

## **Investment Adviser Brochure**

### **ARLINGTON MANAGEMENT EMPLOYEES, LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Arlington Management Employees, LLC, a Delaware limited liability company (“AME”). If you have any questions about the contents of this Brochure, please contact us at 202-337-7500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

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## MATERIAL CHANGES

Arlington (as defined below) filed its most recent Form ADV Part 2 on March 30, 2020. This annual amendment includes updates to (i) the description of Arlington's business, (ii) disclosures relating to fees and expenses, (iii) disclosures relating to risks and potential conflicts of interest, (iv) Arlington's assets under management and (v) description of the issuance of an indirect minority interest in certain relying advisers of Arlington, as further described in "Other Financial Industry Activities and Affiliations."

## ADVISORY BUSINESS

Arlington Management Employees, LLC, a Delaware limited liability company ("**AME**"), doing business as Arlington Capital Partners, is a registered investment advisory entity that with other affiliated organizations (AME and, together with such affiliated organizations, collectively, "**Arlington**"), as of December 31, 2020, managed approximately \$3.3 billion in private fund assets.

AME is a registered investment adviser that commenced operations in December 1998. AME and its affiliated investment advisers, Arlington Capital Group, LLC ("**ACP GP I**"), Arlington Capital Group II, L.L.C. ("**ACP GP II**"), Arlington Capital Group III, L.L.C. ("**ACP GP III**"), Arlington Capital Group IV, L.L.C. ("**ACP GP IV**,"), Arlington Capital Group V, L.L.C. ("**ACP GP V**" and together with ACP GP I, ACP GP II, ACP GP III and ACP GP IV, the "**General Partners**"), and Arlington Capital II, L.P. ("**Manager II**"), Arlington Capital III, L.P. ("**Manager III**"), Arlington Capital IV, L.P. ("**Manager IV**") and Arlington Capital V, L.P. ("**Manager V**," and together with Manager II, Manager III and Manager IV, the "**Managers**," and the Managers, together with the General Partners and AME, the "**Advisers**") provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere.

ACP GP I previously served as the general partner of each of Arlington Capital Partners, L.P., a Delaware limited partnership, and Arlington Capital Partners Offshore, L.P., an exempted limited partnership formed under the Exempted Limited Partnership Law of the Cayman Islands, (together with Arlington Capital Partners Employee Co-Investment, LLC ("**ACEC**"), "**Fund I**"). Although Fund I has been liquidated, ACP GP I currently serves as the manager of Arlington TSI Investments, L.L.C. ("**Arlington TSI**").

In its capacity as the management company of Arlington Capital Partners II, L.P., a Delaware limited partnership ("**Fund II**"), Manager II has the authority to manage the business and affairs of Fund II. ACP GP II is the general partner and where applicable the manager of each of the Fund II entities.

In its capacity as the management company of Arlington Capital Partners III, L.P., a Delaware limited partnership (together with any of its feeder vehicles, alternative investment vehicles and other special purpose entities, "**Fund III**"), Manager III has the authority to manage the business and affairs of Fund III. ACP GP III is the general partner of Fund III.

In its capacity as the management company of Arlington Capital Partners IV, L.P., a Delaware limited partnership (together with any of its feeder vehicles, alternative investment

vehicles and other special purpose entities, “**Fund IV**”), Manager IV has the authority to manage the business and affairs of Fund IV. ACP GP IV is the general partner of Fund IV.

In its capacity as the management company of Arlington Capital Partners V, L.P., a Delaware limited partnership (together with any of its feeder vehicles, alternative investment vehicles and other special purpose entities, “**Fund V**”), Manager V has the authority to manage the business and affairs of Fund V. ACP GP V is the general partner of Fund V.

The Advisers manage the business and affairs of Fund II, Fund III, Fund IV, Fund V and Arlington TSI (each, a “**Fund**,” and, together with any future private investment fund managed by the Advisers, the “**Funds**”).

The Funds are private equity funds that make primarily control investments through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments, evaluating add-on investments for existing portfolio companies and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted subject to certain limitations set forth in the applicable Fund’s limited partnership agreement (the limited partnership agreement or other operating agreement or governing document of each Fund, a “**Limited Partnership Agreement**”). The employees and/or owners of the Advisers will serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over the management of portfolio companies in which the Funds have invested.

The Advisers’ advisory services for the Funds are further detailed in the applicable private placement memoranda and the supplements thereto or other offering documents (each, a “**Private Placement Memorandum**” and, collectively, the “**Private Placement Memoranda**”) and the Limited Partnership Agreements 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 relevant Limited Partnership Agreement; such arrangements generally do not and will not create an adviser-client relationship between the Advisers and any investor. The Funds or the Advisers 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 relevant Limited Partnership Agreement(s) with respect to such investors.

As of December 31, 2020, the Advisers collectively managed \$3.3 billion in client assets on a discretionary basis. As of the date hereof, AME is managed by Matthew L. Altman, Michael H. Lustbader and Peter M. Manos (the “**Managing Partners**”), and each “principal owner” of this entity pursuant to SEC guidelines is listed on Schedule A of Part 1A of AME’s Form ADV. Each “principal owner” of Manager II, Manager III, Manager IV, and Manager V pursuant to SEC guidelines is listed on Schedule R of Part 1A of AME’s Form ADV.

Additionally, from time to time and as permitted by the relevant Limited Partnership Agreement, Arlington expects to provide (or agrees to provide) certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Arlington's personnel and/or certain other persons associated with Arlington and/or its affiliates, co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside a Fund. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (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. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase, or the purchase price may be equitably adjusted under certain conditions, to compensate the relevant Fund for the holding period, and the co-investor or co-invest vehicle generally will be required to reimburse the relevant Fund for related costs.

