

## **Arlon Advisor LLC**

277 Park Avenue  
New York, NY 10172  
(212) 207-5200  
[www.arlongroup.com](http://www.arlongroup.com)

This brochure provides information about the qualifications and business practices of Arlon Advisor LLC. If you have any questions about the contents of this brochure, please contact us at (212) 207-5200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the Securities and Exchange Commission does not imply a certain level of skill or training. Additional information about Arlon Advisor LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

There have been no material changes to this Brochure since the last filing.

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## Item 4: Advisory Business

Arlon Advisor LLC was organized as a limited liability company under the laws of the State of Delaware in September 2011 to hold the ownership interests of certain advisory affiliates. It is wholly owned and controlled by Continental Grain Company (“CGC”) which is owned by members of the Fribourg family.

The terms “Arlon” and the “Company” are used in this brochure to refer collectively to Arlon Advisor LLC and certain of its advisory affiliates. Arlon provides discretionary investment advisory services to private equity funds (the “PE Funds”) and other pooled investment vehicles including two hedge funds (the “Hedge Funds” and, collectively with the PE Funds, the “Funds”) both directly and through investment advisory affiliates under its supervision and control. Advisory services are tailored to the specified investment mandates of each Fund as set forth in each Fund’s private placement or confidential offering memorandum (“Offering Document”). Investment advice is not provided to the individual limited partners or investors (“Investors”) in the Funds.

The PE Funds make investments in companies that Arlon believes will yield attractive returns. With one exception (i.e., Arlon Food and Agriculture Partners LP, the “AFAP Fund”), the PE Funds are not currently available for investment by any entity or individual that is not associated with CGC or any of CGC’s affiliates. The AFAP Fund invests primarily in the U.S. food and agriculture sector. The Hedge Funds invest primarily in the equity securities of issuers throughout the food chain and/or commodities within the agricultural and soft commodity markets. The Hedge Funds are available for investment by parties who not associated with CGC or CGC’s affiliates.

As of March 31, 2012, Arlon managed approximately \$727 million in assets on a discretionary basis

## Item 5: Fees and Compensation

Certain Funds pay management fees and an incentive allocation for the provision of advisory services. Details concerning fees are set forth in each Fund’s Offering Documents.

Hedge Funds – Each Hedge Fund pays to an Arlon advisory affiliate an annual management fee (the “Management Fee”) of 1.0% per annum, charged quarterly in advance. The Management Fee may be waived or reduced for certain Investors, including employees of CGC who are not subject to this fee. The Management Fee is paid by third party Investors and is deducted from their capital accounts on a quarterly basis.

In addition, each Hedge Fund allocates a portion of its annual net investment profit to an affiliate of Arlon, typically 20% per annum, subject to the recovery of prior losses (the “Incentive Allocation”). The manner of calculation of the Incentive Allocation is disclosed in each Hedge Fund’s Offering Documents. As with Management Fees, Arlon reserves the right to waive or reduce the Incentive Allocation for certain Investors, including employees of CGC and its affiliates. Only the sponsor of Hedge Funds and third party Investors pay the Incentive Allocation.

Private Equity Funds – Except for the AFAP Fund, the PE Funds do not pay management fees. Non-employee limited partners of the AFAP Fund bear their pro rata portion of a management fee for

actual costs incurred up to 2% per annum of their aggregate capital commitments. Only the sponsors and third parties, if any, in the PE Funds bear performance-based compensation, which is typically 20% per annum. Employee Investors do not pay any such amounts.

Other Fees and Expenses – In addition to the fees described above, Investors will bear indirectly certain other expenses charged to the Funds. Expenses will vary by Fund, but typically include interest expense, brokerage commissions, custodial fees, Investor accounting and reporting expenses, organizational costs, withholding and transfer taxes, bank charges, insurance costs, blue sky fees, and initial and periodic legal, audit and other professional fees and expenses.

The PE Funds may also be responsible for “Broken Deal Expenses,” which include any fees and expenses for transactions not completed, including amounts payable to third parties, any travel and accommodation expenses, and all fees and expenses of any legal, financial, accounting, consulting, other advisors or lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated. The PE Funds generally pay the expenses associated with consummated deals but may be reimbursed for such costs by the associated portfolio companies. Each Investor in the PE Funds bears its pro rata share of related operating expenses. Additionally, the PE Funds may invest a portion of their assets in pooled investment vehicles managed by unaffiliated third parties. As such, the PE Funds will bear the costs associated with such investments, including any fees payable to the third-party manager.

