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March 31, 2021



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This brochure (this “Firm Brochure”) provides information about the qualifications and business practices of Arbor Investments Management, LLC (hereinafter “Arbor”, the “Firm” or “We”). If you have any questions about the contents of this Firm Brochure, please contact us at (312)-981-3770 or at info@arborpic.com. The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Arbor is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Arbor is 157442.

Item 2. Material Changes

This Firm Brochure, dated March 31, 2021, is our disclosure document prepared according to the Securities and Exchange Commission's ("**SEC**") requirements and rules applicable to registered investment advisers. As you will see, this document is a narrative providing detailed information regarding the Firm, its practices, fees, actual and potential conflicts of interest and key mitigating circumstances, policies and controls.

Consistent with SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Arbor filed its most recent Form ADV Part 2 on October 9, 2020. This annual amendment updates the description of the business practices of Arbor and its affiliates.

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Item 4. Advisory Business

OUR BUSINESS

Arbor Investments Management, LLC (collectively with its affiliates, “*Arbor*”, the “*Firm*”, “*we*”, “*our*” or any other such collective words) is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the “*Advisers Act*”), with its principal place of business in Chicago, Illinois. Arbor also maintains an office in New York, New York. Although Arbor is a registered investment adviser, registration itself does not require and should not be interpreted to imply any particular level of skill or training. Arbor was organized in 2006 and is owned by its principals, Gregory J. Purcell, CEO and Joseph P. Campolo, Vice Chairman.

Arbor provides investment management services solely to its private equity and private debt fund clients (and their respective co-investment vehicles, parallel funds and alternative investment vehicles), and any references throughout this Firm Brochure to “clients” and to Arbor’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. These funds include (a) Arbor Investments II, L.P., which includes its parallel fund, Arbor Investments II QP, L.P., and its alternative investment vehicles, Arbor Investments II AIV Fund, L.P. and Arbor Investments II AIV Fund QP, L.P. (collectively, “*Arbor II*”), (b) Arbor Investments III, L.P., which includes its parallel fund, Arbor Affiliates Fund III, L.P. (together, “*Arbor III*”), (c) Arbor Investments IV, L.P., which includes its parallel fund, Arbor Affiliates Fund IV, L.P. (together, “*Arbor IV*”), (d) Arbor Debt Opportunities Fund I, L.P. (“*Arbor DOF I*”), (e) Arbor Debt Opportunities Fund II, L.P., which includes its parallel fund, Arbor Debt Opportunities Fund II-A, L.P. (“*Arbor DOF II*”), and (f) Arbor Investments V, L.P. which includes its parallel fund, Arbor Investments V-A, L.P. (together, “*Arbor V*”). Arbor II, Arbor III, Arbor IV, and Arbor V, together with any future private equity investment fund to which Arbor or its affiliates provide investment management services, are referred to in this Firm Brochure each as an “*Equity Fund*,” and collectively as the “*Equity Funds*”. Arbor DOF I, Arbor DOF II, together with any future private debt investment fund to which Arbor or its affiliates provide investment management services, are referred to in this Firm Brochure each as a “*Debt Fund*,” and collectively as the “*Debt Funds*”. The Debt Funds and the Equity Funds are referred to herein each as a “*Fund*,” and collectively as the “*Funds*”.

Arbor specializes in managing private fund investments primarily in the food and beverage industries. Several of the senior investment professionals of Arbor have served as senior executives, entrepreneurs, investors and advisors to many of the world’s leading food and beverage companies. We believe our specialization enables us to play a decisive role in portfolio company management and operations while maintaining perspective on valuations, financing parameters and exit/liquidation potential. For each Fund, Arbor performs in-depth due diligence regarding proposed investments, structures and evaluates platform acquisitions and add-on acquisitions to portfolio companies, works closely with portfolio company management to provide strategic operating and financial advice, examines and implements succession planning, and identifies multiple exit options prior to an initial investment.

The general partner of each Fund (each, a “**General Partner**,” and collectively, the “**General Partners**”) is affiliated with Arbor through common ownership and control as well as shared executive officers. Each General Partner is subject to the Advisers Act pursuant to Arbor’s registration in accordance with SEC guidance. This Firm Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with Arbor. Each General Partner and the principals and certain investment professionals of Arbor generally participate in the Fund’s investments by investing assets directly in the Funds (through limited partner interests) or indirectly through investments in the General Partners, which in turn, invest in the Funds.

Arbor’s advisory services to the Funds are detailed in the relevant private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements of the Funds (each, a “**Partnership Agreement**” and, together with any relevant Memorandum, the “**Governing Documents**”) 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 in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between Arbor and any investor. The Funds or the General Partners have entered into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the Governing Documents with respect to such investors.

ASSETS

As at December 31, 2020, Arbor has \$2,947,362,537 in discretionary assets under management. Arbor does not manage any assets on a non-discretionary basis.

Item 5. Management Fees, Expenses and Compensation

MANAGEMENT FEE

For our services to the Funds, we charge the Funds an asset management fee (the “**Management Fee**”). In addition, the respective General Partner of each Fund, an affiliate of Arbor through common ownership and control, is entitled to receive carried interest distributions from each Fund, a form of performance-based compensation, as described in Item 6 below and as more fully described in the Governing Documents.

Subject to the Governing Documents of each Equity Fund, during the relevant investment period, the Management Fee that such Equity Fund pays to Arbor commences as of the effective date of each such Equity Fund and is equal to a percentage (typically 2.0%) of the aggregate capital commitments of the limited partners of the Equity Fund (other than affiliates of the relevant General Partner). Effective upon the termination or expiration of the Equity Fund’s investment period or certain other circumstances specified in the Governing Documents, the Management Fee payable by such Equity Fund is reduced to an annual amount equal to a percentage (typically 2.0%) of the unrealized investments of

such Equity Fund (excluding the portion of unrealized investments attributable to the General Partner and its affiliates).

The Management Fee payable to Arbor in respect of the Debt Funds commences as of the date of each such Debt Fund's first investment and is equal to a percentage (typically 1.5%) of the aggregate unrealized investments of such Debt Fund (excluding the portion of unrealized investments attributable to the General Partner and its affiliates).

The Management Fee payable in respect of each Fund is paid in advance on a quarterly basis. 100% of the Management Fee is allocated to the limited partners of each Fund (other than affiliates of the General Partner) ratably in accordance with their respective capital commitments to such Fund. Installments of the Management Fee payable for any period other than a full twelve-month period is adjusted on a *pro rata* basis according to the actual number of days in such period. Arbor retains the flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees and other compensation rather than deducting such amounts from the investor's capital account(s). Where the Governing Documents calculate Management Fees based on the amount of capital commitments or investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value except where specified by the relevant Governing Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors in the relevant Fund.

The Management Fee payable by a Fund is reduced by any Excess Organizational Expenses (as defined below) or placement fees paid or reimbursed by the Fund. In addition, to the extent that Arbor or its affiliates or employees receive any directors' fees, consulting or advisory fees, monitoring fees, transaction fees or break-up or topping fees from portfolio companies of a Fund, a percentage of all such fees are applied to reduce the Management Fee payable by such Fund. Generally, Arbor applies (i) 100% of any break-up or topping fees and directors' fees and (ii) a percentage (that varies among the Funds between 65% and 100%) of any transaction fees and monitoring fees to reduce the Management Fee payable by a Fund to Arbor. The remaining amount of any such fees will be retained by Arbor. In the event that the amount of such fees and expenses applied against the Management Fee exceeds the Management Fee due to Arbor for any applicable period, such excess is carried forward to reduce the Management Fee payable to Arbor in following periods. To the extent any such excess remains unapplied or is not otherwise utilized by Arbor for investments or expenses permitted under the a Fund's Governing Documents, upon (x) termination, or the final distribution, of such Fund's assets (as applicable) or (y) if permitted under such Fund's Governing Documents, at such earlier time(s) as determined by the relevant General Partner in its sole discretion, the excess amount will be distributed in accordance with the Fund's Governing Documents unless a limited partner has elected to waive such amount (e.g., where an adverse tax consequence potentially will result). If any Fund invested or committed to invest in a portfolio company or potential portfolio company with a co-investor or potential co-investor, the amount of any such fees and expenses will be allocated between the Fund and such co-investor or potential co-investor in proportion to the cost of securities in such portfolio company held or committed to by each, and, as a result, a Fund will, in most cases, only benefit with

respect to its allocable portion on a fully diluted basis of any such fee and not the portion of any such fee that related to such co-investor or potential co-investor (which could include co-investment vehicles managed by Arbor, third parties, portfolio company management or employees and/or others), which has the potential to be significant. Notwithstanding anything to the contrary contained in this Firm Brochure, in the event that a transaction in which a co-investment was planned ultimately is not consummated, all Broken Deal Expenses (as defined herein) relating to such proposed transaction will be borne by the Fund(s), 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 Broken Deal Expenses.

