk that the market counterparty may, in an insolvency or similar event, be unable to meet its contractual obligations to the Funds or the portfolio companies. The Funds or the portfolio companies may have a limited number of potential counterparties for certain of its investments, which may significantly impair the Funds' or the portfolio companies' ability to reduce its exposure to counterparty risk. In addition, difficulty reaching an agreement with any single counterparty could limit or eliminate the Funds' or the portfolio companies' ability to execute such investments altogether. Because certain purchases, sales, hedging, financing arrangements and other instruments in which the Funds or the portfolio companies will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Funds and the portfolio companies is subject to the risk that a counterparty will not be able to perform, or choose not to perform, its obligations under the related contracts. Although the Funds and the portfolio companies intend to pursue their remedies under any such contracts, there can be no assurance that a market counterparty will not default and that the Funds or the portfolio companies will not sustain a loss on an investment as a result.
- **Illiquid Investments.** Many of the Funds' investments can be expected to be highly illiquid. The Funds will invest in non-publicly-traded securities, private debt and equity instruments, and acquire assets and businesses for which the number of potential purchasers and sellers, if any, is very limited.

The Funds will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Funds may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. There can be no assurances that private purchasers of the Funds' investments will be found, or otherwise as to the timing and amount of the distributions, if any, made by the Funds.

- **Uncertain Exit Strategies.** Due to the illiquid nature of the investments which the Funds expect to make, the Firm is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given investment position. Exit strategies which appear to be viable when an investment is initiated may be precluded when the investment is deemed to be ready for realization due to economic, legal, political or other factors. The larger the transaction, the more uncertain the Funds' exit strategy tends to become, which increases risk to the Funds' total returns and success.

Fund I's PPM provides current and prospective LPs with an extensive list of risks, including those listed above.

Item 9 Disciplinary Information

Ara and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel. In connection with litigation filed against portfolio companies, certain Ara investment professionals may be named as co-defendants in their capacity as directors of such portfolio companies.

Item 10 Other Financial Industry Activities and Affiliations

Ara is not a registered broker-dealer, registered representative of a broker-dealer, futures commission merchant, or commodity pool operator, and is not associated with any of these types of entities. Ara also does not recommend other investment advisors for direct or indirect compensation.

Ara has affiliated entities that serve as the general partners/managing members of other private funds.

Intervale Capital, LLC ("Intervale") is an investment adviser registered with the SEC, located in Houston, Texas. Intervale manages three primary private funds and several affiliated funds, which invest in oilfield service companies.

Bayou City Energy Management, LLC ("BCEM") is an investment adviser registered with the SEC, located in Houston, Texas. BCEM manages three primary private funds and several affiliated funds, which invest in energy exploration and production companies.

Cibolo Energy Partners, LLC ("Cibolo") is an investment adviser registered with the SEC, located in Houston, Texas. Cibolo manages one primary private fund and several affiliated funds, which invest in energy exploration and production companies.

Junction Energy Capital, LLC ("Junction") is an Exempt Reporting Adviser registered with the SEC, located in Houston, Texas. Junction manages one primary private fund and several affiliated funds, which invest in midstream and downstream energy infrastructure.

Teleios Commodity Services, LLC (“Teleios”) is Commodity Trading Adviser registered with the NFA, located in The Woodlands, Texas.

As disclosed in Item 4, Ara is wholly owned by APG, an entity owned by and controlled by a five-person committee that includes Charles Cherington and Troy Thacker. APG is a network of five private equity firms that are primarily based in Houston, Texas. Each investment adviser in the APG network, including Ara, retains independence from APG with respect to investment decisions and the management of any funds, including any private investment funds. APG does not control Ara.

A conflict of interests between Ara or other investment advisers affiliated with APG related to investment allocations is unlikely given that the investment strategy of such other advisers differs from the investment strategy of Ara. If a conflict arose, however, it would be presented to the applicable Advisory Boards for approval.

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

Ara maintains a policy of compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC under rule 204A-1. The Code of Business Conduct and Ethics (“Code of Ethics”) applies to each access person, and is designed to ensure compliance with legal requirements and Ara’s standards of business conduct.

Ara’s investment committee is comprised of senior members of the Ara team who are responsible for making investment decisions on behalf of the Funds. Prior to investing in a fund, each LP is provided with a PPM, comprehensive due diligence materials, opportunities to meet Ara’s partners and employees, and the Operating Agreement that documents the fund structure, the GP’s roles and responsibilities, the LPs’ rights and obligations, and other pertinent partnership terms. Conflicts that may arise as a result of compensation structure (including mitigating factors) are discussed in Item 6. Conflicts that may arise from cross-fund investments or mutual investment ownership among related parties (including mitigating factors) are discussed in Items 6 and 10.

Ara has adopted a compliance manual and code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”) that is predicated on the principle that Ara owes a fiduciary duty to the Funds. Accordingly, employees of Ara must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of the Funds. “Upon request, a copy of the Code of Ethics will be provided to existing or prospective LPs.