**A complete description of fees and expenses is outlined in each Fund’s Offering Documents.**

## **Item 6: Performance Based Fees and Side-by-Side Management**

As detailed in the **Fees and Compensation** section above, the Hedge Funds bear a performance based fee, which is based on the realized and unrealized gains of such Funds’ investments. The fact that Arlon is compensated based on the success of investments held by the Hedge Funds may create an incentive for Arlon to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

Performance fee arrangements could also create an incentive for Arlon to favor higher fee paying clients over others in the allocation of investment opportunities. This risk is mitigated by the fact that the rate of the performance-based fee charged to each of the Hedge Funds is the same. Similarly, the performance-based compensation rate is the same for all of the PE Funds. In addition, Arlon has policies and procedures in place to ensure that all Funds are treated fairly and equally. When Arlon determines that it would be appropriate for one or more Funds to participate in an investment opportunity, Arlon will seek to allocate interests to all participating Funds on a fair and equitable basis.

All performance fees charged by Arlon will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

## **Item 7: Types of Clients**

Arlon provides investment management services to certain foreign or domestic private investment funds organized as limited partnerships, limited liability companies, or other legal entities.

The Funds and the interests in the Funds are not registered under federal securities laws. All U.S. persons investing in a Fund must be “accredited investors” (as defined in Regulation D of the Securities Act of 1933, as amended). In addition, those persons who pay performance fees must be “qualified clients” as defined in Rule 205-3. Details concerning applicable Investor eligibility requirements are included in Fund Offering Documents and subscription materials, which are furnished to all Investors.

Investors must meet certain minimum initial investment thresholds, which vary by Fund. Investment amounts below the minimum required may be accepted at Arlon’s discretion.

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

### **Hedge Funds**

The investment strategy of the Hedge Funds is to leverage the knowledge base, expertise, network, and infrastructure of CGC to make investments throughout the food supply chain. The Hedge Funds invest in equity and equity-related securities related to the food supply chain in industry sectors outlined below. The Hedge Funds also invest in commodity futures related to the agricultural sector, including but not limited to corn, soybeans, wheat, lean hogs, and cattle.

- Protein & Food Processing
- Beverages
- Agribusiness Processors
- Agricultural Equipment
- Packaged Foods
- Supermarkets
- Food Retail
- Chemicals and Fertilizers
- Transportation & Distribution
- Animal Health
- Restaurants
- Consumer Goods

Portfolio managers of the Hedge Funds utilize fundamental-driven research to make investments in equities, futures and options with the food agricultural commodity futures and by monitoring and managing traditional hedging metrics such as net equity length, beta-adjusted net equity length (to account for the varying economic sensitivity of different securities), and crosscorrelations between and among securities in the portfolio. The Hedge Funds may use leverage to increase their buying power.

**Private Equity Funds**

The PE Funds generally make or have made direct investments in the following broad categories: (a) private companies, either as lead investor or as a co-investor alongside other long-term investors; (b) private equity funds and hedge funds managed by unaffiliated managers; (c) capital for a stake in an affiliated manager's management entity; and (d) other investments that Arlon believes will yield attractive returns. The AFAP Fund invests in a broad range of primarily U.S.-based businesses across various stages of the food and agriculture supply chain, including production, processing, distribution, and retail. The AFAP Fund's investment team has a longterm investment perspective and utilizes a rigorous due diligence process to identify growth and value creation opportunities.

**Risk of Loss**

Investing in securities involves the risk of loss that Investors should be prepared to bear. It is not anticipated that there will be an active secondary market for Fund interests and it is not expected that such a market will develop. Further, no guarantee or representation is made that a Fund's investment objectives will be achieved and performance could be negatively impacted by a number of risks including, but not limited to, the following:

Risks Involving Trading Decisions Based on Fundamental Analysis – Trading decisions are based on fundamental, technical, and other analysis. Any factor that would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy will be profitable in the future.