#### **FEES AND COMPENSATION**

In general, the Managers receive a management fee ("**Management Fee**") paid by the Funds in connection with the advisory services they provide. The Advisers or other Arlington entities or affiliates receive additional compensation ("**Supplemental Fees**") in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will offset in whole or in part the Management Fee otherwise payable to the Managers. Limited partners in the Funds also bear certain expenses. Where the Governing Documents calculate Management Fees based on the amount of commitments or the amount of 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. 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. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

#### **Management Fees**

##### *Fund I*

Fund I was liquidated on December 22, 2014. Fund I's remaining assets and liabilities were transferred to Arlington TSI, which does not charge a Management Fee.

## *Fund II*

Fund II no longer pays Manager II a Management Fee.

## *Fund III*

Fund III no longer pays Manager III a Management Fee.

## *Fund IV*

All investors and prospective investors should review the Limited Partnership Agreement of Fund IV in conjunction with this Brochure for complete information on the fees and compensation payable with respect to Fund IV. In certain circumstances, different Funds are subject to different Management Fees and performance-based compensation arrangements. Arlington reserves the right to exempt certain parties, including employees, affiliates and related parties from all or a portion of the Management Fee. In limited circumstances, the advisory fees payable to Arlington by individual investors in Fund IV may be negotiable. Investors and prospective investors in Fund IV should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. All clients are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and therefore Arlington has not included specific fee information in response to this Item.

The Management Fee, as determined on a quarterly basis, will be reduced by an amount equal to 100% of Fund IV’s allocable portion of any break-up fees, transaction fees and monitoring fees received by ACP GP IV, Manager IV or any of their respective managers, partners, members, shareholders, officers or employees in their capacities as such from Fund IV portfolio companies, during the immediately preceding quarterly period (the “**Fund IV Offset Amount**”). In addition, the Management Fee payable in any quarterly period will be reduced by an amount equal to the aggregate amount of all placement fees and excess organizational expenses paid or reimbursed by Fund IV prior to such period, but only to the extent that the aggregate Management Fee previously payable to Fund IV has not been reduced by such placement fees or excess organizational expenses. Prior to any reduction of the Management Fee, any unapplied Fund IV Offset Amount must first be used to reduce unconsummated transaction costs otherwise reimbursable by Fund IV. In the event that the aggregate amount of such fees to be applied against the Management Fee exceeds the Management Fee for such quarterly period, such excess will be carried forward to reduce the Management Fee payable in the following quarterly periods. To the extent any such excess remains unapplied upon termination of Fund IV, each Fund IV limited partner will receive from Manager IV its *pro rata* share (based on commitments) of such unapplied excess unless such limited partner has previously notified ACP GP IV in writing of its irrevocable election not to receive its *pro rata* share of such excess.

Fund IV will be responsible for all fees, costs, expenses, liabilities and obligations (other than normal overhead expenses of managing Fund IV, including compensation for AME employees, rent, utilities and other administrative expenses) relating to Fund IV’s and/or its subsidiaries’ activities, investments and business which are not borne or reimbursed by portfolio companies or potential portfolio companies (which reimbursement may be for travel and any other

expenses incurred in connection with such portfolio company) or applied to reduce transaction fees, including without limitation, (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, holding, financing, refinancing, managing, operating, taking public or private, valuing, winding up, liquidating, dissolving and disposing of Fund IV's investments (including, without limitation, interest and fees on money borrowed by Fund IV, Manager IV, ACP GP IV or any of their affiliates on behalf of Fund IV, registration expenses, commitment, real estate title, survey, brokerage, finders', custodial and other fees); (ii) legal, accounting, administration, custodian, depository, auditing, travel, litigation and indemnification costs and expenses, judgments and settlements, consulting (including consulting and retainer fees paid to Operating Executives (as defined below) or any member thereof, consultants performing investment initiatives and other similar consultants), brokerage, finders', financing, appraisal, third party valuation, filing, printing, title, transfer, registration and other fees and expenses (including, without limitation, fees, costs and expenses associated with the preparation and delivery of Fund IV's quarterly and annual reports, financial statements, tax returns, tax estimates and Schedule K-1s (including, without limitation, fees and expenses incurred in connection with the presentation and delivery of such statements via an electronic reporting medium) or any other administrative, regulatory or other Fund IV-related reporting or filing (including any Fund IV-related filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation)); (iii) all insurance premiums or similar expenses incurred by Fund IV or ACP GP IV in connection with the activities and management of Fund IV (including, without limitation, fidelity insurance, directors and officers and errors and omissions liability insurance and representations and warranties liability insurance); (iv) the cost of maintaining records and books of account in relation to the business of Fund IV; (v) all costs and expenses incurred as a result of termination of Fund IV and the distribution, realization or disposal of investments and other Fund IV assets pursuant thereto; (vi) all costs and expenses of any threatened or actual litigation or other dispute resolution process involving Fund IV and the amount of any judgment or settlement paid in connection therewith, excluding, however, the costs and expenses of any litigation or other dispute resolution process, judgment or settlement with respect to which an indemnitee is not entitled to indemnity pursuant to the Fund IV Limited Partnership Agreement; (vii) fees, costs and expenses of the Fund IV advisory committee incurred in accordance with the Fund IV Limited Partnership Agreement, (viii) all out-of-pocket fees, costs, expenses, liabilities and obligations incurred by Fund IV, ACP GP IV, Manager IV or any of their affiliates relating to investment and disposition opportunities for Fund IV not consummated (including, without limitation, legal, accounting, auditing, insurance, travel, consulting (including consulting and retainer fees paid to Operating Executives, consultants performing investment initiatives and other similar consultants), brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses (including broken deal expenses relating to transactions that have been offered to co-investors, if any); (ix) all out-of-pocket fees, costs and expenses incurred by Fund IV, ACP GP IV, Manager IV or any of their affiliates in connection with the annual and other periodic (if any) meetings of the Fund IV limited partners and any other conference or meeting with any Fund IV limited partner(s); (x) the Management Fee; (xi) any taxes, fees and other governmental charges levied against Fund IV; (xii) placement fees and any expenses paid to third parties in connection with the organization and funding of Fund IV; (xiii) costs and expenses that are classified as extraordinary expenses under GAAP; (xiv) all fees, costs and expenses incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any alternative

investment vehicles; (xv) organizational expenses; and (xvi) unreimbursed expenses and unpaid fees of the Operating Executives or members thereof. The limited partners of Fund IV will be assessed periodically for such expenses in accordance with their capital commitments. ACP GP IV will have the right to reimburse itself for any partnership expenses it incurred prior to making any distributions to limited partners of Fund IV.

