

INVESTMENT ADVISER BROCHURE

ARCLINE INVESTMENT MANAGEMENT LP

**Arcline Investment Management LP
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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Arcline Investment Management LP (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (415) 801-4570. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

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

MATERIAL CHANGES

The Adviser filed its most recent Brochure on December 3, 2018, in association with the Adviser's initial registration. This other-than-annual amendment updates the Adviser's regulatory assets under management and the description of certain business practices of the Adviser and its affiliates.

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ADVISORY BUSINESS

The Adviser, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in August 2018.

The Adviser's clients include Arcline Capital Partners LP and Arcline Capital Partners A LP, each a Cayman Islands exempted limited partnership (including any parallel or alternative investment vehicle, collectively, the "Fund", and together with any future private investment funds to which the Adviser or its affiliates provide investment advisory services, the "Funds"). The Adviser also may serve as investment adviser to an "executive fund" offered to executives, employees, affiliates and other investors with a relationship with the Adviser or its personnel.

Arcline Capital Partners GP LP (together with any future general partners that may be formed from time to time, each a "**General Partner**" and together with the Adviser and their affiliated entities, "**Arcline**"), is affiliated with the Adviser.

Each General Partner is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as "portfolio companies." Arcline's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Arcline or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

The advisory services to the Funds are detailed in the applicable Fund's private placement memoranda or other offering documents (each, a "**Memorandum**"), limited partnership or other operating agreements or governing documents (each, a "**Partnership Agreement**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The Funds or the General Partners generally enter into side letters or other similar agreements ("**Side Letters**") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, Arcline expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, AVCG members (as defined under the heading "The

Arcline Value Creation Group and Consultants” below), third-party consultants (“**Consultants**”) and other service providers, Arcline personnel and/or certain other persons associated with Arcline and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Arcline’s sole discretion, Arcline is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of March 31, 2019, the Adviser managed approximately \$1,530,083,502 in client assets on a discretionary basis. The Adviser’s founders and principal owners are Rajeev Amara and Shyam Ravindran (the “**Founders**”), who serve as the Adviser’s Chief Executive Officer and President, respectively. The Adviser’s sole general partner, Arcline Holdings LLC, is a Delaware limited liability company wholly owned by Mr. Amara.

FEES AND COMPENSATION

In general, Arcline receives a management fee (the “**Management Fee**”) and a carried interest in connection with its advisory services provided to the Funds. Arcline and/or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Arcline subject to the terms of the applicable Partnership Agreement. Investors in a Fund also bear certain expenses. A summary of the Fund’s anticipated fees and expenses follows, but investors should review the applicable Fund’s Partnership Agreement for details regarding fee structure and expenses.

Management Fees

The Fund pays a Management Fee initially equal to 2% on an annual basis of aggregate capital commitments (“**Commitments**”) of investors that are not designated as “affiliated partners” by the General Partner. Payments are made quarterly in advance. Commencing with the first Management Fee payment date after the expiration of the Fund’s investment period or earlier upon the occurrence of certain events set forth in the applicable Partnership Agreement and through the final distribution of the Fund’s assets, the Management Fee will generally equal 2% of (i) the aggregate unrecouped bridge financing and investment contributions with respect to the portion of each investment that has not been disposed of or completely written-off, less (ii) the aggregate amount of permanent write-downs of investments that have not been disposed of, in each case with respect to investors not designated as “affiliated partners”; provided that commencing with the first Management Fee payment date after the tenth anniversary of the effective date of the Fund and so long as the Fund’s term has been extended as provided in the Partnership Agreement, the Management Fee rate will be reduced to 1%. An investor participating

in a subsequent closing after the initial closing date generally will be assessed Management Fees retroactive to the beginning of the effective date of the Fund, with an additional interest-like amount thereon calculated from the date such Management Fee payments would have been due if such investor were admitted for its full Commitment on the initial closing date. Installments of the Management Fee payable for any period other than a full quarter are adjusted on a *pro rata* basis according to the actual number of days in such period.

The Fund's Management Fee will be reduced, but not below zero, by an amount equal to 100% (as may be adjusted pursuant to the Partnership Agreement) of Transaction Fees, as set forth in the applicable Partnership Agreement. "**Transaction Fees**" include any: (i) directors' fees, financial consulting fees or advisory fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break-up fees with respect to Fund transactions not completed that are paid to the General Partner, in each case net of certain expenses (including those described below) as set forth in the Partnership Agreement; but they do not include, in any event, any amount received by the General Partner, an AVCG (as defined below) member or other person from a portfolio company, prospective portfolio company or other person (A) as reimbursement for expenses directly related to such portfolio company or prospective portfolio company, (B) as compensation for services provided to any portfolio company or prospective portfolio company in the ordinary course of such portfolio company's or prospective portfolio company's business, (C) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company or prospective portfolio company, (D) as compensation, including cash fees, guaranteed cash payments or other cash compensation, for services rendered by the AVCG or a member thereof to such portfolio company or prospective portfolio company, (E) that is in the nature of any Compensation (as defined below) received by an AVCG member to the extent not covered by clauses (A) through (D) or any other amounts that the advisory board established by the General Partner for the Fund (the "**Advisory Board**") otherwise approves as not constituting "Transaction Fees."

In addition, the Fund's Management Fee may be reduced by any placement agent fees paid and organizational fees in excess of the cap stated in the Fund's Partnership Agreement. In the event that the amount of any Management Fee reduction exceeds the Management Fee for such quarterly period, such excess is carried forward to reduce the Management Fee payable in following quarterly periods, as set forth in the applicable Partnership Agreement.

Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including unreimbursed travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees. To the extent that any other fund or any other entity or individual co-invests alongside the Fund in any portfolio company investment, any Transaction Fees will be allocated among the Fund and the co-investors in proportion to the cost of the investment or potential investment in the portfolio company held (or committed to be held) by each. Accordingly, the Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Transaction Fee and not the portion of any fee allocable to any other investor in a portfolio company. For the avoidance of doubt, any other fees earned

with respect to any co-investment vehicle will not reduce the Management Fee payable by the Fund.

The Partnership Agreements generally permit the General Partner to waive or agree to reduce the Management Fee at any time for any period. Certain waived portions of the Management Fee will be treated as special contributions made by the limited partners of the Fund (“**Limited Partners**”) and credited to the General Partner as deemed contributions in respect of the General Partner’s Commitment to the extent provided in the relevant Partnership Agreement. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees could be significant. Due to waived or reduced Management Fees by the General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that such Management Fee offsets will be delayed.

Carried Interest

As more fully described in the Partnership Agreement, the Fund’s General Partner generally will receive a carried interest with respect to the Fund equal to 20% of profits in respect of realized investments and unrealized investments to the extent they are completely written off for U.S. federal income tax purposes in excess of an 8% compounded preferred return and subject to the return of capital to the Limited Partners in respect of such investments and a catch-up in favor of the General Partner once the preferred return is achieved. Notwithstanding the foregoing, the General Partner will electively defer (but not waive) certain carried interest otherwise distributable to the General Partner in respect of the Limited Partners to the extent provided in the Partnership Agreement. In addition, the carried interest distributed to the General Partner is subject to a potential clawback at the end of the Fund’s life if such General Partner has received excess cumulative distributions with respect to each Limited Partner, subject to certain conditions provided in the Partnership Agreement.

It is expected that any future Funds will have a similar fee structure.

Other Information

The General Partner may, in its sole discretion, designate certain investors as “affiliated partners” (whether or not they are actual affiliates of Arcline); such “affiliated partners” may include executives, employees, certain members of the AVCG and certain Consultants engaged or retained by Arcline that may be exempted from all or some portion of the Management Fee and/or carried interest.

Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Funds which co-invest with a Fund. For example, the General Partner and limited partners who are affiliates, employees or other designees, including persons designated as “affiliated partners”, certain members of the AVCG (as defined below) and/or certain Consultants engaged or retained by Arcline, generally will not be subject to the Management Fee or carried interest. Additionally, the General Partner has the right to permit investors, affiliated with Arcline or otherwise, to invest through the General Partner or other vehicles that do not bear Management Fees or carried interest. In general, the Management

Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Partnership Agreement, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

The Founders or other current or former employees of Arcline (including certain members of the AVCG) or its affiliates generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Adviser, its affiliates, or from the relevant portfolio companies to which they provide services.

In addition to the Management Fee and carried interest payable to Arcline, the Funds bear certain expenses. As set forth more fully in each Fund's Partnership Agreement, each Fund will pay, or reimburse the General Partner for, all other fees, costs, expenses, liabilities and obligations relating to the Fund and/or its activities, business, alternative investment vehicles, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating or otherwise disposing of, as applicable, the Fund's portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, 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), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, the General Partner or any "affiliated partner" on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (vi) legal, accounting, research (including expert consultants, research reports, subscriptions to research services, research calls and meetings and research or industry conferences), auditing, administration (including fees and expenses associated with any third-party Fund administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation or expense reimbursements paid to Consultants performing investment initiatives and other similar consultants), recruiting (including executive recruiters for portfolio companies), Compensation and expense reimbursements (as defined below) paid to AVCG members and/or Consultants (each as defined below) and non-cash compensation paid to Consultants, tax, information technology

and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal, website, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the Limited Partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided in the Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the Advisory Board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board); (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any General Partner and/or Limited Partner (collectively, the “**Partners**”) or other person pursuant to the Partnership Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvii) any annual Limited Partner meeting or other periodic, if any, meetings or conferences of the Limited Partners, in each case to the extent incurred by the Fund or the General Partner; (xviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, winding up and dissolution of any feeder vehicles related to the Fund to the extent not borne by the investors investing in such entities or those vehicles themselves; (xix) the liquidation, winding up or dissolution of the Fund; (xx) defaults by Partners in the payment of any capital contributions; (xxi) (A) complying with any law or regulation related to the activities of the Fund (including any third-party service provider, administrator or other expenses incurred in connection with Cayman Islands anti-money laundering law compliance, and other regulatory expenses of the General Partner incurred in connection with the operation of the Fund and legal fees and expenses) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Partnership Agreement; (xxii) any third-party experts, including independent appraisers or environmental, social and corporate governance experts, engaged by the General Partner in connection with the Fund; (xxiii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a Limited Partner; (xxiv) any taxes, fees and

other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a Partner or such tax, fee or charge is treated as having been distributed to the Partners pursuant to the Partnership Agreement); (xxv) expenses related to making distributions to the Partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxvi) the Fund's allocable portion of the salaries, expenses and overhead of employees of the Adviser or an affiliate thereof that are members of the Arcline Value Creation Group (as described under the heading "The Arcline Value Creation Group and Consultants" below), including unreimbursed costs and expenses and unpaid fees of the AVCG or its members, employees or other persons engaged by the AVCG; (xxvii) compliance or regulatory matters related to the Fund, except as set forth in the Partnership Agreement; (xxviii) any travel (including first-class (or equivalent) commercial airfare or private air travel so long as the cost does not exceed the cost of first class (or equivalent) commercial airfare), lodging, meals or reasonable and customary entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxix) hosting or attending training programs, meetings or other events for portfolio companies and/or their personnel; (xxx) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner, affiliates of the General Partner and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof subject to certain limitations set forth in the Partnership Agreement; (xxxi) all costs and expenses associated with operating a feeder fund (as defined below) which invests all or substantially all of its assets in the Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund's financial statements, tax returns and feeder fund Limited Partner reports, but not including any income based or similar taxes, fees or other governmental charges levied against such feeder fund; (xxxii) any organizational expenses; (xxxiii) any placement fees; and (xxxiv) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board, but not including any expenses included as part of the definition of "Investment Contributions" in the Partnership Agreement. The foregoing shall be Fund expenses notwithstanding that they may be specially treated or excluded from being characterized as an expense under GAAP.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Arcline's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, the full amount of any fees and expenses generated in the course of evaluating any such proposed transaction generally would be borne by the Fund, and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such expenses.