Ara’s access persons, as defined by Rule 204A-1, must have written clearance for all transactions involving initial public offerings, private placements and certain publicly traded securities before completing the transactions. Ara may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. Ara also endeavors to maintain current and accurate records of all personal securities accounts of its access persons in an effort to monitor all such activity.

Ara, its employees or a related entity will have an investment in each Fund. For example, the GP for each Fund is owned all or in part by Ara’s partners. In addition, Ara and its GPs will participate in the Funds’ investment programs by agreeing to commit a certain percentage of the Funds’ total capital commitments or

a certain amount as defined in the Funds' governing documents. Therefore, Ara, its employees or a related entity will indirectly participate in transactions effected for the Funds.

Item 12 Brokerage Practices

Ara's investment committee members, in their capacity as members of the GP of each Ara fund, have the authority to determine what securities/investments the Funds should buy or sell and what brokers or dealers to use. The majority of the investments made by the Funds are in non-registered securities (e.g., direct participation securities) offered in private placements without the services of a broker-dealer. While Ara has the authority to select brokers or dealers, such authority is seldom exercised. Where the Firm is required to select brokers or dealers for transactions on behalf of an LP, it takes several factors into account, including the financial stability and reputation of the broker or dealer, the quality of the services provided by the broker or dealer, and any special execution capabilities of the broker or dealer. Ara does not necessarily choose a broker or dealer based on the lowest available commission cost or spread. The Firm will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances.

Ara does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

Item 13 Review of Accounts

Ara focuses on making private equity investments in companies in the middle-market. All investments are carefully reviewed and approved by the investment committee. Investment committee approval also requires the approval of the managing partner. The portfolio companies are reviewed on a regular basis and Ara's investment professionals meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

On a quarterly basis, a third-party fund administrator, SS&C Technologies, LLC ("SS&C"), prepares financial statements for the Fund. These financial statements are distributed to each LP in the respective fund, along with the LP's quarterly capital account statement, which details the LP's balance sheet, unfunded commitment, capital account activity, and additional information (if applicable) in corresponding footnotes to the statement. Included in the financial statements is a letter from Ara's managing partners highlighting the activity from the reporting period, as well as written reports detailing the latest financial and operational updates for each company in which the respective fund has invested. The financial statements and capital account statements of the Fund are prepared by SS&C. All financial reports are reviewed by Ara's Controller and Chief Financial Officer.

Item 14 Client Referrals and Other Compensation

Ara has historically compensated a third-party placement agent to assist with marketing and private placement of Fund I's commitments from institutional LPs. The fees paid to such placement agents reduce

the management fees charged to the LPs, mitigating any perceived conflict of interest. Specific information with respect to the management fee reduction is included in the relevant Operating Agreements.

Item 15 Custody

The Funds are structured as commitment-based investment vehicles. Ara calls capital from the LPs on-demand, for the purpose of making an investment or paying for partnership expenses, including management fees. Capital called that is not immediately deployed (as is sometimes the case when investments or Fund expenses are anticipated in the coming weeks) is held in the Fund's bank account until needed. Ara has access to client accounts since an affiliate serves as the GP of each Fund.

When an investment is sold, the proceeds are held in the Fund's bank account for a short period of time until the distribution calculation has been completed. The proceeds are then distributed to each LP according to the distribution provisions set forth in the applicable Fund's Operating Agreement.

Item 16 Investment Discretion

Ara's investment committee members are given discretionary authority to manage the investment decisions of each Fund. The specific investment discretion granted to the GP is detailed in each Fund's respective Operating Agreement and Side Letters.

Ara may, but shall not be required to, offer co-investment opportunities to third parties, strategic investors, LPs and, with the consent of the applicable Fund's Limited Partner Advisory Committee, Ara and its affiliates. As a pre-condition to the offering of such co-investment opportunity to one or more persons or entities, Ara may require such persons or entities to enter in such agreements or other undertakings as Ara determines are necessary or desirable in light of such co-investment opportunity.

Item 17 Voting Client Securities

Ara's investment committee is comprised of senior members of the Ara team who are responsible for making investment decisions on behalf of the Funds. The investment committee's discretion includes voting rights on behalf of securities held by the Funds. Please reference Ara's approach to addressing conflicts of interest in *Item 6: Performance-Based Fees and Side-By-Side Management*.

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Ara has adopted and implemented written policies and procedures governing the voting of client securities. Ara's voting policies and procedures are available to LPs upon request.

Most of the portfolio companies in which the Funds invest are private companies which typically do not issue proxies. However, in the event proxies have to be voted, Ara has adopted proxy voting policies and procedures, and will be responsible for voting proxies on behalf of the Funds. Ara will vote client proxies in a way that it believes will maximize shareholder value. Ara's investment professionals are generally responsible for making voting decisions with respect to proxies received. A record of all proxy votes cast on

behalf of the Funds will be maintained and available for review. LPs should contact the Chief Compliance Officer for information with respect to a specific proxy vote.

The specific investment discretion and voting rights granted to the GP are detailed in each Fund's respective Operating Agreement.

Item 18 Financial Information

Ara has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts. As such, disclosure of additional financial information is not required.