Additionally, as further described herein and in the Governing Documents, it is Arbor's practice to use or retain certain Operating Partner Team (as defined below) members to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such Operating Partner Team members generally receive compensation (including, but not limited to, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits or equity interest in a portfolio company or holding company, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from Arbor and/or its Funds or affiliates, guaranteed minimums or other compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Partner Team members, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such company) and other amounts described herein from the relevant portfolio companies or Funds to which they provide services, but no such amounts will offset or reduce the Management Fee. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the relevant Fund's investment, and the relevant Fund typically will bear the costs of all Operating Partner Team member compensation as well as fees, costs and expenses of structuring Operating Partner Team member arrangements. For the avoidance of doubt, Arbor also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

With respect to the services that Arbor provides to any co-investment vehicle that may be formed in connection with a Fund, Arbor reserves the right to also charge an asset management fee calculated as a percentage (that varies among co-investment vehicles between 1% and 3%) of the aggregate capital contributions of the co-investors to such investment and carried interest distributions, a form of performance-based compensation, as described in Item 6 below, as well as other fees relating to the structuring and administration of co-investment arrangements. Payment of the asset management fee by such co-investment vehicles is expected to vary between an annual fee payable over the term of such investment or a one-time fee payable in a lump sum at the closing of such investment. The receipt of such fees will not offset or reduce the Fund's Management Fee. To the extent the Fund makes use of a credit facility to invest in a portfolio company or

pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

PARTNERSHIP EXPENSES

In addition to the Management Fee and carried interest payable to the General Partners, if applicable, each Fund bears certain expenses, as set forth more fully in the Governing Documents. Each Fund will bear certain fees, costs, expenses, liabilities and obligations incurred in conducting the operating, investment and financial reporting activities of such Fund (and its subsidiaries and intermediate entities), including: fees and expenses associated with investment activities, including so-called “blown-transaction fees” (including broken-deal and topping fees) or other expenses, liabilities or obligations incurred for transactions not consummated (“***Broken Deal Expenses***”), including any such fees or expenses relating to transactions that have been offered to co-investors, financial statement preparation expenses, legal expenses, tax preparation fees, and insurance premiums. As a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. To the extent such fees, costs and expenses are incurred for the account or for the benefit of more than one Fund, each such Fund will bear an allocable portion of any such fees, costs, and expenses in proportion to the size of the investment made or proposed to be made by each such Fund or in such other manner as Arbor or the General Partner believes is fair and equitable to the Funds under the circumstances over time. No Fund is responsible for or will otherwise directly incur any percentage of the organizational or operating, investment or financial reporting expenses of any other of the Funds. Notwithstanding the foregoing, similar to a third-party debt financing arrangement, it is expected that the fees and expenses associated with the investment activities of a Debt Fund, including due diligence, legal, structuring, documentation expenses incurred by such Debt Fund, generally will be paid for directly, or otherwise reimbursed, by the relevant Equity Fund.

ORGANIZATIONAL EXPENSES

Each Fund pays or reimburses the relevant General Partner for all organizational expenses of such Fund, subject to a maximum amount specified in the Governing Documents. Organizational expenses in excess of such maximum amount (“***Excess Organizational Expenses***”) are applied to reduce the Management Fee payable to Arbor by the relevant Fund.

PORTFOLIO COMPANY MONITORING AND TRANSACTION FEES

Arbor generally enters into management services contracts with portfolio companies of the Equity Funds pursuant to which Arbor investment professionals agree to monitor the business activities of the portfolio company and provide portfolio company management with strategic advice and access to industry resources. As compensation for these services, Arbor charges each portfolio company an annual monitoring fee (the “***Monitoring Fee***”) and is entitled to reimbursement from the relevant portfolio company for out-of-pocket expenses incurred by Arbor in providing such monitoring services. The Monitoring Fee each portfolio company pays to Arbor is equal to a percentage (typically 5.0%) of the EBITDA of such portfolio company. The Management Fee payable to Arbor from an Equity Fund is offset by a percentage (65% to 100% depending on the Equity Fund) of

Monitoring Fees earned by us or our affiliates as specified in the Governing Documents. The remaining amount of any such fees will be retained by Arbor or its affiliates. Monitoring Fees do not include, and therefore the Management Fee payable to Arbor from an Equity Fund is not offset or reduced by, compensation and expenses paid to an Operating Partner Team member, the affiliate of the General Counsel of Arbor in connection with his provision of certain legal services to portfolio companies or any amounts paid to affiliates of the General Partner of a Fund, including employees of Arbor, in substitution for or replacement of services typically provided by a full-time employee of the portfolio company or outside consultant to the portfolio company as described below in Item 8 under “Affiliate Transactions”.

In addition to Monitoring Fees paid to our Firm, a portfolio company in which an Equity Fund invests generally will also be responsible to pay Arbor fees for structuring and negotiating transactions (a “**Transaction Fee**”), and expense reimbursement to Arbor for the out-of-pocket expenses incurred by Arbor in connection with such transactions. Transaction Fees are incurred in the acquisition and disposition of a portfolio company, as well as upon consummation of follow-on and other investments and financings made by the portfolio company. The Management Fee payable to Arbor from an Equity Fund is offset by a percentage (65% to 100% depending on the Equity Fund) of Transaction Fees earned by us or our affiliates as specified in the Governing Documents. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Arbor and/or its affiliates. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund’s strategy, including in Side Letters relating thereto, and (where applicable) environmental, social, governance and other standards, if any, to which the relevant General Partner has committed in making investments on behalf of the Fund. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests.

Additional information about each Fund as well as the fees and expenses charged to investors by such Fund is provided in the Governing Documents.

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

As disclosed in Item 5 of this Firm Brochure, the General Partner of each Fund, an affiliate of Arbor through common ownership and control, is entitled to receive carried interest distributions, which is a form of performance-based compensation structured as a profits interest. Such a performance-based profits interest is calculated based on a share of

aggregate realized profits on assets of the Fund (or co-investment vehicle) (which is generally also subject to achieving a preferred return on invested capital as set forth in the Governing Documents). The carried interest share is generally 20% of the realized profits, if any, earned from each investment made by the Fund (or co-investment vehicle); provided that investors in certain Funds (or co-investment vehicles) may bear a higher carried interest percentage if certain performance thresholds are achieved, as described in the Governing Documents. Carried interest distributions are calculated and made to the General Partner out of the proceeds of the relevant investment at the time of realization.

Investors in the Funds should note that a performance-based profits interest creates an incentive for an adviser such as Arbor to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. However, Arbor believes the long-term nature of private equity fund investing mitigates such risk because the carried interest is calculated on the basis of realized, but not unrealized, gains, leading Arbor to focus on fundamentals when making platform investments and add-on acquisitions for the Funds. In addition, the General Partner of each Fund, through its own investment in the Fund, also puts its own capital at risk. Also, because there is a fixed investment period after which capital from investors in a Fund is only permitted to be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when Arbor would not otherwise have done so in the absence of such conflicts of interest.