The Management Fee will be further reduced in the circumstances and by the amounts described in the Fund IV Limited Partnership Agreement.

#### *Fund V*

All investors and prospective investors should review the Limited Partnership Agreement of Fund V in conjunction with this Brochure for complete information on the fees and compensation payable with respect to Fund V. In certain circumstances, different Funds are subject to different Management Fees and performance-based compensation arrangements. Arlington reserves the right to exempt certain parties, including employees, affiliates and related parties from all or a portion of the Management Fee. In limited circumstances, the advisory fees payable to Arlington by individual investors in Fund V may be negotiable. Investors and prospective investors in Fund V should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. All clients are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and therefore Arlington has not included specific fee information in response to this Item.

The Management Fee payable will be reduced by an amount (the “Fund V Waived Fee Amount”) as provided in the Limited Partnership Agreement for Fund V.

After giving effect to the Fund V Waived Fee Amount, the Management Fee will be reduced by an amount equal to 100% of any transaction, break-up, monitoring, or commitment fees received by the General Partner from portfolio companies, in each case net of certain expenses as set forth below and in the Limited Partnership Agreement (“**Fund V Offset Fees**”).

Fund V will be responsible for all fees, costs, expenses, liabilities and obligations incurred by or on behalf of the Fund relating to its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating or otherwise disposing of, as applicable, the Fund’s portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, the General Partner, the Management Company or any “affiliated partner” on behalf of the Fund (including any credit



facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to the AIFMD), Swiss representative or paying agent (appointed pursuant to the Swiss Collective Investment Schemes Act (as amended) and the implementation thereof), trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund's third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services) consulting (including consulting and retainer fees and other compensation paid to the Operating Executives (as defined below), consultants performing investment initiatives and other similar consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of the Fund's related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or any other administrative compliance or regulatory filings or reports (including any filings or reports contemplated by the AIFMD or any similar law, rule or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; provided that the General Partner or the Management Agent shall pay all fees and expenses related to the General Partner or an affiliate registering and maintaining its registration as an investment adviser under the Advisers Act, and any compliance requirements related thereto (including costs and expenses related to preparation and filing of Form ADV and Form PF); (xii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the limited partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided in the Limited Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the advisory committee (including any costs and expenses incurred by representatives of the General Partner, the advisory committee members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory committee); (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Limited Partnership Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Limited Partnership Agreement), except as otherwise set forth in the Limited Partnership Agreement; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvii) any annual Limited Partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any Limited Partner(s); (xviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that

would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities; (xix) the termination, liquidation, winding up or dissolution of the Fund; (xx) defaults by partners in the payment of any capital contributions; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxii) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the General Partner incurred in connection with the operation of the Fund and legal fees and expenses); (xxiii) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Limited Partnership Agreement; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a Limited Partner; (xxvi) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to the Limited Partnership Agreement); (xxvii) distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxviii) unreimbursed expenses and unpaid fees of the Operating Executives or its members; (xxix) compliance or regulatory matters related to the Fund, except as set forth in the Limited Partnership Agreement; (xxx) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxi) any Organizational Expenses; (xxxii) any Placement Fees (as defined below); and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by the advisory committee. The partners will be assessed periodically for such expenses in accordance with their Commitments. The General Partner will have the right to reimburse itself for any broken deal expenses (including broken deal expenses relating to transactions that have been offered to co-investors) prior to making any distributions to partners.

## **Other Information**

The Advisers are permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees, such as "friends and family" of Arlington or its personnel, or other investors meeting certain qualification requirements. The General Partners reserve the right to make any such exemption from fees may be made by a direct exemption, a rebate by the Managers or through investment vehicles that co- invest with a Fund. For example, in instances where an Arlington professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and Carried Interest (as defined below) with respect to such Fund. In general, the offsets described under "Management Fees" above apply only with respect to the capital commitments of fee-paying investors. The Advisers retain flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor's capital account(s).

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

Owners or other current or former employees of the Advisers receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, Carried Interest or other compensation received by the Advisers or their affiliates. Arlington and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to conflicts of interest between the Funds, on the one hand, and Arlington and/or its affiliates on the other hand.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefits of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. To the extent the paying Fund makes use of a credit facility to pay such expense, it generally will not be reimbursed separately by other Funds for use of the facility. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Arlington is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, Arlington is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Arlington's related policies and practices and the relevant Limited Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise have been beneficial, in the judgment of the relevant General Partner, ultimately is not consummated, all broken deal expenses 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. 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.