The Adviser and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing, calculation method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by the Advisory Board or an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and the Adviser and/or its affiliates on the other hand.

The Arcline Value Creation Group and Consultants

As further described herein and in the applicable Memorandum of each Fund, the Adviser has created a cross-functional, multi-disciplinary group (the “**AVCG**”), comprised of persons employed, retained or engaged by Arcline and whose focus is on identifying and realizing breakout potential in acquired businesses based on operational initiatives identified during diligence. AVCG members are initially employed by the Adviser and organized into two teams focusing on (i) research and strategy and (ii) technology and operations, respectively, that are generally expected to provide services to the Fund, any alternative investment vehicle or any portfolio company or prospective portfolio company, as applicable. The Adviser may designate members of the AVCG in its sole discretion. The Adviser also may engage and retain Consultants to render management, operations, manufacturing, procurement, technology, sales, marketing, acquisition due diligence, integration/rationalization and/or other operations services to the Fund, any alternative investment vehicle or any portfolio company or prospective portfolio company, including certain services of the type provided by the AVCG. AVCG members and Consultants may be affiliates of Arcline or employed, retained or engaged by such affiliates, including employees or service providers of the portfolio companies of the Funds.

Both AVCG members and Consultants could receive compensation, guaranteed payments, cash fees, a share of proceeds upon sale of a portfolio company, other incentive-based compensation, including deferred compensation and/or other amounts (collectively, “**Compensation**”). They are expected to receive reimbursement of certain costs and expenses that are incurred in connection with providing services. Separately, AVCG members are expected to receive other benefits as set forth in the applicable Memorandum, including the ability to make use of certain Arcline resources and the opportunity to invest in the Fund and participate in the Fund’s carried interest, while Consultants could receive office space and other portfolio company-related incentives (*e.g.*, equity grants) and other benefits as set forth in the applicable Memorandum. The Adviser intends to allocate Compensation between the Funds (and their alternative investment vehicles, portfolio companies or prospective portfolio companies), on the one hand, and the General Partners and/or the Adviser, on the other, in a manner that it believes is fair and equitable, typically based on the entity receiving the services provided by the AVCG and/or Consultants, and based on its current internal allocation policy and the relevant Partnership Agreement and/or Memorandum. To the extent Compensation is allocated to, and borne by the Funds (or an alternative investment vehicle or portfolio company or prospective portfolio company), such Compensation will not be included as “Transaction Fees” or otherwise reduce the Management Fee. The use of the AVCG and Consultants subjects the Adviser to conflicts of interest, as discussed under “Conflicts of Interest”, below.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation”, the relevant General Partner receives a carried interest allocation on certain realized profits in the Fund. Arcline may also manage an “executive fund” which is not charged carried interest. This could present a conflict of interest with respect to the “executive fund” because Arcline has an incentive to favor accounts for which it receives the highest performance-based compensation.

The existence of performance-based compensation also has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Arcline generally considers performance-based compensation to better align its interests with those of its investors.

TYPES OF CLIENTS

Arcline provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “**Investment Company Act**”). The investors participating in the Funds may include individuals, banks or thrift institutions, insurance companies, fund-of-funds and other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals, executives or other employees of Arcline and its affiliates (including portfolio companies) and members of their families, AVCG members, Consultants or other service providers retained by Arcline.

For legal, tax, regulatory, accounting or other similar reasons, Arcline may form one or more alternative investment entities to make, restructure, or otherwise hold investments, including outside the Funds. Generally, in such event, each investor that participates in an alternative investment vehicle would do so on substantially the same terms and conditions as it participates in the Funds.

The Fund generally has a minimum investment amount of \$10 million for third-party investors. Such minimum investment amount may be waived by the General Partner. Fund interests are offered and sold solely to “accredited investors,” as defined in Regulation D promulgated under the U.S. Securities Act of 1933, as amended, and, unless waived in the discretion of the General Partner, “qualified purchasers” as that term is defined under the Investment Company Act (or certain qualified knowledgeable Arcline personnel).

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Arcline intends to principally focus on pursuing leveraged buyouts of high-quality middle-market businesses operating in the industrials and industrial technology sectors. More specifically, Arcline intends to target businesses with total enterprise values and revenue up to \$1 billion,

operating in sectors including, but not limited to: (i) software, (ii) technology hardware, (iii) building products, (iv) test and measurement, (v) healthcare manufacturing, (vi) life sciences, (vii) distribution, (viii) energy, (ix) specialty chemicals, (x) aerospace and (xi) general industrials.

Arcline's investment strategy comprises several key factors: (i) a multi-disciplinary, deep generalist approach to investing, which expands Arcline's addressable deal flow and allows for insights and lessons to be applied between sectors; (ii) a lean organizational structure and well-defined, consistent processes to make both investment and portfolio company operational decision-making more efficient; (iii) a disciplined review process for platform investments that utilizes proprietary evaluation frameworks and checklists, reducing the likelihood of "off-strategy" or flawed investment decisions and increasing confidence in expected outcomes; (iv) an established methodology to identify and extract breakout potential in acquired businesses through transformational shifts in business models and markets; and (v) a prioritization of talent and culture based on the tenets of Arcline's investment strategy, both internally and within platform investments, to reduce risk in investment performance outcomes and enhance returns.

There can be no assurance that Arcline will achieve the investment objectives of any Fund and a loss of investment is possible.

Investment and Operating Strategy

Arcline is committed to a strategy that aims to minimize downside while simultaneously maximizing breakout potential in each platform investment through the use of systematic, proprietary methodologies designed for identifying and extracting upside. Arcline intends to make portfolio investments using a structured and tested process that is based on the Arcline investment professionals' knowledge and experience. Steps in that process include:

- 1) *Sourcing*. Arcline believes that the prior experience and relationships of the Founders and Arcline's other professionals will help drive deal flow for the Funds. Consequently, Arcline will devote significant time and resources researching and developing appealing investment themes and acquisition opportunities within its target markets that stand to benefit from those themes in order to continually expand and enhance the baseline acquisition pipeline that will be developed through more traditional means.
- 2) *Filtering*. Arcline has developed a robust process designed to filter opportunities after they are sourced. This systematic process is expected to facilitate rapid and comprehensive screening of potential acquisition targets. Arcline will apply proprietary frameworks to seek to assess the relative strengths and weakness of each target's business model, industry structure and market positioning to efficiently determine whether it satisfies the required elements for all firm investments. In addition, Arcline will utilize comprehensive risk assessment checklists for quantitatively evaluating a target's downside and technology disruption risk to help mitigate risk of loss.
- 3) *Diligence / Underwriting*. Once a potential investment opportunity is determined to meet Arcline's investment criteria, Arcline will conduct an efficient diligence and underwriting process to determine an appropriate valuation for the business.

- 4) Execution. The Arcline team members have considerable experience in all aspects of the negotiation, structuring and documentation of these transactions, including the purchase and debt financing agreements.
- 5) Value Creation. Arcline believes that value creation is the most important step in delivering differentiated investment outcomes versus its competition. To that end, Arcline has established the cross-functional, multi-disciplinary AVCG, which will focus on identifying and realizing breakout potential in acquired businesses based on operational initiatives identified during diligence.

In conjunction with the AVCG, Arcline will also leverage an extensive network of Consultants that Arcline believes can bring specific resources and expertise to bear in support of breakout initiatives.

- 6) Exit. Arcline will seek to grow the portfolio company's value to strategic buyers and an eventual exit.

Risks of Investment

Each Fund and its investors bear the risk of loss that Arcline's investment strategy entails. The risks involved with Arcline's investment strategy and an investment in a Fund include, but are not limited to, those described below.

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

Future and Past Performance; Investment Structure. The performance of the Founders' prior investments is not necessarily indicative of the Fund's future results, nor is their structure necessarily indicative of the structure of the Fund's investments. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

Concentration of Investments. The Fund will participate in a limited number of investments and investments in one industry or one industry segment or within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

Bridge Financing. The Fund may provide interim financing (“**Bridge Financing**”) to facilitate portfolio company investments. It is possible that all or a portion of a Bridge Financing will not be recouped within the time period specified in the Partnership Agreement, in which case the investment would be treated as a permanent investment of the Fund retroactive to the date of the closing of such financing and, as such, subject to the preferred return and carried interest provisions of the Partnership Agreement. As a result, the Fund’s portfolio could become more concentrated with respect to such investments than initially expected or otherwise provided for under the Fund’s investment limitations.

Subscription Lines. The Fund has entered into a subscription line with a lender in order to finance its operations (including to acquire the Fund’s investments and to pay expenses) prior to or in lieu of calling capital contributions and may enter into other subscription lines in the future. Such fund-level borrowing subjects Limited Partners to certain risks and costs.

Fund-level borrowing will result in incremental partnership expenses that will be borne by Limited Partners. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of the subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line’s interest rate is based the terms of the Partnership Agreement, it may be higher than the interest rate a Limited Partner could obtain individually. To the extent a particular Limited Partner’s cost of capital is lower than the Fund’s cost of borrowing, Fund-level borrowing can negatively impact a Limited Partner’s overall individual financial returns even if it increases the Fund’s reported net returns under certain calculation methods.

Separately, conflicts of interest may arise in that the use of such facilities may, and likely would, delay the need for Limited Partners to make certain contributions to the Fund that they otherwise would, which may enhance the Fund’s performance figures and thereby benefit Arcline. Interest may accrue on any such outstanding borrowings at a rate lower than the Fund’s preferred return, which will begin accruing when capital contributions to fund such investments or pay such expenses, or repay borrowings used to fund such investments or pay such expenses, are actually made to the Fund by a Limited Partner. For purposes of distributions by the Fund, Limited Partners would not receive a preferred return accrual on the amount invested by the Fund until such time as capital may be called from Limited Partners in respect of the investment.