At this time, we do not offer advisory services to clients who do not pay performance-based compensation in the form of a profits interest to the General Partner, and therefore, we do not have an incentive to favor performance-based fee accounts over non-performance-based fee accounts. However, within this compensation arrangement, to the extent Arbor has Funds with varying carried interest terms and/or Arbor personnel are assigned varying percentages of carried interest from the Funds, Arbor and such Arbor personnel would have an incentive to favor a Fund paying higher aggregate performance-based compensation than another Fund paying less or another Fund in which officers and employees of Arbor and General Partner may have more of their personal assets invested. Since we endeavor at all times to put the interests of the Funds and our Fund investors first as part of our fiduciary duty as a registered investment adviser, we take the following steps to seek to address these potential conflicts:

1. We disclose to investors and prospective investors the existence of material conflicts of interest, including the potential for Arbor and its personnel to earn more compensation from some Funds than others.
2. Pursuant to the Governing Documents, we will have substantially (though not necessarily entirely) completed the investment phase of one Fund before the launch of a new subsequent Fund with substantially similar investment goals and objectives.
3. With respect to Funds managed in parallel and those other limited situations where an “add-on” or other investment may be appropriate for more than one of the Funds, we have implemented policies and procedures we believe will allow for a fair and equitable allocation of investment opportunities among the Funds under the

- circumstances over time, taking into consideration factors Arbor believes are relevant, which may include, without limitation, the Funds' respective maturity or stage of investment, availability of remaining capital commitments, availability of interests in the underlying portfolio companies and other appropriate considerations.
4. With respect to cross-fund investments, where not approved or where guidelines are not provided in the Governing Documents, the General Partner reserves the right to seek the consent of the applicable Funds' limited partner advisory committees to the transaction.

In addition, because of the structure of our business model, we typically only have the capital of one Equity Fund and one Debt Fund to invest at any given time, which we believe minimizes this potential conflict.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act and applicable state regulations.

Item 7. Types of Clients

We provide investment management services to several private funds as disclosed at Item 4 of this Firm Brochure.

Except as permitted by us or the applicable General Partner, and in accordance with the Governing Documents, the minimum stated capital commitment to the Funds from our investors ranges from \$1 million to \$10 million, depending on the Fund.

Prospective investors in any new Fund launched by Arbor should refer to the applicable Governing Documents for information regarding that Fund's minimum required capital commitment and any additional qualifications required for investment in such Fund.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Arbor believes its senior professionals' frequent interaction with owners and senior executives of various companies help us to identify investment opportunities for the Funds. In addition, Arbor has gathered seasoned executives and others to act as advisors and consultants to the Funds and their portfolio companies (hereinafter, the "***Operating Partner Team***"). These individuals typically have had long and established careers and background in the food and beverage industries. From time to time, Arbor reserves the right to engage traditional investment banks or brokers to generate investment opportunities and/or sales of portfolio companies. Finally, due, in our view, to our reputation as one of the largest food and beverage-focused investment firms and a value-added partner to our portfolio companies, food and beverage entrepreneurs often proactively approach Arbor as a resource for financing.

As an adviser to the Funds, Arbor primarily, though not exclusively, invests in securities issued by private companies. As such, traditional securities analysis is generally not

possible when formulating investment recommendations. Instead, we rely on a robust due diligence process of prospective portfolio companies in determining which to invest in on behalf of the Funds.

Arbor employs a disciplined investment process in evaluating potential investments and performs rigorous analysis of the historical and prospective performance of potential portfolio companies. Our due diligence investigation is comprehensive and includes: (a) detailed financial and operational analyses; (b) extensive face-to-face management meetings; (c) primary industry, served market, technology and competitive research; (d) customer calls and reference checks; and (e) additional company and sector specific analyses. The due diligence process is designed to verify our investment thesis by thoroughly understanding the company's strategy, market position, operations and management experience. In addition, the due diligence process includes the identification of both acquisition candidates and potential strategic buyers. Prior to any investment, we will seek to identify multiple potential exit options.

Our due diligence process is designed to ensure that each deal team benefits from the experience of our senior management and from additional Arbor colleagues who have devoted substantial portions of their careers to the particular business activity in which the prospective portfolio company is engaged. In addition, Arbor has built a network of lawyers, accountants, information technology and due diligence professionals and consultants with experience in the food and beverage industry who work in tandem with Arbor to advise on certain Fund investments from time to time.

In connection with investments in portfolio companies, the Funds generally will seek to secure board representation and appointment rights. Through this board participation right and management services provided to the portfolio companies, Arbor professionals also provide guidance to portfolio companies based upon the collective experience of our team of investment professionals. Arbor believes its depth of industry experience makes us a preferred partner for a middle-market food and beverage company. Through their prior experiences as owners, operators and advisors, we believe Arbor professionals are able to add insight and value through strategic, operating and financial recommendations to maximize growth and profit potential. Arbor often introduces add-on acquisition candidates, provides advice on the timing of asset/subsidiary divestitures and exit strategies, consults on financial structuring issues and generally provides a knowledgeable, yet objective, perspective to operating decisions. We believe this wealth of knowledge and experience can be leveraged to assist a portfolio company in defining strategic direction, refining product line expansion, identifying add-on acquisitions, evaluating competitors and facilitating strategic introductions and alliances.

RISK OF LOSS

Securities investments are not guaranteed and an investor in a Fund may lose money on its investments. Investors or prospective investors should carefully review the detailed explanation of the many risks associated with investments in the Funds as provided in the Governing Documents, which include, but are not limited to:

Food & Beverage Industry

The food and beverage industry is highly competitive and there can be no assurance that the companies in which the Funds invest can compete successfully with other companies in the industry. Numerous brands and products compete for shelf space and sales, with competition based on, among other things, product quality, convenience, price, brand recognition and loyalty, customer service, effective advertising and promotional activities and the ability to identify and satisfy emerging consumer preferences. The companies the Funds invest in may compete with a significant number of companies of varying sizes, including divisions or subsidiaries of larger companies. A number of these competitors will have broader product lines, substantially greater financial and other resources available to them, lower fixed costs and/or longer operating histories than the companies in which the Funds invest. There can be no assurance that the companies in which the Funds invest can compete successfully with such other companies. Competitive pressures, escalating commodity costs, or other factors could cause the products produced by the companies in which the Funds invest to lose market share or result in significant price erosion, which could have a material adverse effect on a Fund's business, financial condition and results of operations and, as applicable, correspondingly the ability of such companies to repay or refinance a Fund's investments.

Impact of Government Regulation, Reimbursement and Reform.

The food and beverage industries, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to the food and beverage industries, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund may invest.

Competition for Investments

The Funds expect to encounter competition from other entities having similar investment objectives. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial resources and more personnel than Arbor, the General Partners or their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Funds and adversely affecting the terms upon which portfolio investments can be made. There can be no assurance that the Funds will be able to identify or consummate portfolio investments satisfying their investment criteria, that the Funds will be able to fully invest their committed capital or that such investments will satisfy the Funds' rate of return objective.

Need for Follow-On Investments

Following its initial investment in a given portfolio company, Arbor may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a 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. Given the Funds' investment strategy of investing in platform companies, the Funds generally intend to provide additional funds to its platform companies. There can be no assurance that a Fund will be able to make follow-on investments or that a Fund will have sufficient capital to make all of the follow-on investments that it desires. Any decision by a Fund not to make a follow-on investment or its inability to make such investments may have a substantial negative impact on a platform or portfolio company in need of such investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for the Fund to increase its participation in a successful portfolio investment.

Ability of the Arbor Equity Funds to Successfully Exit Investments

The ability of the Equity Funds to achieve successful and profitable exits of their portfolio investments has the potential to be impacted by a number of factors, including general economic conditions, interest rates, availability of capital, interest levels of strategic and financial buyers, and cyclical trends in the food and beverage industry segments. It is difficult to predict with any certainty whether there will be a ready and willing market of buyers for any particular portfolio company at the time an Equity Fund seeks realization. Additionally, the Debt Funds' returns on their investments will be impacted by the ability of the Equity Funds' to achieve successful and profitable exits of their portfolio investments.