As a matter of practice, Arlington is typically paid Supplemental Fees from, on behalf of or with respect to co-investors in an investment, as well as other fees relating to the structuring and administration of co-investment arrangements. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and, as a

result, a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by Arlington, third parties, portfolio company management or employees and/or others), which have the potential to be significant. Unless otherwise agreed with investors, Supplemental Fees generally will be payable during term extensions, even if Management Fees are reduced or eliminated during the extended term. In certain circumstances, Arlington expects that co-investors or other parties from time to time will negotiate the right to share a portion of fees relating to a particular investment, and the above-described Management Fee offset percentages will be applied after excluding any amounts paid to such persons.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

AME does not directly receive a carried interest allocation (“**Carried Interest**”) for its advisory services to the Funds. Rather, each of ACP GP II, ACP GP III, ACP GP IV and ACP GP V receives a Carried Interest equal to 20% of all aggregate realized profits from each of Fund II, Fund III, Fund IV and Fund V, respectively, as more fully described in the applicable Fund’s Limited Partnership Agreement. Upon dissolution of any of the Funds, and with respect to Fund IV and Fund V, at the end of such Fund’s commitment period and each of the second and fourth anniversary thereof, the relevant General Partner shall be obligated to return to the relevant Fund the greater of (i) the amount such that each limited partner receives its contributed capital plus a preferred return of 8% per annum, or (ii) the amount (if positive) of distributions that such General Partner received in the aggregate, in excess of 20% of such Fund’s cumulative net profits. Any amount repaid to a Fund cannot exceed the after-tax amount of Carried Interest that is distributed to such Fund’s General Partner. The Advisers do not advise Funds not subject to a Carried Interest, although the Advisers generally have the authority to waive Carried Interest with respect to certain affiliated partners as described under “Fees and Compensation.”

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

#### **TYPES OF CLIENTS**

AME provides investment advice solely to its Fund clients, and references throughout this Brochure to “clients” and to the Advisers’ related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Certain of the Funds include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of AME and its affiliates and members of their families, or other service providers retained by AME, as well as executives of portfolio companies.

Fund II, Fund III and Fund IV are closed to new investors. Otherwise, however, Fund II, Fund III and Fund IV each has a stated minimum investment amount of \$5 million for third-party investors though such limits were waived for certain investors. Fund V has a stated minimum investment amount of \$10 million for third-party investors though such limits were waived for certain investors. The Funds' interests were offered and sold solely to accredited investors within the meaning of the rules promulgated under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") who are also qualified clients (or qualified knowledgeable employees or owners of the Advisers).

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

Arlington intends to make control position investments primarily in U.S. middle-market companies operating within certain government-regulated and adjacent verticals, including: (i) aerospace & defense; (ii) government services & technology; (iii) healthcare; and (iv) business services & software (collectively, the "**ACP Verticals**").

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

### **Investment and Operating Strategy**

Arlington employs a thesis-driven approach to capitalize on opportunities in the ACP Verticals, identifying sub-themes within the ACP Verticals that demonstrate strong, sustainable growth characteristics. Specifically, Arlington targets companies operating in fragmented industries, amenable to a buy-and-build strategy, serving unwavering bi-partisan priorities with long-term funding and growth trends, as Arlington believes these companies can help insulate the Funds' portfolios' sensitivity to change due to political trade winds. Arlington seeks to make investments in companies that it believes possess identifiable "**Franchise Value**", which Arlington defines as sustainable and differentiating characteristics that create the potential for strategic value and, therefore, premium valuations upon exit. In Arlington's view, characteristics emblematic of such Franchise Value typically include: (i) high barriers-to-entry or substitution; (ii) deeply rooted customer relationships; (iii) distribution capabilities that are difficult to replicate; (iv) regulatory protection; (v) defensible or enduring cost structure advantages; and (vi) proprietary technology or specialized processes. Arlington seeks to leverage its Washington, D.C. network and contacts throughout the U.S. when operating in regulated industries that possess stable and defensive characteristics, such as aerospace & defense; government services & technology; healthcare; and business services & software. Arlington believes that companies with identifiable Franchise Value in the middle market, particularly in the ACP Verticals, can significantly enhance their appeal to larger strategic acquirers who are seeking to expand their footprint in the sector or sub-sector given the high barriers to entry and extensive regulatory framework.

### *Investment Approach*

Arlington's investment approach is designed to source quality investment opportunities in its ACP Verticals while maintaining strict pricing and leverage discipline. Key elements of Arlington's approach include but are not limited to the following:

- partnering with industry veterans possessing significant knowledge in a specific industry and who have many years of experience running businesses (an “Operating Executive”);
- a highly disciplined approach to pricing and leverage;
- being a preferred partner to founding management;
- creatively structuring investments to bridge valuation gaps and mitigate risk;
- investing in repeatable themes and continuing strategies that Arlington believes present compelling investment opportunities for multiple funds; and
- seeking accelerated value creation through add-on investments.

### *Investment Process*

Arlington adheres to a disciplined investment process to source, diligence, manage and exit its investments.

### *Managing Policy Risk*

Arlington believes its thesis-driven approach to investing enables it to manage market risk at the beginning of the investment process. Arlington focuses on identifying sustainable, long-term trends within the ACP Verticals that serve bi-partisan initiatives with the potential to transcend administration and congress change. Arlington believes it is able to accurately identify these trends through information provided through its Washington, D.C. network and other contacts throughout the U.S. around potential shifts in policy and priorities, enabling Arlington to shape or adjust its overall view of the direction of the sectors.

### *Sourcing*

Arlington focuses on proactive generation of investment opportunities outside of highly competitive bidding processes. Arlington believes that its visibility and local network in Washington, D.C. and throughout the U.S. provide a competitive advantage in originating opportunities within industries that are government-regulated or adjacent to them.

### *Due Diligence*

In advance of committing significant resources of the Funds to a given opportunity, Arlington will assess: (i) its relevant industry experience, either in-house or through an Operating Executive; (ii) the potential for post-investment value creation; (iii) the pricing expectations and non-economic motivations of the seller; (iv) key risk factors and potential mitigants; and (v) transaction timing and structuring considerations.

### *Transaction Structuring*

Arlington typically maintains control of the board of directors of each of its portfolio companies, which generally provides Arlington with the necessary control to make any changes at the companies it deems necessary. The independent board members of Arlington's portfolio companies have included former admirals, generals, presidential cabinet members, ambassadors, and congressmen, as well as prominent industry executives, senior policy/secretarial department officials and former Arlington portfolio company CEOs that are invited to sit on the boards of existing portfolio companies.

Arlington's investment professionals have a particular expertise in structuring transactions with founding management that seeks to optimize the financial and operational benefits for the business. In structuring transactions, Arlington will apply reasonable levels of debt financing and will seek to provide Arlington with sufficient downside protection.