The credit agreement associated with Fund-level borrowing may contain other terms that restrict the activities of a Fund and the Limited Partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner’s ability to consent to the transfer of a Limited Partner’s interest in the Fund. The General Partner has significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more Limited Partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for Limited Partners that would not arise had the relevant General Partner

called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be magnified for a Limited Partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Limited Partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, Limited Partners would end up with increased exposure to the underlying investment, which could result in greater losses.

While Fund-level borrowings generally will be interim in nature, asset-level leverage may remain outstanding for an extended period of time, subject to any limitations thereon provided in the Partnership Agreement or agreements with lenders. If an investment acquired with proceeds of such borrowing loses value, Limited Partners may be subject to capital calls to fund that loss as a Fund expense by repaying the credit facility, including related interest and expenses. If an investment appreciates in value and is disposed of prior to repayment of the borrowing, the disposition proceeds would be applied to repay the borrowing (and related interest and expenses), and the net proceeds would be distributed to the Limited Partners without being subject to a preferred return due to the absence of invested capital funded by Limited Partners (while effectively defraying the preferred return in respect of other investments) prior to the determination of carried interest distributions. Accordingly, borrowings by the Fund may support the distribution of proceeds to Limited Partners and increase the potential carried interest for the General Partner. This conflict of interest may incentivize the General Partner to permanently fund the acquisition and ongoing capital needs of Fund investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never if principal and interest on such borrowings are repaid out of disposition proceeds).

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, Limited Partners will be required to bear Management Fees through the Fund during the investment period based on the entire amount of the Limited Partners' Commitments and other expenses as set forth in the Partnership Agreement.

Competition for Investments. The Fund may encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, governments, individuals, financial institutions, family offices, strategic industry acquirers and other investors, including hedge funds, investing directly or through affiliates. Further, over the past several years, an increasing number of private equity funds have been or are being formed (and many existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and more personnel than the General Partner, the Fund and their affiliates. Arcline expects that competition for appropriate investment opportunities may increase, which may also require the Fund to participate in auctions, the outcome of which cannot be guaranteed, thus

reducing the number of investment opportunities available to the Fund and/or adversely affecting the terms upon which investments can be made. Participating in auctions will also increase the pressure on the Fund with respect to pricing of a transaction. For example, given the increasingly competitive environment, Arcline may find it more difficult to obtain buyer-favorable terms in a transaction, such as receiving an indemnification by the seller for a breach of representations or warranties, the ability to terminate a transaction if financing sources become unavailable or unwilling to fund or the ability to terminate the transaction if there has been a material adverse change in the company's business prior to closing of the investment. In addition, Arcline may find competitors for investment opportunities willing to offer seller-favorable terms in a transaction, such as providing a "reverse break-up fee" and fund level guarantees. If a financing-related closing condition is not available to the Fund or if the Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, the Fund may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made. To the extent that the Fund encounters competition for investments, returns to Limited Partners may decrease including as a result of higher pricing, foregoing opportunities, or negotiating fewer transactional protections in order to remain competitive. Additionally, the Fund may incur bid, due diligence, negotiating, consulting or other costs on investments that may not be successful. As a result, the Fund may not recover all of such costs, which would adversely affect returns.

Unspecified Investments. The Fund began its operations upon its initial closing without having identified any specific investments. Therefore, Limited Partners must rely upon the ability of the General Partner to identify, structure and implement investments consistent with the Fund's investment strategy and policies. The Fund may be unable to find a sufficient number of attractive opportunities that meet its investment objectives.

Sector Concentration. The Fund will principally pursue leveraged buyouts of high-quality middle market businesses, concentrating on investments in the industrials and industrials-technology sectors. Such sector focus may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. Instability, fluctuation or an overall decline within the industrials and industrials-technology sectors may not be balanced by investments in other industries not so affected. If such sectors decline, returns to the Fund are expected to decrease.

Businesses operating in the industrials sector may be adversely affected by supply and demand changes related to their specific products or services and industrials sector products in general. The products of manufacturing companies may face obsolescence due to rapid technological developments and frequent new product introduction. Global events and changes in government regulations, economic conditions and exchange rates may adversely affect operating results, together with liability for environmental damage and product liability claims. Businesses in the industrials sector may be adversely affected by government spending policies to the extent that they rely on government demand for their products and services. Governmental budgeting and procurement requirements could thus adversely affect profitability. Industrials businesses that are subject to greater amounts of governmental regulation, or with significant customer concentration with governmental entities, pose additional and unique risks. For these businesses in particular, changes in applicable laws or regulations, or in the interpretations of these laws and

regulations, could result in increased operating costs, increased compliance costs or the need for additional capital expenditures generally.

Separately, businesses operating in the industrials-technology sector are vulnerable to rapid changes in technology product cycles, rapid product obsolescence, government regulation and competition, both domestically and internationally, including competition from foreign competitors with lower production costs, scarcity of management, technical, scientific, research and marketing personnel with appropriate training and the possibility of lawsuits related to patents and other intellectual property and their associated rights. These businesses, especially those that are smaller and/or less seasoned, may be more volatile than the overall middle market industrials sector. Many companies in the industrials-technology sector rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect proprietary rights. There can be no assurance that the Fund or a portfolio company will be able to protect these rights or will have the financial resources to do so. Piracy may adversely affect portfolio company revenue and its impact on revenue from outside the U.S. may particularly be significant in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent protection of intellectual property rights. Reductions in the legal protections for software intellectual property rights could also adversely affect portfolio companies. In addition, industrials-technology may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel.

Dynamic Investment Strategy. While the General Partner generally intends to seek attractive returns for the Fund primarily through making control-oriented, operationally-focused investments in businesses that can be strategically repositioned into new end markets, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner may pursue investments outside of the industries and sectors in which the Founders have previously made investments or have internal operational experience.

Due Diligence Risks. Before making investments, the General Partner and/or the Adviser will conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties and AVCG members may be involved in the due diligence process to varying degrees depending on the type of investment, and related costs will be borne by the Fund. The involvement of third-party advisors or consultants may present a number of risks primarily relating to the General Partner's reduced control of the functions that are outsourced. In addition, if the General Partner and/or the Adviser are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the General Partner and/or the Adviser will rely on the resources available to them, including information provided by the target company and, in some circumstances, third-party investigations. The due diligence investigation that the General Partner and/or the Adviser carries out 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, the investigation will not necessarily result in the investment being successful.

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

Portfolio Company Leverage. The Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency.

Labor Relations. Certain portfolio companies may have unionized work forces or employees who are covered by a collective bargaining agreement, which could subject any such portfolio company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any of any such portfolio company's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such portfolio company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally may bring scrutiny and attention to the Fund itself, which could adversely affect the Fund's ability to implement its investment strategy.

PIPE Investments. The Fund expects to selectively and opportunistically pursue private investments in public equities (“**PIPE**”) investments or private financing of public companies. PIPE investments may be purchased directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company’s common stock. In a PIPE transaction, the Fund may bear the price risk from the time of pricing until the time of closing. The Fund will generally not be able to sell or distribute PIPE investments unless the securities are registered under applicable securities laws or an exemption from such registration is available. In addition, even after the securities are saleable, it may take a significant period of time for the Fund to sell or distribute PIPE securities in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases the Fund may be prohibited by contract or law from selling such public company securities for a period of time. In addition, the Fund’s sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Fund’s profitability. Disposition of the Fund’s public company investments may result in distributions in kind to Limited Partners.

Early Stage and Start Up Investments. The Fund may selectively and opportunistically make investments in start-up and early stage companies. These types of companies have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Fund, if any are made, will be successful.

Limited Transferability of Fund Interests. There is no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of the Fund’s investments will be difficult to value. Certain investments may be distributed in kind to the Partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such Partners. After a distribution of securities is made to the Partners, many Partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such Partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

Material Non-Public Information; Other Regulatory Restrictions. In the course of its operations, Arcline frequently comes into possession of confidential or material, non-public information. Therefore, Arcline and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by the Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Arcline’s internal policies.

Similarly, anti-money laundering, anti-boycott, economic and trade sanction, national security and data protection laws and regulations in the United States and other jurisdictions may prevent Arcline or the funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. The U.S. Committee on Foreign Investment reviews the national security implications of foreign investments in U.S. companies or operations and may challenge, impose conditions on, or reject those investments. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to also challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them. Data protection laws in Europe and other jurisdictions (discussed under "Data Protection and Privacy" below) may require regulators to consider access to and ability to control sensitive information in assessing the security profile of a proposed transaction or investment, which could make it more difficult to consummate.

As a result of any of the foregoing, a Fund may be adversely affected because of Arcline's inability or unwillingness to participate in transactions that may violate or implicate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Arcline or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

Reliance on the General Partner and Portfolio Company Management. Control over the conduct and operation of the Fund will be vested with the General Partner, and the Fund's future profitability will depend largely upon the business and investment acumen of the Founders. The loss or reduction of service of one or more of the Founders could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Founders may in the future, manage other investment funds besides the Fund and the Founders may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Founders. Limited Partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such

portfolio company on a day to day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

Absence of Operating History. The Fund has limited operating history and will be entirely dependent on the General Partner. While the Founders have previous experience making and managing investments similar to those contemplated by the Fund, the Founders have no experience managing and investing a committed pool of funds. Furthermore, there can be no assurance that the Fund's investments will achieve results similar to those attained by previous investments of the Founders. In addition, the Fund's investments may differ from previous investments made by the Founders in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure and holding period.

Uncertainty of Projections and Outside Reports. The General Partner will generally establish the capital structure of portfolio companies and the terms and targeted returns of investments on the basis of financial and other projections for such investment. Estimates or projections of economic and market conditions, supply and demand dynamics and other key investment-related considerations are key factors in evaluating potential investment opportunities and implementing the Fund's investment strategy. It is possible for such estimates and projections to be significantly revised from time to time, creating significant changes in the value of any such portfolio company subject to such factors. Projected operating results will normally be based primarily on management judgments or third-party reports. 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 any projections, forecasts or estimates relied on by the General Partner will prove to be accurate or that projected, forecasted or estimated results will be realized. General economic, natural and other conditions, which are not predictable, can have a material adverse impact on the reliability of such projections, forecasts or estimates. Moreover, assumptions or projections about asset lives, the stability, growth or predictability of costs, demand or revenues generated by an investment or other associated factors may, due to various risks and uncertainties, differ materially from actual results.

Separately, certain portfolio companies, as well as the Fund, will from time to time rely on the reports of technical consultants when evaluating the condition of certain assets. The actual condition of the assets may be worse than anticipated, requiring additional capital or maintenance expenditures that may not be recoverable, allocable to end-users or economical from a stand-alone perspective.

Conflicting Investor Interests. Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. These conflicting interests may relate or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the General Partner, including with respect to the nature or structuring of investments that may be more beneficial for one investor, including the General Partner, than for another investor, especially with respect to

investors' individual tax situations. In addition, the Fund may make investments that may have a negative impact on related investments made by the Limited Partners in separate transactions including co-investments.