Nature of Subordinated Debt Securities

The Debt Funds will only make an investment if the relevant portfolio company of the relevant Equity Fund already has institutional third party senior debt or institutional third party senior debt is also being provided to the relevant portfolio company, at the same time and as part of the same transaction by which such Debt Fund invests in debt securities of such portfolio company. The debt securities in which the Debt Funds will invest will typically be unsecured whereas all or a significant portion of the senior indebtedness of the relevant portfolio company will be secured. The ability of the Debt Funds to influence a portfolio company's affairs, particularly during periods of financial distress or following an insolvency, is likely to be substantially less than that of the senior creditors. For example, under the terms of typical subordination agreements, senior creditors are able to block the acceleration of the subordinated debt or the exercise by holders of subordinated debt of other rights they may have as creditors. Accordingly, the Debt Funds may not be able to take the steps necessary to protect its investments in a timely manner or at all. Although the Debt Funds intend to structure investments to include protective terms and conditions, the Debt Funds' investments may not always be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency. Debt securities in general are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called "lender

liability” claims by the issuer of the debt obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations.

The debt investments by the Debt Funds may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on a debt obligation held by a Debt Fund earlier than expected. This may happen when there is a decline in interest rates. Early repayment of a Debt Fund’s investments may have a material adverse effect on such Debt Fund’s investment objectives and the rate of return on invested capital. To address this risk, investments generally will be subject to prepayment penalties of 2% of the original principal amount in the first year and 1% of the original principal amount in the second year.

General interest rate fluctuations may have a substantial negative impact on the Debt Funds’ investments and investment opportunities, and accordingly, may have a material adverse effect on the Debt Funds’ investment objectives and the rate of return on invested capital.

Investments in Less Established Companies

While not the primary strategy, pursuant to the Governing Documents a General Partner may invest a percentage of the relevant Equity Fund’s aggregate capital commitments in the securities of less established companies, including early-stage and growth-stage companies. While investments in early-stage and growth-stage companies offer the opportunity for significant capital gains, such investments may involve greater risks than generally are associated with investments in more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases will have negative cash flow. Start-up enterprises may not have significant or any operating revenues and any such investment should be considered highly speculative and may result in the loss of an Equity Fund’s entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on an Equity Fund’s other portfolio investments.

Non-Controlling Investments

The Equity Funds may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. As is the case with minority holdings in general, such minority stakes that an Equity Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where an Equity Fund holds a minority stake, it may be more difficult for the Equity Fund to liquidate its interests than it would be had the Equity Fund owned a controlling interest in such company. Even if an Equity Fund has contractual rights to seek liquidity of the Equity 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 such Equity Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

Operating and Financial Risks of Portfolio Companies

The financial and operational performance of companies in which the Funds invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which the Funds expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or experience financial distress.

Limited Access to Information

Limited partners' rights to information regarding a Fund, the relevant General Partner or Arbor generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Arbor's control. Decisions by Arbor or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Arbor and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and Arbor reserves the right to withhold certain information from investors subject to such laws for reasons relating to Arbor's public reputation, business strategy or other reasons.

Material, Non-Public Information; Other Regulatory Restrictions.

As a result of the operations of Arbor and its affiliates, as well as in connection with officerships or directorships of Arbor personnel, Arbor frequently comes into possession of confidential or material, non-public information. Arbor and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund, a 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 Arbor's internal policies and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Arbor 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. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to 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.

As a result of any of the foregoing, a Fund may be adversely affected because of Arbor's inability or unwillingness to participate in transactions that may violate 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 Arbor 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.

Investments in Junior Securities

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

Investments Longer than Term

The Funds may make investments which may not be advantageously disposed of prior to the date a Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partners expect the investments will be disposed of prior to a Fund's dissolution or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of such Fund's dissolution. In addition, although upon the dissolution of a Fund the relevant General Partner (or the relevant liquidator) will be required to use reasonable efforts to reduce to cash and cash equivalents such assets of the Fund as the General Partner or such liquidator shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations (including legal restrictions on the ability of a limited partner to hold any assets to be distributed in kind), over such time as is reasonably necessary to settle gradually and close the Fund's business under the circumstances then applicable to the Fund, 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.

General Economic and Market Conditions

The private equity industry generally and the success of the Funds' investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and are cannot be controlled by Arbor. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Funds

and may affect the Funds' 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 Funds' investments and could have a negative impact on the performance and/or valuation of the companies in which the Fund has invested. The Funds' performance can be affected by deterioration in the capital markets and by market events, 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 Funds' performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Funds' to sell and/or partially dispose of an investment. Such adverse effects may include the requirement of a Fund to pay Broken Deal Expenses (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a 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 Funds' ability to obtain funding to support its investment objectives. Any of the foregoing events could result in substantial or total losses to a Fund in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

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, virus or disease epidemics 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, including the spread of infectious viruses or diseases, 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 Funds and their 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 Funds and result in longer holding periods for investments. Furthermore, such uncertainty, including the uncertainty stemming from the spread of infectious viruses or diseases, or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

Public Health Emergencies; COVID-19.

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“**COVID-19**”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19’s impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the

future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the General Partner and Arbor may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

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 food services and retail industries. To the extent that a portfolio company 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. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Arbor or one of its service providers holding its financial or investor data, Arbor, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Arbor's policies and practices.

Deterioration of Credit Markets

In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, the Funds' ability to generate attractive investment returns may be adversely affected. Moreover, to the extent that such marketplace events are not temporary and continue, they

may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Funds to realize their investments at favorable times or for favorable prices.

Use of Leverage

The Equity Funds are permitted to make use of leverage by incurring or 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. While investments in leveraged companies offer the opportunity to improve rates of investment return and/or reduce the overall cost of capital for such companies, leverage generally magnifies both the opportunities for gain and the risks of loss from investments, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are 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 often 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 an Equity 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 an Equity 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, an Equity Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Equity Fund. Additionally, lenders would typically have a claim that has priority over any claim by an Equity Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time an Equity Fund determines that it is desirable to sell all or a part of a portfolio company, an Equity Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, an Equity Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from the portfolio company that would adversely affect the Equity Fund's ability to generate attractive investment returns for the Equity Fund as a whole. Any failure by lenders to provide previously committed financing could also expose an Equity Fund to potential claims by sellers of businesses which the Equity Fund may have been contracted to purchase.

To the extent an Equity Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Equity Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, which exclude bridge financing investments.

Subscription Lines

A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a 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, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, 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 in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will 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 or impose concentration or other limits on the Fund's investments. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have 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 heightened 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. The General Partners are authorized to use Fund-level borrowing to pay Management Fees and to reimburse Arbor for expenses incurred on behalf of the Funds. A Fund is also permitted to 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.

Bankruptcy of Portfolio Companies

The Debt Funds may make investments in debt securities of portfolio companies of the Equity Funds that are otherwise experiencing, or are expected to experience, severe financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the Debt Funds to certain additional potential liabilities, which may exceed a Debt Fund's original investment in such portfolio company. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Debt Fund and distributions by a Debt Fund to the limited partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Because the Equity Funds will hold equity securities in portfolio companies, if a portfolio company becomes insolvent or bankrupt, the risk of subordination of the relevant Debt Fund's claims is increased. The Equity Funds' exercise of management rights may also lead creditors of a Debt Fund's portfolio company or other parties to assert claims against such Debt Fund.

Non-U.S. Investments

Subject to certain investment limitations set forth in the Governing Documents, the Funds may invest in portfolio companies that are organized and/or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things (i) currency exchange matters, including the risks associated with fluctuating currency exchange rates, (ii) potentially unsettled points of applicable governing law, (iii) the application of complex U.S. and non-U.S. tax rules to cross-border investments, (iv) possible imposition of non-U.S. taxes on a Fund and/or its limited partners with respect to a Fund's income, (v) possible non-U.S. tax return filing requirements for a Fund and/or its limited partners, (vi) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative liquidity of some non-U.S. securities markets, (vii) the absence of

uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and variations in government supervision and regulation, and (viii) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation.

Privacy and Data Protection Law Compliance Risk.

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “**Privacy Laws**”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Arbor, the General Partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers 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 a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for Arbor, the General Partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, as amended, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include Arbor, the General Partners, the Funds and/or their portfolio companies.