### *Investment Oversight*

Arlington believes that making control investments and taking an active role post-acquisition is critical to generating returns. As such, Arlington is involved post-investment in its portfolio companies and actively works with its portfolio companies to identify and complete add-on and strategic acquisitions, access new government contracts and clients, improve operations, augment and upgrade management teams as needed, introduce outside industry executives and board members, and refine company business models as necessary. The growth plan and operational objectives for a company are set forth in Arlington's investment thesis and continually evaluated in light of current economic conditions and market opportunities.

### *Exit Planning*

Arlington's plans for exit begin prior to the closing of an investment. During the due diligence process, Arlington assesses the attractiveness of the industry segment and the prospect for multiple exit opportunities. Prior to committing capital to a portfolio company, Arlington seeks to identify the likely exit options, including not only sales to strategic buyers, but also sales to financial buyers, public equity offerings and recapitalizations.

Arlington's investment professionals analyze the viability of anticipated exit strategies during the investment decision-making process and potential exit opportunities are continually evaluated throughout Arlington's ownership of the portfolio investment.

### **Risks of Investment**

In addition to the general risks of loss associated with the Funds' investments, prospective investors should carefully consider the following risk factors. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that any Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program.

### *Economic And Industry Risk*

Although investments of the type sought by the Funds offer the opportunity for attractive returns, such investments are sensitive to any general downward swing in the economy or in the industrial or economic sectors in which the acquired business operates. The Funds' investments consequently involve a high degree of financial risk, and the possibility of partial or total loss of capital exists. Prospective investors should not subscribe unless they can readily bear the consequences of such loss.

### *Long-Term Investments*

Due to the nature of the Funds' investments, it is uncertain as to when profits, if any, may be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment date. The Funds may continue to hold illiquid investments at the end of the Funds' scheduled term, which could require such term to be extended.

### *Uncertain Economic, Social and Political Environment*

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

### *COVID-19*

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, 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 the resulting precipitous decline in economic and commercial activity across several of the world’s largest economies — 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, 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 a Fund’s and its 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 a Fund 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 a Fund intends to pursue, all of which could adversely affect a Fund’s ability to fulfill its 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, its portfolio companies, the General Partners and the Managers 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.

### *Market Conditions*

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

### *Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments*

A deterioration of the global credit markets can make it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, for example, will likely reduce investor demand for high yield debt and senior bank debt significantly, which can in turn lead to some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. In the event that such marketplace events occur, a Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments and such events 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. The occurrence of such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Available Investments; Limited Liquidity of Investments*

The leveraged buyout and private equity investment industry in which Arlington and the Funds are engaged is highly competitive. Further, the identification of suitable investments is a difficult task, and there can be no assurance that the Funds will be able to implement its investment objectives. There is no assurance that the General Partner will be able to identify sufficient attractive investment opportunities to enable the full amount of capital committed to the Funds to be invested. However, Fund limited partners will be required to pay annual management fees during the commitment period based on the entire amount of their commitments. The General Partner also may encounter significant competition for many of the investments selected. Many of Arlington's competitors may have greater financial and other resources and may have better access to suitable investment opportunities. Furthermore, investments made by the Funds, to a large degree, will have limited liquidity. The Funds' exit strategy with respect to one or more investments can be affected adversely by numerous factors, many of which may be unforeseen or unexpected at the time the investment is made. Moreover, the limited liquidity of investments may adversely affect its ability to implement its exit strategies in the face of unexpected developments.

*No Assurance of Profit, Cash Distributions, or Appreciation, or Rate of Return*

The Funds are entirely dependent upon Arlington and the Partners. While the General Partners intend to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance of success. There can be no assurance that investments by the Funds will achieve returns comparable to those achieved in the transactions undertaken previously by the Firm described herein or will achieve its targeted returns, or even that an investment, once made, will be profitable and that an investor's interest in such investment will have economic value. Further, a Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. Historical returns achieved by Arlington in the Funds are not predictions of future performance. There can be no assurance that investments will generate cash flow available for distribution to investors or that the General Partners will be able to liquidate its investments on favorable terms.

*No Diversification Requirement; Junior Securities; Risk of Loss*

The Limited Partnership Agreements permit the General Partners to invest a certain percentage of total commitments in a single investment. Although the General Partners expect that the Funds will have a moderate degree of diversification, the General Partners are authorized, at any time, to invest its assets in only a few investments. Thus, the unfavorable performance by investments in one industrial or economic sector could have a substantial adverse impact on the aggregate returns realized by investors. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified. In addition, the General Partners may also make opportunistic investments in other assets that offer particularly attractive returns. Moreover, the securities in which the 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.

#### *Restrictions on Transfer; No Market for Interests in Fund V; Illiquidity of Interests*

There are substantial restrictions upon the transferability of Fund interests under the Limited Partnership Agreements and the interests in Funds are not registered under any Federal or state securities laws or the securities laws of any other jurisdiction and therefore are subject to the restrictions on transfer contained in such laws. Investors will not be able to transfer, sell or otherwise dispose of their interests in any manner that will violate the securities laws of any jurisdiction. The interests in the Funds are not redeemable or transferable except with the consent of the General Partners, which consent the General Partners may withhold in their sole discretion. In addition, withdrawals of Fund interests are not permitted. There is no market for the interests and none is expected to develop. Consequently, investors may not be able to liquidate their interests for a lengthy period of time, which may not be prior to the time any Fund liquidates the investments it makes. In addition, any such liquidation may be in the form of non-cash distributions to the investors.

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

#### *Lack of Sufficient Investment Opportunities*

The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, a Fund's limited partners will be required to bear management fees during such Fund's commitment period based on the entire amount of such limited partners' commitments and other expenses as set forth in the relevant Fund's Limited Partnership Agreement.