Concentration Risk – Certain Funds do not have fixed guidelines for diversification. However, the AFAP Fund will concentrate investments in the agricultural industry and can only invest a certain percentage of its capital commitments in a single portfolio investment after its final closing date. Further, the Hedge Funds invest in securities related to the food supply chain as described above. Such concentration may negatively impact a portfolio in the event of an adverse economic, political, regulatory, or environmental occurrence affecting the agricultural industry.

Risks of Investments in Agriculture Commodities – Agricultural commodities are particularly sensitive to changes in climate, crop and livestock health, world political events, government action, international and regional trade contracts, labor contracts, transportation systems, and crop predictions. In addition, agricultural commodities are subject to price volatility as a result of disruptions relating to the facilities necessary to produce, transport, store, and deliver the agricultural commodity. As a result, the net assets of a Fund may be affected by such factors.

Valuation Risk– With respect to the PE Funds, there will generally be no readily available markets for a substantial number of the Funds' investments. As such, many investments will be difficult to value. Valuations of the portfolio investments will be determined by Arlon. Valuations are estimates of future results that are based upon assumptions made at the time that the valuations are developed. Therefore, there can be no assurance that the projected results will be obtained, and actual results may vary significantly from the valuations.

Use of Leverage – The Hedge Funds may leverage their investment positions by borrowing funds from securities broker-dealers, banks, or others in order to take advantage of perceived opportunities, such as short-term price disparities between markets or market securities. While leverage presents

opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well.

**International Investing** – The Funds may invest a portion of their assets in instruments denominated in currencies other than the U.S. dollar. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (a) less publicly available information; (b) varying levels of governmental regulation and supervision; and (c) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation, and application of laws. In addition, issuers may not be subject to uniform accounting and financial reporting standards and requirements comparable to those applicable to U.S. issuers. Further, exit opportunities for non-U.S. investments may be less profitable and/or less frequent than would be the case if such investments had been made in the United States.

**Investors should refer to Fund Offering Documents for a complete description of the risks involved in an investment in a Fund.**

## **Item 9: Disciplinary Information**

Arlon and its management persons have not been involved in any legal or disciplinary events in the past ten years that would be material to an Investor's evaluation of the Company's advisory business or the integrity of Arlon or its management persons.

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

The Funds are typically managed by Arlon and affiliated managing member or general partner entities ("GP Entities"). All of the GP Entities' investment advisory activities are subject to the Advisers Act and such entities are subject to examination by the SEC. In addition, employees and persons acting on behalf of the GP Entities are subject to Arlon's supervision and control.

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

### **Code of Ethics**

Arlon has adopted a Code of Ethics, which is predicated on the principal that Arlon owes a fiduciary duty to its clients. Accordingly, employees of Arlon must avoid or disclose activities, interests, and relationships that run contrary (or appear to run contrary) to the best interest of clients. A copy of the Company's Code of Ethics is available to any Investor or prospective Investor by calling Michael Mayberry, Chief Compliance Officer, at 212-207-2898 or by writing to the address listed on the cover page of this brochure.

**Personal Trading**

Arlon permits its employees to engage, on a monitored basis, in personal securities transactions. The Code of Ethics governs personal trading activities by employees and their immediate family members. Specifically, the Code of Ethics requires employees to pre-clear certain personal securities transactions, report personal trades on at least a quarterly basis, and provide initial and annual holdings reports. Employees' personal trading activity is monitored to ensure that transactions have been executed in accordance with the Code of Ethics and relevant rules and regulations.

**Participation or Interest in Client Transactions**

Arlon, its employees, or its affiliates may participate in a Fund's investment program by investing or agreeing to commit assets for investment. In addition, Arlon, its employees, or its affiliates may participate in transactions effected for clients. Any actual or potential conflicts of interest arising from such participation are disclosed in each Fund's Offering Documents. In addition, employees currently do and may in the future receive directors' fees for serving on the board of directors of a portfolio company, which may be retained in whole or in part by Arlon.