In selecting, structuring, acquiring and disposing investments appropriate for the Fund, the General Partner will consider the investment and tax objectives of the Fund and the Limited Partners as a whole (and investors in any other investment vehicles managed or advised by Arcline that participate in the same investments as the Fund), not the investment, tax or other objectives of any Limited Partner individually. In addition, the interests held by a relatively small number of Limited Partners may be significantly larger than those held by other Limited Partners, which could have a material impact on the outcome of matters requiring Limited Partner consent or approval.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund, its portfolio companies or the Limited Partners. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. The Fund may invest in portfolio companies that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, portfolio companies that are subject to regulation. Failure to comply with any of these laws, rules and regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which may have material adverse effects. Furthermore, disruptions in government, such as shutdowns of the U.S. federal government, have resulted in, and may in the future result in, delays or the inability of the Adviser, the General Partner, the Fund and/or their affiliates to obtain regulatory and other approvals in a timely manner.

Alternative Investment Fund Managers Directive. The European Union ("EU") Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA").

To the extent the Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) the Fund and the Adviser will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Fund incurring additional costs and expenses; (ii) the Fund and the Adviser may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (iii) the Adviser will be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of the Fund in relation to EEA portfolio companies, including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of

the Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of Commitments.

In the future, it may be possible for non-EEA alternative investment fund managers (“AIFMs”) to market an alternative investment fund (“AIF”) within the EEA pursuant to a pan-European marketing “passport”, instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF’s assets; and the appointment of an independent depository. Certain EEA Member States have indicated that they will cease to operate national private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, the Adviser may not seek to market interests in the Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the Fund. Alternatively, if the Adviser sought to comply with the requirements to use the passport, this could have adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing the Fund and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the Adviser’s ability to recruit and retain these personnel.

United Kingdom Exit from the European Union. On June 23, 2016, the people of the United Kingdom (the “UK”) voted in a referendum to leave the EU. Unless the UK unilaterally revokes its request to withdraw from the EU, the withdrawal process may result in the UK withdrawing from the EU either with or without a negotiated withdrawal agreement with the EU. In the event that the UK ceases to be a member of the EU, and depending on the manner in which it withdraws, the manner in which the Fund invests in assets located within the EU, if any, may be impacted. The terms of the UK’s exit from the EU are likely to be complex, and the shape of the regulatory landscape following the UK’s exit is not yet defined. Additionally, the legal, political and economic uncertainty generally resulting from the UK’s anticipated exit from the EU may already be adversely impacting UK-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU member states.

Public Company Holdings. The Fund’s investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies’ executives and board members, including the Partners, and increased costs associated with each of the aforementioned risks.

Fixed-Income Securities. The Fund expects to selectively and opportunistically invest in bonds or other fixed-income securities of U.S. and non-U.S. issuers acquired in the secondary market, including bank debt, corporate debt, mezzanine debt, loans, notes, debentures, and commercial paper, as well as derivatives thereon. Fixed income securities are subject to credit and interest rate risks. “Credit risk” refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument and how this risk changes over time. Financial strength and solvency of an issuer and the priority of the lien are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Certain of the fixed-income securities may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain fixed-income securities may provide for payments-in-kind interest, which has a similar effect of deferring current cash payments.

The Fund will be dependent upon the judgment of the General Partner as to the credit quality of the securities. There can be no assurance that the General Partner will be successful in assessing the credit risk of the different investments or mitigating the impact of credit risk changes. A borrower’s ability to repay its debts may be adversely affected by numerous factors, including, without limitation, the failure to meet its business plan, a downturn in its industry or negative economic conditions. Securities that become non-performing may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the security. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such security, replacement “take-out” financing will not be available. There is no assurance that the value of any collateral will be sufficient to protect all or a portion of the related security. Deterioration in a borrower’s financial condition and prospects may be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of capitalizing on any guarantees that may have been obtained from the borrower or other parties. A borrower’s failure to satisfy financial or operating covenants imposed under the related security could lead to defaults and, potentially, acceleration of the time when the investment is due. Foreclosure on the borrower’s assets securing an investment could trigger cross defaults under other debts of the borrower (or vice versa), and could result in prepayment of the security or jeopardize the borrower’s ability to meet its obligations, and could have a material adverse effect on the value of any related junior securities of such borrower that the Fund may hold.

Furthermore, the General Partner cannot assure that other claims may not be asserted that might interfere with enforcement of the Fund’s rights. The General Partner cannot guarantee the adequacy of the protection of the Fund’s interests, including the validity or enforceability of the applicable investment contract and the maintenance of the anticipated priority and perfection of any applicable security interests. A default by a borrower may result in the Fund being unable to liquidate the related securities prior to the termination of the Fund; and such securities may end up being restructured on terms that might result in the Fund being unable to liquidate it prior to the termination of the Fund. This could cause the Limited Partners to receive in-kind distributions in respect of such investments upon the termination of the Fund.

Corporate Debt. The Fund may invest in investment grade or high-yield corporate debt obligations. These obligations are subject to the risk of an issuer’s inability to meet scheduled

principal and/or interest payments on the obligations (credit risk), reducing the income to the Fund and/or a reduction in the value of the obligation experiencing non-payment.

Mezzanine Debt. The Fund may invest in mezzanine debt securities, which by the nature of their issuers' leveraged capital structures will involve a high degree of financial risk. These securities may be unsecured and/or subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. Mezzanine investments often reflect a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Mezzanine investments are often issued in connection with leveraged acquisitions or recapitalizations, in which the issuer incurs a substantially higher amount of indebtedness than the level at which it had previously operated. Some issuers of the Fund's investments may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall adverse conditions in the high yield bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity.

Need for Follow On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Fund will make follow on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

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

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and

(g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Foreign Investment Controls. Foreign investment in securities of companies in certain of the countries in which the Fund may invest may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy and increase the costs and expenses of the Fund. While regulation of foreign investment has liberalized in recent years throughout much of the world, there can be no assurance that more restrictive regulations will not be adopted in the future. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors and foreign currency. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities held by the Fund, and income on such securities or gains from the disposition of such securities may be subject to withholding taxes imposed by certain countries where the Fund invests or in other jurisdictions.

Minority Investments. The Fund expects to selectively and opportunistically invest in growth capital investments: minority stakes of companies and in companies for which the Fund has no right to exert significant influence, and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals. Further, the Fund will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other investors with whom the Fund is not affiliated and whose interests may conflict with the interests of the Fund.

U.S. Dollar Denomination of Interests; Foreign Currency and Exchange Rate Risks. Interests are denominated in U.S. dollars. Investors subscribing for interests in any country in which U.S. dollars are not the local currency should note that changes in the rate of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions. In addition, the Fund's assets generally will be denominated in the currency of the jurisdiction in which the assets are located. Consequently, the return realized on any investment by investors whose functional currency is not the currency of the jurisdiction in which the assets are located may be adversely affected by movements in currency exchange rates, costs of conversion and exchange control regulations, in addition to the performance of the investment itself. The Fund may also incur costs when converting one currency into another. Each prospective investor should consult with his or her

own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the interests.

Investments Longer than Term. The Fund may make investments that may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that the Fund will be wound up and dissolved, either by expiration of the Fund's term or otherwise. Although the General Partner expects that investments will be disposed of prior to termination or be suitable for in-kind distribution at termination and the General Partner has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of termination. In addition, the business of the Fund includes the realization and distribution of the Fund's assets during a wind down of the Fund's operations. Therefore, while upon the commencement of winding up of the Fund the General Partner will be required to use its best efforts to reduce to cash and cash equivalents such assets of the Fund as the General Partner deems it advisable to sell, subject to obtaining fair value for those assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Limited Partners will occur.

Hedging Arrangements; Related Regulations. The General Partner may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

Taxation in Investee Jurisdictions. The Fund or the Limited Partners may be subject to income or other tax in jurisdictions in which the Fund invests. Additionally, withholding taxes or branch taxes may be imposed on earnings of the Fund from investments in such jurisdiction. In addition, local tax incurred in a jurisdiction by the Fund or vehicles through which it invests may not entitle investors to either (i) a credit against tax that may be owed in their respective home tax

jurisdictions or (ii) a deduction against income taxable in such home jurisdictions by the Limited Partners.

Significant Adverse Consequences for Default. If a Limited Partner fails to pay when due installments of its Commitment to the Fund, and the contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). The Partnership Agreement provides for significant adverse consequences in the event a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Dilution from Subsequent Closings. Limited Partners admitted or that increase their respective Commitments to the Fund at subsequent closings generally participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its *pro rata* share of previously made capital contributions, plus an additional interest-like amount thereon, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

Recycling; Reinvestment. During the investment period, the General Partner has the right to recall a portion of capital returned from certain investments. Accordingly, during the term of the Fund, a Limited Partner may be required to make capital contributions in excess of its Commitment and to the extent such recalled or retained amounts are reinvested in investments, a Limited Partner will remain subject to investment and other risks associated with such investments.

Fund Expenses. The Fund pays and bears all expenses related to its operations. The amount of these expenses will be substantial and will reduce the actual returns realized by the Limited Partners on their investment in the Fund.

Carried Interest Deferral. The General Partner generally will electively defer (but not waive) certain carried interest otherwise distributable to the General Partner as provided in the Partnership Agreement. Any such deferral, while generally accelerating the return of capital to the Limited Partners, could nonetheless have an adverse impact on the long-term retention of Arcline personnel who participate in the carried interest and more generally the alignment of those persons' interests with those of the Fund.

Transfer by General Partner. To the extent the General Partner, the Founders, the General Partner's other partners and/or their respective affiliates have committed to make a direct or indirect investment in or alongside the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to those express limitations thereon in the Partnership Agreement.

Effects of Excuse and Exclusion. A Limited Partner's participation in an investment may be limited by virtue of the General Partner's right to exclude a Limited Partner from, or a Limited Partner's right to be excused from, participating in certain investments as set forth in the Partnership Agreement, thereby increasing the participation of other Limited Partners. As a consequence of one or more Limited Partners being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of even one investment by the Fund. The performance of one or more substantial investments may have a significant impact on the overall performance of the Fund.

Risks Arising from Providing Managerial Assistance. The General Partner intends to conduct the operations of the Fund so that the assets of the Fund do not constitute "plan assets" of any plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended, that invests in the Fund and may, in this regard, elect to operate the Fund as a "venture capital operating company" ("VCOC") within the meaning of regulations promulgated under ERISA. Operating the Fund as a VCOC would require that the Fund obtain rights to substantially participate in or influence the conduct of the management of a number of the Fund portfolio companies. The Fund may appoint one or more representatives to serve on the board of directors (or similar governing body) of one or more portfolio companies as to which it obtains such management rights. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities.

ERISA Considerations. Operating the Fund as a VCOC in order to avoid holding "plan assets" within the meaning of ERISA may cause the Fund to be restricted or precluded from making certain investments. In addition, it could be necessary for the General Partner to liquidate the Fund's investments at a disadvantageous time or on disadvantageous terms in order to avoid holding ERISA "plan assets", resulting in lower proceeds to the Fund than might have been the case without the need to qualify as a VCOC.