#### *Use of Leverage*

The types of transactions that the Funds carry out will involve equity investments in businesses undertaking a significant amount of debt. Leverage generally magnifies both the Funds' opportunities for gain and their risks of loss from any particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of borrowed funds increases the sensitivity of such investments to adverse economic and commercial developments, competitive pressures, an adverse economic environment, as well as to risks relating to fluctuations in interest

rates and could accelerate and magnify declines in the value of any Fund's investments in the leveraged portfolio companies in a down market. Moreover, lenders of borrowed funds will likely insist on the inclusion of affirmative and negative covenants that may affect the operating flexibility of particular investments, in addition to the burden of debt service, and may impair a leveraged portfolio company's ability to finance future operations and capital needs. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, any Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be tight at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund is permitted to incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Advisers and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

### *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 the maintenance, 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 applicable Limited Partnership Agreement, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns 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 relevant 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 Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse Arlington for expenses incurred on behalf of the Fund. 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.

### *Risk of Temporary Financing*

If a Fund makes an investment with the intent of subsequently financing a portion of that investment, there is a risk that such Fund will be unable to successfully complete such a financing. This could lead to the Fund having a larger amount of capital invested in an investment than anticipated as well as reduced diversification.

To the extent a Fund provides temporary financing to facilitate portfolio company investments, it is possible that all or a portion of such financing will not be recouped within the

time period specified in the relevant Limited Partnership Agreement, in which case the investment would be treated as a permanent investment of the Fund. As a result, the 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.

#### *Restricted Nature of Investment Positions*

Generally, there will be no readily available market for a substantial number of any Fund's investments, and hence, most of such Fund's investments will be difficult to value. Certain investments may be distributed in kind to the limited partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the applicable Limited Partnership Agreement, including the value used to determine the amount of Carried Interest available to the Advisers with respect to such investment.

#### *Importance of Certain Personnel*

Control over the operation of the Funds will be vested entirely with the Advisers, and any Fund's future profitability will depend largely upon the business and investment acumen of the General Partners. The loss or reduction of service of one or more of the General Partners could have an adverse effect on such Fund's ability to realize its investment objectives. In addition, subject to the requirements set forth in the relevant Limited Partnership Agreement(s), the Advisers currently, and may in the future, manage other investment funds besides the currently existing Funds and Arlington's investment professionals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of Arlington's investment professionals. Fund limited partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of any Fund will depend entirely on the actions of the Advisers. Although the General Partners will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the relevant Fund's objectives.

#### *Projections*

Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the relevant General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be

significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

#### *Conflicting Investor Interests*

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

#### *Need for Follow-On Investments*

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

#### *Lack of Investor Participation*

No investor has the right, power or authority to participate in the ordinary and routine management of any Fund's affairs or to exercise any control over the decisions of the General Partners. The General Partners have the exclusive right to manage, control and operate the affairs and business of the Funds and to make all decisions relating thereto. Accordingly, no prospective investor should purchase any interests unless such prospective investor is willing to entrust all aspects of management to the respective General Partner.

Although Arlington actively monitors the status of its investments and the performance of the officers and managers operating portfolio companies, the success of an investment will depend, to a large extent, upon the quality of the officers and managers of each portfolio company. Investors have no right or power to take part in or direct the management of any investment.

#### *Failure to Satisfy Investment Calls*

If investors fail to satisfy capital calls, the ability of the Funds to make investments would be adversely affected. If an investor fails to satisfy a capital call, it is obligated to pay interest on the capital call obligation until satisfied by such investor or any other investor or investors. In addition, non-defaulting investors have the right to purchase the defaulting investor's interest in the applicable Fund for its defaulted value (as defined in the relevant Limited Partnership



Agreement), provided that such non defaulting investors satisfy the defaulting investor's pending capital call and agree to satisfy the defaulting investor's future capital call obligation. As a result, an investor who fails to satisfy capital calls risks losing a portion of its investment in the applicable Fund.

### *Board Participation*

Each General Partner seeks to have its respective Fund represented on the boards of directors (or comparable governing bodies) of certain of its portfolio companies. While such representation is expected to enhance each Fund's general ability to manage its investments, it may also impair a Fund's ability to sell the related securities because such Fund may be subject to fiduciary duties and other potential legal claims. The Funds will indemnify the respective fund manager for claims arising from such board representation, respectively. Serving on the board of directors of a portfolio company exposes each Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

### *Investments in Countries Outside the United States*

The Funds may invest in portfolio companies that are organized or headquartered 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, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the relevant Fund), the application of complex U.S. and non U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on such Fund and/or such Fund's limited partners with respect to such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or such Fund's limited partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

### *Significant Adverse Consequences for Default*

The Limited Partnership Agreements provide for significant adverse consequences in the event a Fund limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting Fund limited partner may be forced to transfer its interest in such Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

### *Dilution*

Limited partners admitted or that increase their respective commitments to a Fund at subsequent closings generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new Fund limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

Dilution risk applies to limited partners of a Fund as well as any parallel funds. The risk of dilution increases as such Fund's subscription period increases and/or the amount of time an investment is held by the Fund before any co investors' investments. As described above, the relevant Limited Partnership Agreement provides the purchase price borne by subsequent Limited Partners, which includes subscriptions by Limited Partners to parallel funds, will be the original purchase price plus accrued interest, subject to the General Partner's ability to utilize an equitable adjustment for such subsequent investors. For the avoidance of doubt, equitable adjustments are not expected to occur, except in limited circumstances prior to such rebalancing, including full realizations, partial realizations, dividend recapitalizations or similar events. This dilution risk can result in conflicts of interest between the General Partner and Limited Partners, including but not limited to, unrealized investments that have appreciated in value and the General Partner's interests to increase Fund size and resulting Management Fees and additional carried interest potential.

### *A General Partner's Carried Interest*

The fact that the General Partner's carried interest is based on a percentage of net profits has the potential to create an incentive for the General Partners to cause their Funds to make riskier or more speculative investments than it otherwise would make in the absence of such an arrangement, although Arlington generally considers performance-based compensation to better align its interests with those of its investors.