Unspecified Investments

Limited partners will not have any opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Funds and, accordingly, will be dependent upon the judgment and the ability of the General Partners to identify, structure and implement investments consistent with the Funds’ investment objectives and policies. A Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The success of a Fund will depend on the ability of the relevant General Partner to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of investments. While the General Partners intend generally to apply the investment strategy and investment process described herein and in the Governing

Documents to the Funds' portfolio investments, a General Partner reserves the right to pursue a wide variety of investment strategies and/or modify or depart from the investment strategy and investment process or investment techniques described herein and in the Governing Documents if it identifies investment opportunities that it believes are sufficiently attractive on a risk/reward basis.

Insufficient Investment Opportunities

A Fund may be unable to find a sufficient number of attractive opportunities at appropriate prices to meet its investment objectives. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, regardless of the extent to which the commitments of the limited partners are invested (or drawn down to be invested), limited partners will be required to bear Management Fees through such Fund during the investment period based on the entire amount of the limited partners' commitments to such Fund and other expenses as set forth in the Governing Documents.

Concentration of Investments

The Funds intends to make their investments principally in the food and beverage industry. Concentration in a single industry may involve risks greater than those generally associated with diversified investment funds, including significant fluctuations in returns. The General Partners have established guidelines generally limiting the amount of capital of which may be invested in any single investment in a company (or group of investments in a single company). Although it is the present intention of the General Partners to spread the capital at risk among a number of investments, subject to the foregoing limitation, the Funds will participate in a limited number of investments and at any time may hold a few relatively large (in relation to its capital) investments in portfolio companies, the negative performance of which could have a material adverse impact on a Fund's capital. Moreover, to the extent a Fund is unable to raise its targeted amount of capital, its ability to diversify its investments will be reduced. Accordingly, the aggregate return to the Fund may be substantially affected by the performance of a single portfolio company.

POTENTIAL CONFLICTS OF INTEREST

There will be occasions when Arbor, the General Partner of a Fund and/or their respective affiliates will encounter potential conflicts of interest in connection with Arbor's investment management services to the Funds and their investment activities. In connection with any actual or potential conflict of interest, the General Partner of a Fund reserves the right to take such actions as it believes are necessary or appropriate to ameliorate such conflict. These actions may include, by way of example: (i) disposing of the security giving rise to the conflict of interest; (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (iii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the Advisory Board (as defined below) of the applicable Fund regarding the conflict of interest and either obtaining a waiver from such Advisory Board of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the Advisory Board with respect to such conflict of interest.

In addition, the Governing Documents contain provisions that, to the maximum extent not prohibited by applicable law, are designed to (i) reduce or modify the duties, including fiduciary duties, that Arbor and the General Partner owes to a Fund and its investors; (ii) waive duties or consent to the conduct of Arbor and the General Partner and their respective affiliates that might not otherwise be permitted pursuant to such duties; and (iii) limit the remedies of an investor in a Fund against Arbor and the General Partner and their respective affiliates with respect to breaches of such duties. Additionally, the Governing Documents contain exculpation and indemnification provisions that, subject to the specific exceptions identified therein, provide that the General Partner, Arbor and their respective employees and affiliates will be held harmless and indemnified, respectively, for matters relating to the operation of the Fund, including matters that involve one or more potential or actual conflicts of interest.

Allocation of Investment Opportunities:

Certain conflicts of interest among investors in a Fund, on one hand, and Arbor, the General Partner of such Fund and their respective affiliates or principals, on the other hand, have the potential to arise with respect to the allocation of prospective investment opportunities. Generally speaking, during each Fund's investment period, the General Partner of the Fund is obligated to present all investment opportunities that it believes, in its sole discretion, are suitable for and in the best interests of the respective Fund to such Fund. The determination of whether or not an investment is suitable or in the best interest of the Fund will be made by the General Partner in its sole discretion, however, in the exercise of this discretion the General Partner may cause such Fund to forego certain investment opportunities or limit the amount of the investment opportunity a Fund undertakes. In such instances, the investment opportunity is permitted to be allocated, in whole or in part, to other Funds or foregone entirely. For example, the General Partners reserve the right, in their sole discretion, to allocate certain investment opportunities, such as follow-on investments, to one Fund versus another Fund based on a number of investment considerations, including the respective Funds' available capital, investment criteria, including size of investment and anticipated duration/hold period.

Furthermore, under the Governing Documents, except for investment opportunities that are suitable or appropriate follow-on investments of existing Fund portfolio companies, the General Partner and its affiliates are not obligated to present to a Fund an investment opportunity that does not require a minimum amount of equity to consummate as specified in the Governing Documents, even if it is otherwise suitable for investment by such Fund. In such instances, affiliates of the General Partner, including the principals and employees of Arbor, are permitted pursue the investment opportunity directly.

Arbor, its affiliates, and equity holders, officers, principals and employees of Arbor and its affiliates reserve the right to buy or sell securities or other instruments that Arbor has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Any such transactions are subject to any restrictions in the Governing Documents and any related policies and procedures set forth in Arbor'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 Arbor 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 expects to have additional potential conflicting interests in connection with these investments.

Except to the extent prohibited by the Governing Documents, Arbor and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-“assignment” provisions of the Advisers Act, Arbor and its personnel are also permitted to offer, restructure and monetize interests in Arbor.

Conflicts between Equity Funds and Debt Funds:

Investments by a Debt Fund are limited to investing in subordinated debt securities issued by one or more companies in which the relevant Equity Fund has made an equity investment. Because a Debt Fund and the relevant Equity Fund will invest in different classes or types of securities of the same portfolio company, potential conflicts of interest may arise between such Debt Fund and Equity Fund. For example, a Debt Fund and an Equity Fund may have conflicting investment objectives, including with respect to the operation of the relevant portfolio company, the targeted returns from the investment and the timeframe for, and method of exiting, the investment, particularly where the Equity Fund has a controlling interest in the portfolio company. The Governing Documents generally provide that (a) the General Partner of a Debt Fund, Arbor and any of their respective officers, directors or employees (each a “**Conflict Person**”) have the absolute right to exercise or refrain from exercising any right that such Debt Fund may have by reason of its investments in the relevant Equity Fund's portfolio companies debt securities and (b) none of the General Partner of such Debt Fund or any other Conflict Person will incur any liability to the relevant Equity Fund or its investors with respect to exercising or refraining from exercising any such right or rights and, in connection therewith, each of such Debt Fund, its respective General Partner and each other Conflict Person is permitted to take any actions or omit to take any actions solely in its own interest without taking into account or consideration the interests of the relevant Equity Fund or any investor in such Equity Fund.

Furthermore, if a portfolio company in which a Debt Fund and the relevant Equity Fund have invested encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including conflicts over proposed waivers and amendments to debt covenants). As a result of the foregoing, actions taken by a Debt Fund to enforce the terms of its debt securities, including actions taken in response to any default of such securities by the relevant Equity Fund's portfolio company could adversely impact the value of such Equity Fund's equity investment in such portfolio company. To seek to address this potential conflict of interest, the Governing Documents generally provide that the General Partner of a Debt Fund is required to consult with such Debt Fund's Advisory Board concerning the appropriate course of action to be taken by the Debt Fund if (i) an

event of default exists under the terms of any debt instrument of any of the relevant Equity Fund's portfolio companies held by such Debt Fund, or (ii) a restructuring or amendment of the terms of any debt instrument of any such portfolio company held by such Debt Fund is proposed to be effected (each of clauses (i) and (ii), a "**Debt Conflict**"). If the Advisory Board of a Debt Fund and its General Partner are unable to agree on a course of action for such Debt Fund in a reasonable period of time to resolve the Debt Conflict, the Advisory Board of such Debt Fund shall select and appoint an independent third party reasonably acceptable to such Debt Fund's General Partner to administer the debt securities on behalf of the Debt Fund, and such Debt Fund shall take all actions with respect to the administration of such debt securities as determined by such third party administrator.