Limitation of Recourse and Indemnification. The Partnership Agreement limits the circumstances under which the General Partner and its affiliates will be held liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Partnership Agreement requires the Fund to indemnify the General Partner and its general partner, the Adviser, their respective owners, members, managers, shareholders, partners, directors, officers, advisors, assigns, representatives and affiliates, agents and employees, all of their respective successors, heirs and assigns and the members of the Advisory Board for liabilities incurred in connection with the affairs of the Fund and otherwise as provided in the Partnership Agreement. Such liabilities may be material and have an adverse effect on the returns to the Limited Partners. For example, in their capacity as directors of portfolio companies, the partners or affiliates of the General Partner may be subject to fraudulent transfer, derivative or other similar claims brought by shareholders or creditors of such companies. The indemnification obligation of the Fund will be payable from the assets of the Partnership,

including the unfunded Commitments of the Limited Partners. If the assets of the Partnership are insufficient, the General Partner may recall distributions previously made to the Limited Partners (subject to certain limitations set forth in the Partnership Agreement). Such liabilities of the Fund may not be resolved prior to the date that the Fund will be wound up and dissolved. Furthermore, as a result of the provisions contained in the Partnership Agreement, the Limited Partners may have a more limited right of action in certain cases than they would in the absence of such limitations. It should be noted that the General Partner may cause the Fund to purchase insurance for the Fund, the General Partner, the Adviser and their employees, agents and representatives.

Liability of the Limited Partners. Unlike the General Partner, which has unlimited liability for all debts and obligations of the Fund, the total liability of a Limited Partner to the Fund is generally limited to the amount of its Commitment, except in certain circumstances whereby such Limited Partner was involved in the management or otherwise engaged in the conduct of the business of the Fund or externally represented the Fund. Any Limited Partner's Commitment is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an investment to which such Limited Partner contributed any capital. If the Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law, be obligated to return to the Fund or to creditors whose interests have been injured distributions previously received by them pursuant to any rules regarding fraudulent conveyances. In addition, a Limited Partner may be liable under applicable bankruptcy law to return a distribution made during the Fund's insolvency.

Litigation. In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's and the Founders' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Advisory Board Decisions. The General Partner will appoint one or more unaffiliated Limited Partner representatives to the Advisory Board. The Partnership Agreement provides that to the fullest extent permitted by applicable law, none of the Advisory Board members will owe any fiduciary duties to the Fund or any other Partner. In addition, representatives of the Advisory Board may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board.

Concentration of Voting by Limited Partners and Advisory Board. The Limited Partners and the limited partners of any parallel funds generally vote on all matters on a combined basis and based on aggregate Commitments as set forth in the Partnership Agreement. Accordingly, action by limited partners in a parallel fund or actions by relatively large investors could affect the outcome of votes submitted to the Fund. In particular, anchor investors individually, or together with each other or one or more of a small group of Limited Partners may hold at least a majority-in-interest of the Commitments of the Fund and the parallel funds or control the vote of the Advisory Board. As a result, any matters with respect to the Fund that require, or which may be submitted to, such a vote or consent of the Limited Partners or the Advisory Board may be directed or controlled by such investor or a relatively small group of investors. Voting rights may continue

to be controlled or influenced by one or a relatively small group of investors throughout the life of the Fund. Such investors may have business and other relationships with Arcline and its personnel that may influence their voting on any matter and present conflicts of interest.

Delayed Tax Information. The Fund may not be able to provide final tax filing information to Limited Partners for any given fiscal year until after the initial tax filing deadlines for Limited Partner tax returns. Accordingly, Limited Partners should plan to obtain extensions of the filing dates for their income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio companies.

Market Conditions. The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Fund and may affect the Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other

economic events may also affect the Fund's ability to raise funding to support its investment objective.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the retail industry. To the extent that a portfolio company of the Fund is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the General Partner or one of its service providers holding its financial or investor data, it could result in the failure to maintain the security, confidentiality and privacy of such data, and the General Partner, its affiliates, the Fund or investors may also be at risk of loss, despite efforts to prevent and mitigate such risks.

Enhanced Scrutiny and Regulation of the Private Equity and Financial Services Industries. The Fund's ability to successfully implement its investment strategy, as well as the ability of Arcline to conduct its operations, is based on laws and regulations that are subject to change through legislative, judicial or administrative action and could be adversely affected by future legislative, judicial or administrative action.

There has been significant discussion in recent times regarding enhanced governmental scrutiny and increased regulation of the private investment fund and financial services industries. In the aftermath of the global financial crisis in 2008, there have been unprecedented legislative and regulatory actions taken by numerous governments and their agencies. This enhanced oversight and regulation, and the need for significant additional rule-making by various governmental bodies, has created uncertainty in the financial markets, including the private fund industry. Many of the regulators to which the Fund, the General Partner, the Adviser or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against the Fund, the General Partner, the Adviser or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm the Fund, the General Partner, the Adviser or their respective affiliates' reputations, which may adversely affect the Fund's investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment.

In the United States, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which was enacted in 2010, significantly revised and expanded the rulemaking, supervisory and enforcement authority of U.S. federal bank, securities and commodities regulators. A key feature of the Dodd-Frank Act is the extension of prudential

regulation by the Board of Governors of the Federal Reserve System to financial institutions that are not currently subject to such regulation but that potentially pose risk to the financial system. The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity and hedge funds and other provisions that will affect the alternative asset management industry, either directly or indirectly. Provisions of the Dodd-Frank Act may be the subject of significant modification or repeal under the current administration. Nevertheless, the Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the alternative asset management industry generally and on Arcline, the General Partner or the Fund, specifically.

The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of investments held by the Fund and the ability of the Fund to effectively employ its investment strategy. Increased scrutiny and potential legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on the Adviser and may divert time and attention from portfolio management activities. In addition to, and in particular in light of, the changing global regulatory climate, the Adviser, the General Partner and/or the Fund may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market Fund interests to potential investors. The effect of any future regulatory change(s) on the Fund could be substantial and adverse.

The enactment of additional reforms or other similar legislation could have an adverse effect on the private investment funds industry generally and on Arcline, the General Partner or the Fund specifically, and may impede the Fund's ability to effectively implement its investment strategy.

Arcline is required to comply with a variety of periodic reporting and compliance-related obligations under applicable federal and state securities laws, including the Advisers Act. In light of the heightened regulatory environment in which Arcline operates and the ever-increasing regulations applicable to private investment funds and their investment advisers, it has become increasingly expensive and time-consuming for Arcline and its affiliates to comply with such regulatory reporting and compliance-related obligations. Any further increases in the regulations applicable to private investment funds generally or the Fund, the General Partner or Arcline in particular may result in increased expenses associated with the Fund's activities and additional resources of Arcline being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for Limited Partners or have an adverse effect on the ability of the Fund to effectively achieve its investment objective.

There can also be no assurance that any of the foregoing will not have an adverse impact on Arcline or otherwise impede the Fund's ability to effectively implement its investment strategy.

Investment Company Act; Exchange Act. The Fund does not intend to register as an investment company under the Investment Company Act. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, an independent board of directors and limitations on the ability of registered investment companies to incur leverage), none of which will be applicable to the Fund. In addition, neither the General Partner nor the Adviser intends to register as a broker-dealer under

the U.S. Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the “**Exchange Act**”) or with the Financial Industry Regulatory Authority (“**FINRA**”) and, consequently, neither the General Partner nor the Adviser is subject to the record-keeping and specific business practice provisions of the Exchange Act and the rules of the FINRA.

Use of Alternative Investment Vehicles. In order to address legal, tax, regulatory, accounting or other similar considerations, the General Partner may cause certain Fund investments to be held outside of the Fund through one or more alternative investment vehicles and will require the Limited Partners to make such investments directly or indirectly through one or more such alternative investment vehicles. While the economic, governance and other substantive provisions governing any alternative investment vehicle are intended to be materially the same as those of the Fund taking into consideration the legal, tax, regulatory, accounting or other similar result intended to be achieved, the rights of the Limited Partners in, and the obligations and duties of the General Partner as manager of, the alternative investment vehicle may differ from those applicable to the Fund by virtue of the specific terms, or jurisdiction of establishment, of the alternative investment vehicle. In addition, the structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain Limited Partners.

Data Protection and Privacy. Compliance with current and future privacy data protection and information security could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of Arcline’s current and planned business activities and as such could increase costs for the Fund and/or its portfolio companies. A failure to comply with such laws could result in fines, sanctions, or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have an impact on reputation. Portfolio companies are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

EU data protection law currently in effect is in the form of the General Data Protection Regulation (EU 2016/679) (the “GDPR”). The GDPR seeks to harmonize national data protection laws across the EU, while at the same time, modernizing the law to address new technological developments. The GDPR notably has a greater extra-territorial reach than pre-existing legislation and has a significant impact on data controllers and data processors, (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects, or (iii) which monitor EU data subjects’ behavior within the EU. The GDPR imposes more stringent operational requirements on both data controllers and data processors, and introduces significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive will be repealed by the EU Commission’s Regulation on Privacy and Electronic Communications (the “ePrivacy Regulation”), which aims to reinforce trust and security in the digital single market by updating the legal framework on ePrivacy.

The GDPR principles on the processing of personal data have been implemented into laws enforceable in the UK by the Data Protection Act 2018. As noted in the above section “United Kingdom Exit from the European Union,” the terms of the UK’s exit from the EU are unclear and it uncertain whether a transitional arrangement or a withdrawal of similar agreement will be agreed between the UK and the EU. In the event that an arrangement is not agreed, and the UK leaves the EU without a deal, the UK will be deemed a “third country” for the purposes of EU data protection law. To the extent the Fund and/or its portfolio companies transfer personal data from the EU to the UK, additional mechanisms may be required to legitimize such transfers. The UK’s exit from the EU is therefore likely to lead to an increase in data protection compliance costs.

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of Arcline’s current and planned business activities. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation.

Separate and apart from the foregoing, prospective investors should be aware that, in considering and/or making an investment in the Fund, and interacting with the Fund, its affiliates, agents, advisers and/or delegates by (i) submitting the subscription materials, (ii) communicating through telephone calls, written correspondence and emails (all of which may be recorded) or (iii) providing personal data concerning individuals connected with the investor (such as directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners, advisers and/or agents), they will be providing the Fund, its affiliates, agents, advisers and/or delegates with personal data (as such term is defined in the applicable EU data protection legislation).