**Item 12: Brokerage Practices**

Arlon has no obligation to deal with any particular broker-dealer on behalf of the Funds in the execution of transactions in portfolio securities. In selecting broker-dealers with whom to place orders for the purchase and sale of securities on behalf of the Funds, Arlon's primary objective is to obtain best price and execution – that is, prompt, errorless execution of orders at the most favorable prices reasonably obtainable. In doing so, Arlon considers a number of factors, including trading costs, the reputation and stability of the broker-dealer, the efficiency with which transactions are generally executed, the ability of the broker-dealer to effect particular transactions, and the receipt of brokerage and research services.

Arlon does not have any formal soft dollar or commission sharing arrangements with any broker-dealers that would obligate Arlon to direct a specific amount of trades to any broker-dealer or trading counterparty. However, Arlon does receive research or services other than execution from broker-dealers in connection with securities transactions. Any research received by Arlon complies with the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits investment advisers to obtain brokerage and research services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities.

The products and services Arlon obtains from broker-dealers in exchange for commissions include proprietary research reports prepared by broker-dealers, as well as research prepared by third-party research firms. Arlon derives substantial benefit from these products and services, particularly to the extent soft dollars are used to pay research expenses that Arlon would otherwise be required to pay. Research obtained from broker-dealers may be used to service Funds other than those that generated commissions with the broker-dealers providing the research.

Relationships with broker-dealers providing research products and services may influence Arlon's judgment in allocating brokerage business, and may create a conflict of interest in using the services

of these broker-dealers to execute securities transactions of behalf of the Funds. While Arlon believes these relationships are beneficial, selecting broker-dealers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case. However, at all times, the broker-dealers are subject to the requirement to provide best execution.

Securities transactions for multiple Funds maybe aggregated in order to avoid placing competing orders, improve order management, and permit some degree of price improvement relative to a series of individually placed orders.

In addition, Arlon has policies and procedures in place to ensure that all Funds are treated fairly and equally. When Arlon determines that it would be appropriate for one or more Funds to participate in an investment opportunity, Arlon will seek to allocate interests to all participating Funds on a fair and equitable basis.

### **Item 13: Review of Accounts**

All investments are carefully reviewed and approved by Arlon's investment personnel. Portfolio investments are reviewed on a continuous basis and investment personnel meet regularly to discuss investment ideas, economic developments, industry outlooks, and other issues related to current portfolio holdings and potential investment opportunities.

Arlon provides each Investor with the following reports in accordance with the terms of the applicable Offering Documents: (1) annual audited financial statements; (2) quarterly or semiannual Investor letters, and (3) annual tax information necessary to complete any applicable tax returns.

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

Arlon has entered into an arrangement with one placement agent who is paid a fee based upon the commitments made by certain Investors in the AFAP Fund. In addition to being reimbursed for certain expenses, the placement agent is paid a set fee subject to certain offsets as well as a success fee related to those Investors in the AFAP Fund who have been sold interests by the placement agent.

### **Item 15: Custody**

Fund assets are held in custody by unaffiliated broker-dealers or banks. However, Arlon generally is deemed to have custody of Fund assets because it or an affiliate serves as the general partner or managing member of the Fund. Accordingly, the Funds generally are subject to annual audits and audited financial statements are distributed to each Investor. In such instances, audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

**Item 16: Investment Discretion**

Pursuant to the governing documents of each Fund, Arlon has full discretionary authority to determine, without obtaining specific Investor consent, the investments to be bought or sold on behalf of the Funds and to perform the day-to-day investment operations of the Funds.

**Item 17: Voting Client Securities**

Arlon only votes proxies with respect to investments made on behalf of the Funds when Arlon determines its vote may have a significant or material impact on a Fund. In such situations, the appropriate investment personnel shall determine the manner in which to vote the proxy. In the event Arlon determines that a conflict of interest exists with respect to a proxy, the Company's Chief Compliance Officer will be consulted to determine how to best mitigate the conflict which may include, depending upon the nature of the conflict, Arlon electing to engage, at its own expense, an outside proxy voting service or consultant to determine the appropriate manner in which to vote the proxy.

Investors may obtain a copy of the Company's Proxy Voting Policies and Procedures as well as a record of proxy votes by calling Michael Mayberry, Chief Compliance Officer, at 212-207-2898 or by writing to the address listed on the cover page of this brochure.

**Item 18: Financial Information**

Arlon has not filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.