The General Partners of the Equity Funds, which are under common control with the General Partners of the Debt Funds, have sole discretion regarding financing alternatives and investment structures that will be pursued in connection with equity investments of the Equity Fund, including whether and to what extent to utilize subordinated debt financing and the source of such subordinated debt financing. In this regard, the Equity Funds' General Partners may elect to utilize or not utilize subordinated debt financing in connection with an Equity Fund's portfolio company in its sole discretion. Even if subordinated debt financing is utilized, the General Partner of an Equity Fund is not obligated to utilize the relevant Debt Fund to provide all or any portion of such subordinated debt financing. In situations where a Debt Fund is selected to provide subordinated debt financing to the relevant Equity Fund's portfolio company there is no obligation or requirement for such Equity Fund to obtain a competitive financing proposal from a third party.

Affiliate Transactions:

To the extent that a member of the Operating Partner Team (as defined below) is actively involved in the management of a portfolio company, the compensation and expenses of such Operating Partner will be paid by such portfolio company of Fund on terms determined in accordance with the Fund's Governing Documents. Furthermore, each portfolio company of each Equity Fund will engage an affiliate of the General Counsel of Arbor to provide certain legal services to such portfolio company pursuant to a fixed-fee, monthly retainer arrangement at rates determined in accordance with the Fund's Governing Documents. Finally, from time to time, affiliates of the General Partner of a Fund, including employees of Arbor, will provide services to portfolio companies of a Fund in substitution for or replacement of services typically provided by a full-time employee of the portfolio company or outside consultant to the portfolio company. In such event, the portfolio company will reimburse Arbor or the relevant General Partner for the cost of such services in accordance with the Fund's Governing Documents. In circumstances where Arbor commits or has committed to seek "market" or "arms-length" rates or terms, Arbor will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, Arbor undertakes no minimum (or any) amount of benchmarking, and does not represent that any such benchmarking (if any) ultimately will be accurate, comparable or relate specifically to the assets or services to which such rates or terms relate. Where such rates or terms include hourly components, Arbor reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or

choice among methodologies, involves potential conflicts of interest. The Management Fee payable to Arbor by each Fund will not be offset or reduced by any of the compensation, costs or expenses paid by portfolio companies with respect to services described above.

Time Commitment:

The General Partner of a Fund and its affiliates, including the principals and senior employees of Arbor, are expected to be, or become, involved in the operation and management of other businesses and, while it is expected that they will devote an adequate amount of time to the management of each Fund, conflicts of interest have the potential to arise with respect to allocating their professional time between the management of the Funds and their various other business pursuits.

Without limitation, Arbor principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Arbor personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Arbor's principals and Arbor's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Arbor principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, Arbor principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, Arbor personnel are permitted to serve on boards or act in other roles unaffiliated with Arbor, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

Effect of Carried Interest:

The existence of a General Partner's carried interest creates an incentive for Arbor to make riskier or more speculative investments on behalf of a Fund or to hold an investment longer than it would otherwise make or hold in the absence of such performance-based arrangement. In addition, if a Fund distributes property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined by the relevant General Partner in accordance with procedures specified in Governing Documents. An independent appraisal generally will not be required and is not expected to be obtained.

Co-Investments:

Arbor reserves the right to make co-investment opportunities of any Fund available to the limited partners of such Fund or third parties as Arbor believes to be appropriate and in the best interest of such Fund. Allocation of such opportunities creates a conflict of interest as they generally are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, Arbor must determine which investors will be given the opportunity to co-invest and which will not. To seek to address this conflict, our practice is to provide investors with appropriate disclosures regarding the conflicts of interest

inherent in co-investing and to seek to treat all investors fairly with respect to co-investment opportunities by not favoring certain investors over others. Investors should note, however, that Arbor's allocation of co-investment opportunities is primarily driven by prior arrangements (including any priority co-investment rights or targeted co-investment amounts negotiated for in Side Letters) or other strategic considerations. For example, Arbor generally will give priority to limited partners that have negotiated, at the time of their original capital commitment to the relevant Fund, Side Letters requiring that Arbor provide them any co-investment opportunities that become available. In addition, Arbor reserves the right to allocate co-investment opportunities to third party investors that are part of a consortium for the particular deal as a way for Arbor to complete a deal. Finally, although limited partners are not typically a source of investment opportunities, when applicable, Arbor generally will give priority with respect to co-investment opportunities to any limited partner that brought an opportunity to Arbor's attention. Arbor reserves the right to take into consideration a variety of factors in making such determinations, including, but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Arbor'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 Arbor's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; existence of a formal or informal strategic relationship with the prospective co-investor; and whether Arbor 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 the relevant portfolio company, other portfolio companies, the Funds or Arbor. Although Arbor reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by Arbor in identifying co-investors.

In addition to the foregoing, Arbor, in its sole discretion, reserves the right to make co-investment opportunities available to unaffiliated third parties, including individuals whom Arbor has deemed to be strategic advisors. For example, individuals who have made co-investments with the Fund in portfolio companies have included employees of law firms that provide legal services to Arbor, the Funds, or portfolio companies of the Funds, employees of the placement agent that assists in fundraising activities for the Funds, employees of unaffiliated investment advisers who have recommended the Funds to their clients and former managers of Fund portfolio companies. To the extent these co-investment opportunities appear to benefit Arbor and its principals at the expense of a Fund or its limited partners, allocation of co-investment opportunities to unaffiliated third parties creates a potential or apparent conflict of interest between Arbor, the relevant General

Partner, principals and employees of Arbor on one hand and limited partners of such Fund on the other hand. To seek to minimize this potential conflict of interest, third party unaffiliated co-investment opportunities are typically limited in amount and Arbor discloses all co-investments by investor type to Fund limited partners on a quarterly basis.

Arbor reserves the right to also offer Employees of Arbor, the General Partner and members of the Operating Partner Team (as defined below) additional opportunities to co-invest in portfolio companies with the Equity Funds. Co-investments by employees of Arbor and the General Partner are limited under the terms of the Governing Documents. For example, co-investments by employees of Arbor in investments of Arbor III are made on a case-by-case basis in each portfolio company. Conversely, with respect co-investments with Arbor IV and Arbor V, Arbor employees are required to make an annual election to invest additional amounts that will be co-invested in all Arbor IV or Arbor V investments, as applicable, that are made during the following twelve month period. With respect to co-investments by an Arbor employee in any Equity Fund, the aggregate amount of co-investments by all Arbor-related persons is not permitted to exceed 1% of the aggregate investment made by the respective Equity Fund and other co-investors. Co-investments by members of the Operating Partner Team are generally not limited by the terms of the Governing Documents.

Such co-investments discussed herein typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the relevant Fund making the investment. However, from time to time and subject to the Governing Documents, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases 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), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility.

Arbor's allocation of investment opportunities among the persons and in the manner discussed herein typically will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While Arbor will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which Arbor expects to be subject, discussed herein, did not exist.

Write-Offs:

Allocations of distributions between limited partners and the General Partner of a Fund (carried interest) are based off of realized investments. Realized investments are securities or portion thereof of each portfolio company which have been disposed of or permanently written-off or written-down by the General Partner. As a result, writing down or writing off of any portfolio company investments creates a conflict of interest whereby Arbor has an incentive to not reduce (*i.e.*, not make write-offs to) valuations of portfolio companies

as may otherwise be dictated by available market data and prudent fair valuation techniques.

To seek to address this conflict, we have adopted detailed Valuation Policies and Procedures which are reviewed on a periodic basis by Arbor's Chief Financial Officer. Investments are valued quarterly by Arbor's investment professionals and the valuation results are communicated to the respective Fund's investors on a quarterly basis. Also, the respective Advisory Board of each Fund, comprised of representatives of certain limited partners of such Fund, receives the General Partner's valuations of investments of such Fund and on an annual basis may object to any valuation and cause an independent valuation expert to determine such valuation. In addition, our portfolio company valuations are reviewed in connection with the annual audit of each Fund by an independent certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board (PCAOB), and a copy of the audited financials are sent to each of the Funds' investors within 90 days of such Fund's fiscal year end.