### *Co-Investments*

The Advisers may, in their sole discretion, provide or commit to provide co-investment opportunities to one or more Fund limited partners and/or other persons. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Advisers in their sole discretion, may not be in the best interests of a Fund or any applicable individual Fund limited partner. In exercising their sole discretion in connection with such co-investment opportunities, the Advisers may consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future fund sponsored by the Advisers. Any Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the relevant Fund, or may be in a position to take action contrary to the investment objectives of such Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

### *Transfer by General Partner*

To the extent the relevant General Partner, its partners, the principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the relevant Limited Partnership Agreement.

### *Public Company Holdings*

A Fund's investment portfolio may contain debt and/or equity securities issued by publicly held companies. Such investments may subject such Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including Arlington's principals, and increased costs associated with each of the aforementioned risks.

### *Lack of Unilateral Control*

Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of such Fund or its limited partners. Such third parties may be in a position to take action contrary to such Fund's business, tax or other interests, and such Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

### *Hedging Arrangements; Related Regulations*

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

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

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

#### *Currency and Foreign Exchange Risks*

Each Fund’s books and records will be denominated in United States dollars, and distributions will generally be made in United States dollars. However, each Fund may make investments in other currencies, and changes in the exchange rates between such currencies and the United States dollar could have an adverse effect on each such Fund, including the amounts available for distribution and the value of securities to be distributed in-kind.

#### *Absence of Certain Statutory Regulation*

Neither Arlington nor the General Partners are registered as investment companies under the Investment Company Act of 1940. Therefore, investors will not have the rights or protections provided by such act. Neither Arlington nor the General Partners are registered as a broker-dealers under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or with the Financial Industry Regulatory Authority (“**FINRA**”), and consequently are not subject to the record-keeping and specific business practice provisions of the Exchange Act or the rules of FINRA.

#### *Regulatory Compliance*

Certain of a Fund’s investments may result in reporting and compliance obligations under the Exchange Act and/or the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The cost of compliance will be borne by such Fund.

#### *Changes in Applicable Law*

The Adviser must comply, and must cause the Funds to comply with various legal requirements, including, but not limited to, requirements imposed under United States Federal tax law and Federal and state securities laws. If any of the laws and regulations currently in effect should change or any new laws or regulations should be enacted, the legal requirements to which the Adviser, the Funds and the investors may be subject could differ materially from current requirements and may materially and adversely affect the Adviser, the Funds and the investors.

#### *Impact of Government Regulation, Reimbursement and Reform*

Certain or all industry segments in which a Fund may invest 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. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain 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. By way of example, the healthcare and financial services industries have been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which a Fund may invest. In addition, various agencies and departments of the U.S. government regulate the defense and aerospace industries. New and existing regulations and burdens of regulatory compliance may have a material adverse effect on portfolio companies that operate in these industries.

### *Monetary Policy and Governmental Intervention*

In response to the global financial crisis commencing in the summer of 2007, the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”) and global central banks, including the European Central Bank, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. These and other actions by the Federal Reserve and other central bankers, including changes in policies, may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of a Fund’s investments on an absolute and/or relative basis. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases and therefore the ultimate effects thereof are difficult to predict or measure with certainty. More recently, in response to interagency guidance on leveraged lending by the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation intended to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities, private equity funds may need to finance portfolio investments with a greater proportion of equity relative to prior periods and the terms of debt financing may be less flexible for borrowers compared to prior periods. These developments may impair a Fund’s ability to consummate transactions and/or cause such Fund to enter into transactions on less favorable terms.

### *Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes*

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund’s activities, including the ability of such Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund’s efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest

in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of the principals, employees or other individuals associated with a Fund or the applicable General Partner who were or may in the future be granted direct or indirect interests in the applicable General Partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from such Fund and its General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for such Fund. These same issues may also apply to officers, directors and employees of a Fund's portfolio companies if such persons receive a profits interest in such companies.

#### *Dynamic Investment Strategy*

While each General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant General Partner is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Limited Partnership Agreement(s). A General Partner is permitted to pursue investments outside of the industries and sectors in which Arlington has previously made investments or has internal operational experience.

#### *Limited Liability of Arlington and the Management Agent; Indemnification*

The Limited Partnership Agreements provide that the General Partners, the Advisers, their respective directors, partners, members, shareholders, officers, employees, or agents will not be personally liable, responsible or accountable in damages or otherwise to the Funds or to any investor for any breach of fiduciary duty. The foregoing provisions will not be construed so as to provide for the exculpation or indemnification of any such party for any liability (including liability under federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law. The Limited Partnership Agreements also provide that, to the maximum extent permitted by applicable law, the Funds will indemnify their respective General Partners, the Advisers, and their respective affiliates and their respective directors, partners, members, shareholders, officers, employees or agents (each, an "**Indemnified Person**") from and against any claims, losses, liabilities, damages, costs or expenses (including, without limitation, attorney fees, judgments and expenses in connection therewith and amounts paid in defense and settlement thereof) to which any Indemnified Person may directly or indirectly become subject in connection with the relevant Fund or in connection with any involvement with a portfolio company of such Fund (including, without limitation, serving as an officer, director, consultant or employee of any portfolio company), except for in the limited circumstances set forth in the relevant Limited Partnership Agreement. The Limited Partnership Agreements also provide

that attorneys' fees and expenses incurred by an Indemnified Person in connection with any matter for which indemnification may be sought under each Limited Partnership Agreement shall be paid by the respective Fund.

#### *Material Non-Public Information; Other Regulatory Restrictions*

As a result of the operations of Arlington, Arlington frequently comes into possession of confidential or material, non-public information. Therefore, Arlington 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. Consequently, 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 Arlington'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 Arlington 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 United States 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 Arlington'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 Arlington 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.