Handling of Mail. Mail, including all correspondence, information, documents and notices, addressed to the Fund and received at its registered office will be forwarded unopened to the Fund to be dealt with at the forwarding address supplied by the Fund to the entity providing registered office services in the Cayman Islands. None of the Fund, the General Partner or the Adviser or any of their respective directors, officers, advisors or service providers (including the organization that provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail being delayed or failing to reach the forwarding address. In particular, it is possible that the partners, members, managers, directors and officers of the General Partner and the Adviser will only receive, open or deal directly with mail that is addressed to them personally (as opposed to mail which is addressed just to the Fund), and that other personnel of the General Partner or the Adviser will handle such forwarded mail.

Unfunded Pension Liabilities of Portfolio Companies. Certain court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Fund intends to manage its investments to minimize any such exposure, the Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If the Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such

pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA, as in effect as of the date of filing of this Brochure, which may change in the future as the case law and guidance develops.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Valuations are only estimates of future results that are based upon assumptions made at the time that the valuations are developed. General economic, political, regulatory and market conditions and the actual operations of the portfolio companies, which are not predictable, can have a material impact on the reliability and accuracy of such valuations. Moreover, the exercise of discretion in valuation by the General Partner, subject to any limitations thereon provided in the Partnership Agreement, may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Assumption of Contingent Liabilities. In connection with an investment, the Fund may assume, or acquire a portfolio company subject to, contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations, environmental actions or payment of indebtedness, among other things. To the extent these liabilities are realized, they may materially adversely affect the value of a portfolio company. In addition, if the Fund has assumed or guaranteed these liabilities, the obligation would be payable from the assets of the Fund, including the remaining Commitments of the Limited Partners.

Contingent Liabilities upon Disposition. In connection with the disposition of an investment, the Fund and the General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, *e.g.*, about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors.

Disclosure of Information. Certain Limited Partners may be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Fund, the General Partner, their affiliates, portfolio companies or service providers to any of them may be or become subject.

Side Letters. The Fund or the General Partner, without any further act, approval or vote of any Partner, has entered into, and may in the future enter into, side letters or other similar agreements with certain Limited Partners that have the effect of establishing rights (including economic terms) under, or altering or supplementing the terms of, the Partnership Agreement with respect to certain Limited Partners. As a result of such side letters, certain Limited Partners will receive additional benefits that other Limited Partners may not receive. The other Limited Partners will generally have no recourse against the Fund, the General Partner and/or any of their affiliates in the event that certain Limited Partners receive additional and/or different rights and/or terms as a result of such side letters. The General Partner will be required to notify the other Limited Partners of any such side letters or other similar agreements or any of the rights and/or terms or provisions thereof, and to offer such additional rights and/or terms to other Limited Partners, only to the extent provided in the Partnership Agreement.

U.S. Taxation of Carried Interest. U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. The California state legislature has proposed legislation that would impose a state level tax on carried interest. The U.S. federal income tax laws and the proposed legislation in California could reduce the after-tax returns of the Founders, employees or other individuals associated with the Fund, the Adviser or the General Partner who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. This could also create an incentive for the Founders to cause the Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

Changes in U.S. Tax Law. All statements contained in this Brochure concerning the U.S. federal income tax (or other tax) consequences of an investment in the Fund are based on existing law and related interpretations. Future U.S. tax legislation and administrative guidance, could materially affect the tax consequences of a Limited Partner's investment in the Fund, and the tax treatment of the Fund's portfolio companies. While some of these changes may be beneficial, others could negatively affect the after-tax returns of the Fund and the Limited Partners. The effect of the legislation enacted on December 22, 2017 containing significant changes to U.S. federal income tax law (the "**2017 Tax Legislation**") continues to be uncertain and future administrative guidance may result in additional changes. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Fund, or of investments made by the Fund, will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the Limited Partners.

Investments in U.S. Corporations. The 2017 Tax Legislation made numerous changes to the domestic and worldwide taxation of U.S. corporations, as well as multinational corporate groups with U.S. members. Among other changes, the legislation: (i) reduced the U.S. federal income tax rate on corporations from 35% to 21%; (ii) added new limitations on interest expense and net operating loss deductions; (iii) allowed 100% "bonus" first-year expensing of certain tangible personal property and purchased software; (iv) accelerated the time at which certain deferred revenue must be recognized, (v) moved the U.S. towards a modified territorial tax system under which domestic corporations receive a 100% deduction for foreign-source portions of

dividends received from 10%-owned foreign corporations; (vi) added new provisions designed to discourage U.S. companies from locating their intellectual property in low-tax jurisdictions; and (v) added new rules to prevent so-called “base erosion” and corporate inversions. While some of the foregoing changes are beneficial, others are disadvantageous. Moreover, it will be difficult to predict the net after-tax result of these changes for any particular corporation in which the Fund invests. If the net after-tax result of these changes for a particular corporation is an increase in the corporation’s aggregate tax liability, the increased tax liability could negatively affect the overall financial performance of the corporation and the Fund’s return on its investment in the corporation.

U.S. Federal Income Tax Liability Resulting from IRS Audits. U.S. federal income taxes arising from a U.S. Internal Revenue Service (“IRS”) audit will be paid by the Fund absent an election to the contrary. In addition, a “partnership representative” will have the power to act on behalf of the Fund and its Partners in all IRS audits and other proceedings involving the Fund’s U.S. federal income, loss, deductions, and credits.

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. Numerous jurisdictions have enacted, or have committed to enact, legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The United States Foreign Account Tax Compliance Act (“FATCA”) aims to combat tax evasion by United States tax residents using foreign accounts, pursuant to which the United States has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. In addition, the Organization for Economic Co-operation and Development (the “OECD”) has published a global Common Reporting Standard for exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes will apply to the Fund, the Fund’s service providers and/or delegates of the Fund and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including confidential information, such as financial information concerning a Limited Partner’s investment in the Fund, any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling person (direct or indirect) of such Limited Partner and identifying information and amounts of certain income allocable or distributable to them). A Limited Partner’s failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from the Fund and/or alternative investment vehicles or other potential remedies. Moreover, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity’s share of most payments attributable to investments in the United States, including dividends and interest. Additionally, although FATCA withholding may also apply to gross proceeds of a disposition of stock, recently proposed regulations suspend withholding on such gross proceeds payments indefinitely. The Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

Without limiting the foregoing, the Fund may cause the mandatory withdrawal of, and/or deduct relevant amounts from distributions to, a recalcitrant Limited Partner so that any withholding tax payable by the Fund or any related costs, debts, expenses, obligations or liabilities (whether internal or external to the Fund) are recovered from such Limited Partner whose action or inaction (directly or indirectly) gave rise or contributed to such taxes, costs or liabilities. A

Limited Partner's failure to assist the Fund in meeting its obligations pursuant to FATCA may therefore result in financial loss to that Limited Partner.

Policies Subject to Change. In certain cases the foregoing summarizes, as of the date of this Brochure, certain of Arcline's policies; these are subject to change, and the information relating thereto may be qualified by subsequent disclosure to investors through the Form ADV of Arcline, other periodic disclosures, Limited Partner reporting and any disclosure as otherwise permitted or required by the governing agreements of the Fund.

Conflicts of Interest

The Adviser and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, legal, management and other services to Funds and portfolio companies. The Adviser will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments and other investments will place varying levels of demand on these over time. In the ordinary course of the Adviser conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. The Adviser believes that the significant investment of the Founders and certain other Arcline investment professionals in the Funds, as well as such persons' interest in the carried interest, operate to align, to some extent, the interest of the Founders and such professionals with the interest of the Partners, although the Founders and such professionals have or may have economic interests in such other investment funds (including the Funds) and investments and receive fees, carried interest or other compensation relating to these interests. Such other investments that the Founders and such professionals may control or manage may compete with the Funds or companies acquired by the Funds. At such time as the Adviser is permitted to raise a successor Fund to the applicable Fund, Arcline will continue to manage the current Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to the current Fund's investments. Certain investments may be allocated between the Funds in a manner as set forth in the Partnership Agreement. As a general matter, the Adviser will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

Until such time as the Adviser is permitted under the Partnership Agreement to raise a successor investment fund to the applicable Fund, Arcline generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of the Fund principally for the benefit of the Fund, subject to certain exceptions set forth in the Partnership Agreement. However, Arcline may in the future manage several other investment funds besides the Fund and investments similar to those in which a Fund is investing, and may direct certain relevant investment opportunities to those investment funds and investments. The Founders and other Arcline investment professionals will continue to manage and monitor such investments until their realization.

Over time, certain investment opportunities suitable for a Fund are likely also to be suitable for other Funds sponsored by the Adviser or its affiliates. In determining which Funds should participate in such investment opportunities, subject to the Partnership Agreements, the Adviser, the Founders and their affiliates are subject to potential conflicts of interest among the investors in the relevant Funds. Except as required by the relevant Partnership Agreement, the Adviser is not obligated to recommend any investment to any particular investment vehicle.

To determine whether a Fund or other Funds sponsored or advised by the Adviser or its affiliates will participate in the relevant investment opportunity, the Adviser generally assesses whether an investment opportunity is appropriate for the relevant Fund(s) based on the terms of such Funds' Partnership Agreement, as well as factors that the Adviser deems appropriate, including but not limited to investment restrictions and objectives (including those set forth in the Partnership Agreement, where applicable), operating guidelines, strategy, diversification limitations, risk profile, time horizon, tolerance for turnover, asset composition, cash level, life cycle, structure, applicable tax and regulatory considerations, investment restrictions, risk and other relevant factors, including agreements with co-sponsors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. The Fund may invest together with other funds advised by an affiliated adviser of the Adviser in the manner set forth in the relevant Partnership Agreements. Investments by more than one Fund of the Adviser in a portfolio company may also raise the risk of using assets of a Fund of the Adviser to support positions taken by other clients of the Adviser. In the event that the available amount of an investment opportunity in which the Fund will invest exceeds an amount appropriate for the Fund, such excess may also be offered to one or more potential investors, as discussed below.

The Adviser will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with the Adviser's obligations and may take into consideration factors such as those set forth above; however, the Adviser's allocation of investment opportunities among Funds may not always, and often will not, be proportional. Therefore, such allocations may be more advantageous to a Fund relative to one or all of the other Funds, or vice versa. While the Adviser will allocate investment opportunities in a way that it believes in good faith is fair and equitable, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject did not exist.