Allocation of Expenses:

In accordance with the terms of the Governing Documents, each Fund is responsible for paying its own organizational expenses up to a cap (which may vary) from the aggregate capital contributions of the Fund. Investors in any new Fund launched by Arbor should refer to the corresponding Governing Documents for such Fund which contains information regarding the amount of organizational expenses that can be incurred by the Fund.

Additionally, each of the Funds is responsible for payment of certain expenses incurred in conducting the operating, investment and financial reporting activities of such Fund, including: fees and expenses associated with investment activities, including Broken Deal Expenses, including Broken Deal Expenses relating to transactions that have been offered to co-investors, financial statement preparation expenses, legal expenses, tax preparation fees, and insurance premiums. To the extent such fees, costs and expenses are incurred for the account or for the benefit of more than one Fund, each such Fund will bear an allocable portion of any such fees, costs, and expenses in proportion to the size of the investment made or proposed to be made by each such Fund or in such other manner as Arbor or the General Partners believe is fair and equitable to the Funds under the circumstances over time. No Fund is responsible for or will otherwise directly incur any percentage of the organizational or operating, investment or financial reporting expenses of any other of the Funds. Notwithstanding the foregoing, similar to a third-party debt financing arrangement, the fees and expenses associated with the investment activities of a Debt Fund, including due diligence, legal, structuring, documentation expenses incurred by such Debt Fund, generally will be paid for directly, or otherwise reimbursed, by the relevant Equity Fund.

From time to time, each General Partner is expected to incur certain out-of-pocket expenses on behalf of, or for the benefit of, portfolio companies of its respective Fund. These expenses may include sales support, manufacturing consulting, add-on acquisition consulting, human resource consulting, certain trade group expenses, and other services in instances where Arbor is able to obtain better pricing or access, or where it is otherwise agreed with the portfolio company that Arbor will obtain such services on its behalf. The

portfolio companies reimburse Arbor or the relevant General Partner for these expenses. When applicable, these costs are split among the parties receiving such services in a manner as Arbor believes is fair and equitable to the Funds under the circumstances over time.

In connection with its services to the Funds and their investments, Arbor, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Arbor's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Arbor and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**Arbor Information**"). In many cases, Arbor Information will include tools, procedures and resources developed by Arbor to organize or systematize Arbor Information for ongoing or future use. Although Arbor expects its Funds and their portfolio companies generally to benefit from Arbor's possession of Arbor Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which Arbor Information was originally received or derived. Arbor Information will be the sole intellectual property of Arbor and solely for the use of Arbor. Arbor reserves the right to use, share, license, sell or monetize Arbor Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

Side Letters:

Arbor or the applicable General Partner, as appropriate, reserves the right to 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, fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, increased Fund and portfolio company transparency, more frequent or varied formats or modes of portfolio reporting, and liquidity or transfer rights). Although we reserve the right to do so in the future, as of the date of this Firm Brochure, we have not entered into Side Letters in which we or any General Partner has waived or lowered the Management Fees or carried interest payable by an investor to the General Partner. Side Letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by the Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant General Partner or any of their

affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded from, or regulatory or other factors limiting their participation in, investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

Conflicting Interests among Limited Partners:

The limited partners in each Fund may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a result, conflicts may arise in connection with decisions made by the General Partner of a Fund regarding an investment that is more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, each General Partner generally will consider the investment, tax and other relevant objectives of the Fund and its investors as a whole, not the investment, tax, or other objectives of any limited partner individually.

Advisory Board:

Each Fund has an advisory board comprised of representatives appointed by certain limited partners in each Fund (each an “**Advisory Board**”). Each Advisory Board has the ability to review and waive compliance with certain provisions of the Governing Documents, including resolving and/or waiving potential conflicts of interest situations, and whose approval is required or may be requested in certain circumstances under the Governing Documents, including certain approvals or consents required by the Advisers Act. Pursuant to the Governing Documents, the limited partners of each Fund are bound by the determinations of such Fund’s respective Advisory Board. To the maximum extent not prohibited by applicable law, none of the Advisory Board members shall owe any fiduciary duties to the relevant Fund or any investor of such Fund. Members of an Advisory Board may have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the Advisory Board for consideration or review. Members of an Advisory Board are expected to have various business and other relationships with Arbor and its members, partners, managers, directors, officers, employees and affiliates. These relationships may influence their decisions as members of an Advisory Board. To the extent that a limited partner is not represented by a member of an Advisory Board, such limited partner generally will have no influence over matters submitted to the Advisory Board for review or approval.

IMPORTANT ADDITIONAL CONSIDERATIONS

The information provided herein merely summarizes the detailed information provided in the Governing Documents. Existing investors in the Funds and prospective investors in any new Fund launched by Arbor should be aware of the substantial risks associated with investment as well as the terms applicable to such investment. These risk factors and other detailed information is provided in the Governing Documents and should be carefully reviewed by prospective investors prior to making a determination to invest in a Fund.

The securities of the Funds are not required to register under the Securities Act of 1933, and the Funds are not required to register as investment companies with the SEC under the Investment Company Act of 1940, in reliance upon one or more exemptions therefrom. We manage each Fund on a discretionary basis in accordance with the terms and conditions of the Governing Documents.

Item 9. Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither Arbor nor any of our management personnel have any legal or disciplinary events required to be disclosed in this Firm Brochure.

Item 10. Other Financial Industry Activities and Affiliations

Our Firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

As described under "Advisory Business" above, Arbor is affiliated with other Arbor investment advisers, including the General Partners and, in the future may be affiliated with additional General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to Arbor's registration in accordance with SEC guidance. Each of the Funds has a separate General Partner, each of which is related to Arbor through common ownership and control. The General Partners and Arbor operate as a single advisory business and typically share many of the same owners, executive officers, partners, employees, consultants or persons occupying similar positions.

As described in Item 6 above, each General Partner will be entitled to receive carried interest distributions pursuant to the terms and conditions set forth in the applicable Fund's limited partnership agreement. Any such distributions will ultimately inure to the benefit of the owners and executive officers of Arbor.

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

Our Firm has adopted a Code of Ethics, which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our Code of Ethics provides for oversight, enforcement and recordkeeping. 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 copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in one or more

of the Funds, upon request to the Chief Compliance Officer, at the Firm's principal office address.

As disclosed at Item 5 of this Firm Brochure, certain executive officers and/or other employees of Arbor have invested and may invest a portion of their personal net worth in one or more of the Funds. Arbor reserves the right to offer its employees and Operating Partner Team the opportunity to co-invest in portfolio companies with the Funds.

It is the expressed policy of our Firm that no person employed by us is permitted to usurp an investment opportunity which is potentially appropriate for one or more of the Funds without first presenting the opportunity to our deal team (as defined below), particularly when there is limited availability for participation in the opportunity.

As these situations represent a conflict of interest, we have established the following restrictions:

1. No officer or employee of Arbor may prefer his or her own interest to that of an advisory client. Co-investments by such individuals or their affiliates are limited to and are not permitted to exceed the maximum aggregate percentage of the total investment made by the Fund as defined in the Governing Documents.
2. We maintain a list of all securities holdings for Arbor and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer.
3. All of our principals and employees must act in accordance with all applicable federal and state laws, rules and regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Advisers Act makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's informed consent to the transaction, which is permitted to be granted by a Fund's limited partners advisory committee. This rule applies to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. The SEC has indicated that when an investment adviser and/or its controlling persons own 25% or more of a fund's outstanding securities, it would be effectively treated as a principal transaction if such an account were to engage in a trade with another client account or fund. Such levels of participation in any one of the Funds by our owners, principals or employees is limited by the terms of the Governing Documents, although side-by-side investments are typically allowed. Without obtaining the consent of the investment management team established for each Fund and a Fund's limited partner advisory committee, neither Arbor nor any General Partner or other affiliated person shall engage in a principal trade with any of the Funds or purchase from or sell securities to a Fund from a proprietary or personal account, other than through side-by-side investments as provided for in the Governing Documents.

Arbor 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, Arbor 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 Arbor.