Following such determination of allocation among Funds, the Adviser will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including certain investors, other sponsors, market participants, finders, AVCG members, Consultants and other service providers, Arcline personnel and/or certain other persons associated with Arcline and/or its affiliates, as determined by the Funds' Partnership Agreements, Side Letters and the Adviser's procedures regarding allocation. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Adviser in its sole discretion, may not be in the best interests of the Fund or any individual Limited Partner. The Adviser's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: (i) whether the prospective co-investor has expressed an interest in evaluating co-investment opportunities,

including the perceived degree of that interest; (ii) the expertise, knowledge and sophistication of the prospective co-investor with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant to the investment; (iii) the prospective co-investor's perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the prospective co-investor's investment process), and to otherwise successfully and efficiently execute the transaction in a timely manner with respect to the timeframe in which the Adviser believes favorable transaction terms may be achieved based on their history of consummating co-investment opportunities; (iv) any tax, regulatory, securities laws and/or other legal considerations with respect to the prospective co-investor (*e.g.*, qualified purchaser or qualified institutional buyer status); (v) confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; (vi) the Adviser's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Adviser's ability to execute the relevant transaction in the desired time or on desired terms; (vii) the size of the investment allocation available to the Adviser (and not being allocated to the Fund or any future Funds, and the practicality of splitting the allocation into smaller tranches); (viii) the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; (ix) any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; (x) whether the prospective co-investor is considered "strategic" to the investment because it is able to offer one or more Funds or the Adviser or its affiliate certain services or benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the Adviser believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to any of the relevant Funds, the Adviser or its affiliates; (xi) whether the prospective co-investor has a history of consummating co-investment opportunities with the Adviser or its affiliates; (xii) whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; (xiii) the likelihood that the prospective co-investor would require governance rights (including, but not limited to, board or observer rights, access to the management team of the underlying portfolio company, or material informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the Adviser and assume a more passive role in governing the investment); (xiv) whether the prospective co-investor has any interests in any competitor of the underlying investment; (xv) the expected investment holding period; (xvi) the services provided by the prospective co-investor to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment); (xvii) the size of the prospective co-investor's interest to be held in the underlying portfolio company as a result of a Fund's investment (which is likely to be based on the size of the prospective co-investor's capital commitment and/or investment in such Fund); (xviii) the size of the prospective co-investor's commitment to the Fund; (xix) whether the prospective co-investor has any known investment policies and restrictions, guideline

limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; (xx) the extent to which the prospective co-investor has previously been provided a greater amount of co-investment opportunities relative to other prospective co-investors; and (xxi) the likelihood that the prospective co-investor may invest in a future Fund and other factors that the Adviser considers important in connection with the specific transaction or investment. Although a prospective co-investor's interest in and likelihood of investing in future Funds may be considered by the Adviser as a factor in allocating co-investment opportunities, the Adviser generally does not intend that it be the sole determining factor.

The Funds may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the applicable Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction. In some cases, a co-investment vehicle may be formed in connection with the consummation of a transaction and such entity will bear expenses related to its formation and operation. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial to the transaction, ultimately is not consummated, the full amount of any fees and expenses generated in the course of evaluating any such proposed transaction generally would be borne by the applicable Fund, and not by any potential co-investors that would have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, to the extent such a vehicle is offered by the Adviser, such vehicle is expected to bear its share of expenses.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the Adviser or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Limited Partners, and the consideration of the factors set forth above may result in certain Limited Partners receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of the Adviser and its affiliates make capital investments in or alongside the Funds, the Adviser and its affiliates are subject to conflicting interests in connection with these investments. The Adviser's allocation of co-investment opportunities among the persons and in the manner discussed in this Brochure may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to

advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Arcline in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, Arcline may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of the Fund versus another Fund (*e.g.*, the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

Similarly, and without limiting the foregoing risks, Arcline may in the future sponsor one or more Funds that focus on providing private debt to a variety of borrowers, including businesses in which a Fund may seek to invest equity and/or entities formed by Arcline to make investments. In such cases, conflicts may arise between the interest of such Fund (as primarily an equity investor) and those of the Arcline debt funds (as primarily a creditor) in structuring, negotiating and pricing the investment. For example, conflicts may arise between the Fund and the Arcline debt funds in negotiating the price of the debt securities or interests, the characterization of such debt securities or interests (secured or unsecured), the terms of inter-creditor agreements, the interest rate or stated dividend yield of such securities or interests, the nature of the covenants running in favor of lenders and the other terms and conditions of investment or in addressing subsequent amendments or waivers. Since the Fund and such Arcline debt funds can have different positions in the portfolio company's capital structure, there can be conflicts, especially if the borrower suffers financial difficulties (including conflicts over proposed waivers and amendments to debt instruments, whether or not to seek to reorganize the capital of the borrower, and the nature of restrictions to be imposed on the borrower). There can also be conflicts as the Fund may desire optimal flexibility to grow the portfolio company, while the Arcline debt funds may want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions. Arcline will seek to resolve these and other conflicts in a manner that it believes is fair and equitable. To minimize such potential conflicts of interest, the Arcline debt funds may take a variety of actions, including investing in a minority of any debt tranche and/or in such conflict situation agreeing to vote its debt securities in accordance with the debt holders of the same class, or abstaining from voting or from taking certain actions not approved by the other holders of such class (however they will be under no obligation to do so).

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Adviser and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given

transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

In addition, the Adviser and Adviser may enter into cross-transactions on behalf of a Fund and/or successor Funds sponsored by Arcline or its affiliates, or co-investors or co-investment vehicles, in which a Fund buys securities from, or sells securities to, such other persons. In some cases, a portfolio company of a Fund may be merged with or into a portfolio company owned by another Fund. As noted above, any such transactions raise potential conflicts, including where the assets of one Fund support positions taken by other Funds. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' Partnership Agreements or otherwise in the sole discretion of the applicable Funds' General Partners, such general partner may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, the Adviser may not obtain such an opinion or consent and may determine that the willingness of a third-party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Funds under then-current market conditions. Whether or not such consent is obtained or there is a fairness opinion or a third-party investor, the Adviser intends to conduct such transactions in a manner that the Adviser believes in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to both Funds.

Although Arcline generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In certain circumstances Funds may be prohibited from exercising (or Arcline may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. In each such case, the applicable Partnership Agreement may require, and Arcline otherwise intends, to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

The Adviser may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to a Fund vis-à-vis its other clients. The Adviser, in its sole discretion, intends to allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients, based on its current internal allocation policy and considering such factors as it deems relevant, and as further provided in the Partnership Agreement

and the governing documents of any other client as applicable. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-investors receiving related benefits or proportionately in accordance with asset size. The Funds may have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

The Funds primarily intend to make controlling investments in portfolio companies. As a result of these controlling interests, the General Partner typically has the right to appoint portfolio company board members (including current or former General Partner personnel or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to the General Partner and/or its affiliates in connection with services provided by the General Partner and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreement's offset provision, are in addition to the Management Fee or carried interest discussed herein. The General Partner's authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to the General Partner subjects the General Partner, the Adviser and its affiliates and any such portfolio company board appointees to potential conflicts of interest.

Additionally, a portfolio company typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including without limitation travel expenses) incurred by the Adviser or such service providers in connection with its performance of services for such portfolio company. This subjects the Adviser and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. The Adviser determines the amount of these reimbursements for such services in its own discretion, subject to the Partnership Agreements and its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Adviser or such service providers generally is subject to: agreements with or review by management teams, lenders to portfolio companies and/or third-party co-investors in its transactions. Arcline believes these factors help to mitigate related potential conflicts of interest.

The Adviser generally expects to exercise its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services or enter into other transactions with various service providers, potentially including, among others: (i) the Adviser (or an affiliate, which may include other portfolio companies of the Fund or other investment funds sponsored or advised by the Adviser) and at rates determined or substantively influenced by the Adviser; (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit; or (iii) a Limited Partner (or a Limited Partner of another Fund) or its affiliates. For example, the Adviser may from time to time initiate transactions between two or more portfolio companies of a Fund and successor Funds (see, for example, the above discussion regarding cross-transactions), and to cause and/or acquire certain portfolio companies to provide products or services to other portfolio companies of one or more Funds, and/or the Adviser and its respective affiliates at rates determined by the

Adviser (which may involve fees, commissions, servicing payments or other compensation). The Adviser also may engage certain Limited Partners or their affiliates that are engaged in lending or related businesses to provide financing and/or other services in connection with a Fund's investments.

The Adviser may also, from time to time, employ personnel (including members of the AVCG) with pre-existing ownership interests in or who were employed by portfolio companies owned by the Funds or other investment vehicles advised by the Adviser or the Founders; conversely, former personnel or executives of the Adviser (including members of the AVCG) may serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser, and/or the Funds, or other investment vehicles the Adviser sponsors or advises. The Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to a Fund or a portfolio company owned by the Fund if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

In certain circumstances, current or former Adviser personnel, including AVCG members, may serve in interim or part-time roles at portfolio companies, or may provide services to portfolio companies as secondees or in similar capacities, while maintaining certain benefits, office space, support services and/or indicia of employment at the Adviser. Under such arrangements, the Adviser and/or the relevant portfolio company may pay all or a portion of the Compensation in respect of such employees, or may supervise or oversee such employees. These arrangements could create conflicts of interest, in that any Compensation that would ordinarily be borne by the Adviser as overhead in respect of those personnel would be directly or indirectly borne by the Fund when they are secondees or other portfolio company personnel. As secondee arrangements are often initiated to meet a temporary portfolio company need, they are expected to change over time, and in many cases will be ended by the Adviser when the portfolio company is sold, at which point the secondees may or may not return to the Adviser. It is possible that certain Adviser personnel serve as secondees or other personnel with respect to multiple portfolio companies and perform services that directly or indirectly benefit the Adviser while serving as secondees or other portfolio company personnel.

The foregoing arrangements expose the Adviser to potential conflicts of interest because although it intends to initiate transactions and select service providers that it believes are aligned with its operational and value creation strategies and that will enhance portfolio company performance, the Adviser may have an incentive to recommend the related or other person (including a Limited Partner) because of its financial or business interest. Additionally, there is a

possibility that the Adviser, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or the Adviser or its affiliates), may favor such transaction, retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not the Adviser has a relationship with or receives financial or other benefit from recommending a particular transaction or service provider, there can be no assurance that no other transaction would be more beneficial or that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser, its affiliates, and equity holders, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of the Adviser have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies, the Adviser will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

As noted above, the fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Funds to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

As described above, the Funds and portfolio companies could pay Compensation to AVCG members and Consultants, in addition to reimbursement of certain costs and expenses. Separately, AVCG members could receive certain other benefits as set forth in the applicable Memorandum, including the use of certain Arcline resources and the opportunity to invest in (without paying fees) and/or receive a profits interest in the Funds and/or the General Partners, while Consultants could receive office space and certain portfolio company-related incentives (*e.g.*, equity grants) and benefits as set forth in the applicable Memorandum.

The Adviser intends to allocate Compensation between the Funds (and their alternative investment vehicles, portfolio companies or prospective portfolio companies), on the one hand, and the General Partners and/or the Adviser, on the other, in a manner that it believes is fair and equitable, typically based on the entity receiving the services provided by the AVCG and/or Consultants, and based on its current internal allocation policy and the relevant Partnership Agreement and/or Memorandum. To the extent Compensation is allocated to, and borne by the Funds (or an alternative investment vehicle or portfolio company or prospective portfolio company), such Compensation will not be included as "Transaction Fees" and will not otherwise

reduce the Management Fee. The Adviser will face potential conflicts of interest in determining the allocation of Compensation. While the Adviser may not be allocated Compensation that relates to services performed by AVCG members and Consultants for the Funds, alternative investment vehicles and/or portfolio companies or prospective portfolio companies, these services may also provide a benefit to the Adviser. Any allocation of Compensation may not be proportional, and involves inherent matters of discretion by the Adviser and related potential conflicts of interest.