Accordingly, should Arbor 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, Arbor generally would be prohibited from communicating such information to clients, and Arbor 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 Arbor personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Item 12. Brokerage Practices

Arbor, directly or in conjunction with each General Partner or other affiliates, is responsible for all parts of the investment cycle, including deal sourcing and origination, investment decision-making, deal negotiation and transaction structuring, portfolio management (the act of overseeing the investments that we have made) and exit strategies. Arbor will typically make direct investments on behalf of the Funds in privately-held companies. Rarely will any Fund acquire securities of publicly traded companies, except, perhaps, in connection with a merger of a privately held portfolio company with a company that is publicly traded.

Each direct investment is carefully structured through negotiations by members of the relevant General Partner and Arbor's investment professionals and analysts (the "*deal team*"), as well as various professionals employed or engaged by the Firm to facilitate a particular deal, as appropriate. These professionals include attorneys, accountants, consultants, information technology and due diligence professionals, among others. Arbor will utilize the expertise of these professionals in evaluating each deal, including negotiating the pricing and other terms for the transaction under the circumstances. Transactions in securities that are made by Arbor for the Funds, therefore, are generally discreetly negotiated deals which may or may not involve the participation of an investment bank or broker dealer (hereinafter, collectively, "*Brokers*").

The initial factor considered by Arbor in determining whether or not to enter into a transaction on behalf of a Fund through a Broker will depend, in part, on whether we are seeking to acquire securities or exit a position. If a Broker is involved in a Fund transaction involving an acquisition or other new investment, it is typically because the selling company has engaged such firm to assist it in negotiating and structuring the terms of a particular deal on its behalf including organization of an auction or otherwise. In this way, the selling company hopes to obtain the best possible terms for its sale. Under these circumstances, the cash flow from the portfolio company generally will provide the source

for the repayment of such debt. In connection with identifying investment opportunities and deal sourcing activities, from time to time, Arbor has entered retained broker arrangements. Under these arrangements, Arbor agrees to pay an agreed-upon retainer and expense reimbursement to the broker and in exchange the broker agrees to undertake efforts to identify suitable investment opportunities for the Fund and its portfolio companies. In connection with any such opportunity that is consummated by the Fund or a portfolio company, the portfolio company pays a finder fee to the broker in an amount equal to an agreed upon percentage of the transaction value. Finder fees paid to any retained broker will not offset or reduce the Management Fee otherwise paid to Arbor.

Of course each Equity Fund's ultimate goal when investing is to sell or "exit" its investments in portfolio companies for a return in excess of the price paid. When selling a portfolio company, in order to seek to obtain the best possible selling price, and depending on the particular circumstances of the proposed deal, Arbor reserves the right to engage a Broker to assist in the sale if Arbor determines that such third party has a broader reach than our Firm alone and that engaging the Broker will be in the best interests of the applicable Equity Fund.

If Arbor determines that it will engage a Broker to assist with the structuring of a particular transaction, Arbor reserves the right to consider a variety of factors in selecting such Broker, including, without limitation:

- experience in the particular market;
- market reach;
- history of similar transactions;
- the fees and other cost associated with its services;
- its reputation;
- our past experience with the firm, including any past deal flow or ideas provided by the firm, if any;
- our anticipation of future deal flow, if any;
- willingness and ability to commit capital to complete the deal, if necessary; and
- responsiveness of staff.

Due to the nature of private fund investing, Arbor does not typically aggregate investments or trades for more than one Fund. However, if Arbor has determined that an underlying investment is to be made on behalf of two or more of the Funds, Arbor will typically enter into a single transaction, aggregating the investments for each Fund, as well as any co-investor that was allocated a percentage of the trade. Each participant will participate in the applicable investment or trade at the same time and on the same terms. Transaction costs will typically be borne by the portfolio company whose securities are being acquired.

Because Arbor, on behalf of the Funds, primarily makes direct investments in privately held companies, the use of brokers to execute trades of public securities occurs very infrequently. However, for any security that is a publicly traded security, Arbor will seek to conduct the trade in a manner in which the least amount of commission will be payable and the sole focus when selecting an executing broker for this purpose is best execution. Arbor does not have any formal or informal soft-dollar arrangements nor do we receive

any soft-dollar benefits from any broker, dealer or other counterparty. The receipt of research services or other soft dollar benefits is not a factor when selecting an executing broker in the instances where such a broker is required for a public trade. Additionally, Arbor's policy is not to permit clients to direct brokerage to any particular executing broker.

Item 13. Review of Accounts

Arbor monitors the portfolio companies of each Fund on an ongoing basis. As part of the terms of investment, Arbor also arranges, if possible or applicable, for the Funds to have one or more representatives serving on the board of directors of many portfolio companies.

The respective deal team for each Fund will approve all portfolio investments and dispositions and will be actively involved in analyzing each investment and reviewing those investments on an on-going basis.

This team meets regularly to review ongoing monitoring activities and to evaluate potential new platform investments and add-on acquisitions. The deal team also meets once per quarter to review and approve quarterly carrying values of each Fund's respective investments. Other investment professionals may be included in meetings of the investment management team who review investment materials, due diligence materials and provide valuable industry insight.

Arbor regularly reviews the Funds' accounts and various financial and operating statements. In addition, the Funds are audited annually by an independent, certified public accountant and a copy of the audited financials are sent to each investor on a timely basis.

In addition to annual audited financials, investors in each Fund receive, at least quarterly, operations summary reports, capital account statements and unaudited consolidated financial statements containing valuation and performance information for the relevant Fund.

Item 14. Client Referrals and Other Compensation

Arbor retains the right to engage other individuals or entities as placement agent in the offer and sales of limited partnership interests in the Funds. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer will be motivated, at least partially, by financial gain and not because the Funds are the most suitable to the prospective investor's needs. To seek to address this potential conflict of interest, all referred investors are carefully screened to seek to ensure that the particular Fund is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

Arbor and its affiliates provide certain administrative and related services to Frontage Search Partners ("**Frontage Search**"), including the provision of office space, IT equipment and support and accounting/bookkeeping services. Frontage Search is an executive search and recruiting firm. Gregory J. Purcell and Joseph P. Campolo, the CEO

and Vice Chairman, respectively, of Arbor own a minority equity interest in Frontage Search. From time to time in the ordinary course of its business, Frontage Search provides employment search and placement services to portfolio companies of the Funds in exchange for fee payment from the applicable portfolio company. The determination whether or not to engage Frontage Search resides with the individual portfolio company executive management team.

Item 15. Custody

Because we act as investment adviser to the Funds and are affiliated with each Fund's General Partner through common ownership and control and have access to client funds or securities, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have each of the Funds audited on an annual basis by an independent public accountant. We seek to send, directly, the audited financials to each Fund investor within 90 days of the applicable Fund's fiscal year end. All certificates evidencing securities of portfolio companies of the Funds will be held by a third party qualified custodian.

Item 16. Investment Discretion

As investment adviser to the Funds, Arbor is granted the discretionary authority in the Governing Documents to determine which securities and the amounts of securities that are to be bought or sold on behalf of the Funds.

Item 17. Voting Client Securities

Because the Funds transact primarily in privately issued securities, Arbor rarely is required to vote proxies with respect to the Funds' investments and securities. Under certain limited circumstances, however, we may be required to vote proxies solicited by portfolio companies. Under these circumstances, we will vote proxies in the best interest of the Funds, typically with the goal of maximizing value for the Funds and the investors in the Funds. To that end, Arbor endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the Funds' investments to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. Arbor's complete proxy voting policy and procedures has been memorialized and is available for investors to review.

It is important to note that Arbor or the General Partner will typically seek the right to name one or more affiliated persons to serve on the board of directors of portfolio companies. As such, a potential conflict of interest could arise when voting certain common proxies, including board composition, tenure or compensation. Under these circumstances, Arbor generally will either abstain or engage an unaffiliated third party to vote the proxy on behalf of the affected Fund.

Item 18. Financial Information

Arbor does not require prepayment of client fees more than six (6) months in advance of services rendered, therefore, we are not required to include a financial statement with this Firm Brochure.

Arbor has not been the subject of a bankruptcy petition at any time during the past ten (10) years.