To the extent a particular Partnership Agreement limits the aggregate amount of Compensation paid to the AVCG or the members thereof and borne by the related Fund (as opposed to the Adviser), such a limitation will only apply to the AVCG and its members and not other Consultants who are not designated as AVCG members, subjecting the Adviser to conflicts of interest with respect to the designation of AVCG members, as described in the corresponding Memorandum. From time to time, Consultants, and AVCG members in particular, could make use of Adviser resources or otherwise be associated with the Adviser.

In addition, under certain circumstances, the Adviser may be permitted to re-designate a Consultant as an AVCG member (and vice versa), subject to the Adviser's internal policies. AVCG members also may become employed by portfolio companies, as discussed above, as may Consultants, and therefore their compensation would be borne by the applicable portfolio company. If any persons are re-designated or their employment relationship is changed, any Compensation received by that person under his or her prior designation (including non-cash Compensation, to the extent applicable) generally will not be subject to any limitations on Compensation provided in the applicable Partnership Agreement, and no limitations on Compensation or benefits that applied under his or her prior designation or employment relationship will continue to apply under his or her new designation or employment relationship. The Adviser's ability to re-designate or cause portfolio companies to employ personnel (in its sole discretion) may create an incentive to do so in order to provide Compensation and benefits that are otherwise limited under a particular designation or employment relationship, to shift costs in a manner so they are directly or indirectly borne by the Fund, either in whole or in part, or to shift costs to the Fund that would otherwise be borne by the Adviser as overhead. Accordingly, any such personnel re-designation or change in employment relationship may increase the costs and expenses directly or indirectly borne by the Fund.

Although the Adviser anticipates that AVCG members and/or Consultants will be engaged or retained by the Adviser and/or its affiliates with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or identifying and extracting value at the portfolio companies, a number of factors may result in limited or no cost savings. As a general matter, there can be no assurance that the value creation initiatives of the AVCG, or the services rendered by the Consultants, will be effective and result in Fund returns. Moreover, the Adviser and/or its affiliates only anticipate employing, engaging or retaining AVCG members or Consultants that they believe provide services that will create value, while providing them with competitive Compensation and other benefits commensurate with their experience and perceived ability to create value. However, there can be no assurance that there are no other personnel or service providers more qualified to provide the applicable services and/or able to provide them at lesser cost.

In addition, as discussed above, Compensation received by AVCG members and Consultants that is borne by a Fund may result in direct or indirect benefits to the Adviser, its

affiliates and/or portfolio companies of other Funds. Consequently, the Adviser, its affiliates and/or portfolio companies of other Funds could receive services without bearing any of the associated costs. Conversely, a Fund or its portfolio companies or prospective portfolio companies could also benefit from services where the associated Compensation is borne by the Adviser, its affiliates and/or portfolio companies of other Funds.

Because there is a fixed investment period after which capital from Limited Partners generally may only be drawn down in certain specified circumstances provided in the Partnership Agreement, and because Management Fees are, at certain times during the life of a Fund, based upon invested capital subject to certain adjustments, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Since the Adviser is permitted to retain certain amounts that fall outside of the scope of Transaction Fees (as described under “Fees and Compensation”) in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such amounts. Additionally, to the extent Arcline, its personnel, affiliates or others designated by Arcline receive compensation in the form of portfolio company securities, after any applicable Management Fee reduction required by the relevant Partnership Agreement (based on the value of such securities determined in accordance with the Partnership Agreement), Arcline and/or such other recipients will be permitted to retain such securities, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company Arcline and/or the Partnership Agreement) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund.

In certain cases, the Adviser will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, the Adviser will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on eligibility and other factors similar to those employed in selecting co-investors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

As noted above, the Adviser and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

The Adviser expects to institute a program under which portfolio companies owned by the Fund(s) are encouraged to participate in purchasing, vendor or similar arrangements with the Adviser, its affiliates and other portfolio companies. Program participants would receive discounts negotiated with various vendors and service providers on a group-wide basis. The Adviser would allocate fees and third-party administration costs for program, if any, among the Funds and the portfolio companies. The Adviser and its affiliates are also expected to participate in the program in exchange for an allocable portion of any such fees and costs, and would receive similar benefits and discounts as the portfolio companies participating therein. No such amounts would result in

additional offsets to the Management Fee. The Adviser believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies, which is expected to be to the Fund's benefit as the negotiated discounts rates for goods and services are discounted relative to those widely available in the market.

From time to time the Adviser, its affiliates and personnel and persons selected by them expect to receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Fund under which such portfolio companies make their goods and/or services available at reduced rates. The Adviser, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to the Adviser, any other portfolio company or third parties could affect the returns of the portfolio company to the Fund.

Any of these situations subjects the Adviser and/or its affiliates to potential conflicts of interest. The Adviser attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by the Adviser's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the Adviser consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

DISCIPLINARY INFORMATION

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Adviser is affiliated with the General Partner, which is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These affiliated entities operate as a single advisory business together with the Adviser and serve as managers, general partners or similar controlling persons of the Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Arcline has adopted the Arcline Code of Ethics and Securities Trading Policy (the "**Code**"), which sets forth standards of conduct that are expected of Arcline's principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Arcline personnel to report their personal securities transactions, prohibits or requires pre-clearance for Arcline personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Arcline personnel from directly or indirectly acquiring

beneficial ownership of securities with limited exceptions, without first obtaining approval from the Arcline Chief Compliance Officer. In addition, the Code of Ethics requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A free copy of the Code of Ethics will be provided to any investor or prospective investor upon request to Gib Efird, the Arcline Chief Compliance Officer, at (415) 801-4570. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client-eligible investments.

Arcline and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Arcline and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Arcline.

Accordingly, should Arcline or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Arcline generally would be prohibited from communicating such information to clients, and Arcline will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Arcline personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Arcline and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may, subject to the Partnership Agreement, invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of Arcline, as well as third-party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

Arcline and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

From time to time, the Adviser could advance funds on behalf of a Fund and cause such advanced funds to be contributed to such Fund as a special interim equity contribution for investment, to be repaid on a priority basis at a later date. An additional interest-like amount in connection with such advance, intended to compensate the General Partner for its cost of capital, typically is borne by the relevant Fund, as provided in the Partnership Agreement. The Adviser

will effect such advances in a manner it believes to be fair and equitable to the relevant Fund, and consistent with the Adviser's obligations to the Fund under the Partnership Agreement. Nevertheless, in making such advances, the Adviser is subject to conflicts of interest. In particular, in those circumstances where an additional amount accrues on any such outstanding advances at a rate lower than the relevant Fund's preferred return, the Adviser is expected to have incentives to cause the Fund to make such advances in this manner rather than drawing down Commitments. Where a preferred return begins to accrue after capital contributions by Limited Partners are due (regardless of when the Fund gets an advance, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of advances to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds advanced in lieu of calling capital, such advances typically will reduce the amount of preferred return to which the Limited Partners would otherwise be entitled had the General Partner called capital, and thus could result in the General Partner receiving carried interest earlier than it otherwise would without such advances, all else being equal. In addition, at such time as the Management Fee is calculated based on invested capital, a Limited Partner may pay Management Fees on advanced amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above.

BROKERAGE PRACTICES

The Adviser focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not intend to regularly engage in public securities transactions (except for private placements of public company securities or securities purchased in connection with, or in anticipation of, acquiring influence over a public company), to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) a broker's execution capabilities with respect to the relevant type of order; (ii) the commissions charged by a broker, which may be based on the size of the order, the price of the security and whether the receipt of products or services is involved; (iii) the broker's reputation and responsiveness to requests for trade data and other financial information; and (iv) other factors suggested by the SEC for determining best execution.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker

involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception. To the extent the Adviser uses “soft dollars” on behalf of the Funds in the future, it will seek to do so within the safe harbor provided by Section 28(e) of the Exchange Act.

While the Adviser does not anticipate engaging in significant public securities transactions other than as described above, to the extent that the Adviser does so, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Adviser may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Adviser may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of the Adviser is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

The Funds generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to the Funds over time.

In the Adviser’s private company securities transactions on behalf of the Funds, the Adviser may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to engage or retain such parties, the Adviser may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the Adviser’s review process is not directed toward a short-term decision to dispose of securities. However, the Adviser monitors companies in which the Funds invest, and the Chief

Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners (i) audited financial statements annually commencing with the first year in which it makes an investment together with the valuations of investments as of each year-end, (ii) an unaudited financial statement for the first three quarters of each fiscal year commencing with the first quarter such Fund calls capital, which shows a limited partner's closing capital account balance as of each quarter-end, (iii) annual tax information necessary for each partner's U.S. tax returns and (iv) annual line-item reporting of Fund expenses borne by the Fund (or its associated entities) during the previous year.

CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser and/or its affiliates, including the AVCG and/or AVCG members, may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As provided in the applicable Partnership Agreement, this compensation may, generally to the extent considered "Transaction Fees," offset a portion of the Management Fees paid by such Fund. However, in certain other cases (*e.g.*, payments to AVCG members prior to the applicability of any limitations thereon and/or Consultants, and reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees could be in addition to Management Fees. *See* "Fees and Compensation" above.

From time to time, the Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. The Adviser currently has not retained any placement agents. In the event that the Adviser decides to retain a placement agent or third-party solicitor to facilitate the sale of interests in one or more of the Funds, any fees payable to any such placement agents or third-party solicitors will be borne by the Adviser indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically will be borne by the relevant Fund(s).

CUSTODY

The Adviser maintains custody of assets held in the name of one or more Funds with First Republic Bank.

INVESTMENT DISCRETION

The Adviser has discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, the Adviser and/or its affiliates have entered into, and may in the future enter into, Side Letters with certain Limited Partners whereby the terms applicable to such Limited Partner's investment in a Fund have been altered or varied, including, in some cases, the right to be excused or excluded from certain investments for legal, tax, regulatory or other similar reasons. The Adviser assumes this discretionary authority pursuant

to the terms of the Partnership Agreement and powers of attorney executed by the Limited Partners of such Fund.

VOTING CLIENT SECURITIES

The Adviser has adopted the Arcline Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the Funds’ portfolio investments. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Adviser generally believes its interests are aligned with those of each Fund’s investors, for example, through the Founders’ and other Arcline investment professionals’ beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund’s advisory board may approve the Adviser’s vote in a particular solicitation. The Adviser does not consider service on portfolio company boards by personnel of the Adviser or the Adviser’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a Fund. If Fund investors would like a copy of the Adviser’s complete Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio companies, please contact Gib Efird, the Arcline Chief Compliance Officer, at (415) 801-4570 and it will be provided to you at no charge.

FINANCIAL INFORMATION

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.