#### *Valuation of Investments*

Generally, the relevant General Partner will determine the value of all of a Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will be unavailable for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all of the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation

guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all of the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

### *Contingent Liabilities Upon Disposition*

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

### *Unfunded Pension Liabilities Portfolio Companies*

Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although each Fund intends to manage its investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

### *Director Liability*

A Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the relevant Fund's representatives, and ultimately the relevant Fund, to potential liability. Not all portfolio companies



may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from such Fund's investment activities.

### *Cybersecurity Risks*

Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. 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 Arlington or one of its service providers holding its financial or investor data, Arlington, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks.

### *Reliance on Government Contracts*

A Fund is likely to invest in portfolio companies that are heavily dependent on U.S. government contracts, which may be only partially funded. These contracts are subject to the government's political and budgetary constraints (which can change), changes in short-range and long-range plans, the timing of contract awards, the congressional budget authorization and appropriation processes, the government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor debarment in the event of certain violations of legal and regulatory requirements. Portfolio companies providing services under U.S. government contracts are also subject to extensive regulation and audit by agencies of the U.S. government. If such portfolio companies are subject to adverse audits or regulatory or legal actions by the U.S. government, such portfolio companies could be subject to liabilities, penalties, and disqualification from future government contracts, adversely affecting the business and results of a Fund. In addition, the possibility of a partial federal government shutdown in the U.S. could potentially delay award of U.S. government contracts and timing of payments.

### *Regulations Affecting the Aerospace Industry*

The aerospace industry is highly regulated in the United States by the Federal Aviation Administration and in other countries by similar agencies. Portfolio companies in or servicing the aerospace industry may need to be certified to engineer and service parts and components used in specific aircraft models. The U.S. Department of Defense, and most other military organizations may require compliance with additional government regulations when servicing their equipment and may conduct reviews similar to those conducted by civil regulatory authorities. Such portfolio companies may also be subject to or provide services to others that are subject to a variety of U.S. Commerce, Treasury and State Department regulations and other governmental trade regulations that can increase costs and add to the complexity of doing business.

### *Cyclicality of the Aerospace Industry*

Demand for new aerospace products and aftermarket services is tied to the worldwide airline industry's ability to finance the purchase of new aircraft, the ability to maintain existing aircraft to rigorous government regulations, and the industry's current and forecasted demand for seats, flights and routes. Demand for aerospace products is also influenced by airline industry profitability, the price of fuel, technological changes and advancements, world trade policies, government-to-government relations, terrorism, disease outbreaks, environmental constraints imposed on aircraft operations, pricing and other competitive factors. A Fund's portfolio companies in or servicing this sector may be adversely affected by demand cycles in the aerospace industry.

### *General Risk of Investments in Technology and Software Companies*

The technology and software sectors are challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, changing consumer preferences, short product life cycles, services and/or improvements in existing products. A Fund's portfolio companies will compete in this potentially volatile environment. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by competing products and services or that the portfolio companies will not be adversely affected by other challenges. Moreover, competition can result in significant downward pressure on pricing. Instability, fluctuation or an overall decline within the software industry will likely not be balanced by investments in other industries not so affected. In the event that the software sector as a whole declines, returns to a Fund's limited partners may decrease.

### *Competition in the Technology Sector*

Competitors of the Funds and their portfolio companies range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing and/or financial resources. Barriers to entry in the software and technology industries are low and software products can be distributed broadly and quickly at relatively low cost. Many of the areas in which a Fund and its portfolio companies participate evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services.

### *Third-party Infringement Claims*

A Fund (or an affiliate thereof) or a portfolio company may, from time to time, receive notices from others claiming such Fund (or an affiliate thereof) or such portfolio company has infringed their intellectual property rights. The number of these claims may grow because of constant technological change in the software industry, increased user-generated content, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents. Additionally, portfolio companies may use “open source” software in their products, or may use such software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. Licensing authors or third parties may allege that a portfolio company has not complied with the conditions of one or more of these licenses. To resolve these and other intellectual property infringement claims, a Fund and/or portfolio companies may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with customers. These outcomes may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing and selling products that have infringing technologies. In some countries, such as Germany, an injunction can be issued before the parties have fully litigated the validity of the underlying patents.

### *Software Code Protection*

Source code is often critical to portfolio companies. If an unauthorized disclosure of a significant portion of source code occurs, a portfolio company could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with such portfolio company products by copying functionality, which could adversely affect revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms, and other malicious software programs that may attack portfolio company products and services). Costs for remediating the unauthorized disclosure of source code and other cyber-security breaches, may include, among other things, increased protection costs, reputational damage and loss of market share, liability for stolen assets or information and repairing system damage that may have been caused. Remediation costs may also include incentives offered to portfolio company customers or other business partners in an effort to maintain the business relationships after a security breach.

### *General Risks of Investments in Healthcare Companies*

While investments in healthcare companies offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial or total loss. Healthcare companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services and support and other capabilities and a larger number of qualified managerial and technical personnel. Companies in which the relevant Fund invests 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. The relevant Fund’s portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and

development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources.

### *Healthcare Reform*

Healthcare reform continues to be a significant factor in the profitability of companies in which the Funds may invest. The efforts to reform the healthcare delivery system in the United States and Europe has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs. These competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on profit margins for the companies in which such Fund invests.

### *Healthcare Regulation and Reimbursement*

Various segments of the healthcare industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which such Fund invests. Legislative changes, including the passage or potential repeal of the U.S. Patient Protection and Affordable Care Act, have had, and will likely continue to have, a significant impact on the healthcare industry. In addition, various legislative proposals related to the healthcare industry are introduced from time to time at the U.S. federal and state level, and any such proposals, if adopted, could have a significant impact on the healthcare industry and/or on companies in which a Fund may invest.

### *Governmental and Third Party Payors to Healthcare Companies*

In both the U.S. and foreign markets, sales of a healthcare company's products and its success will depend in part on the availability of reimbursement from third party payors such as government health administration authorities, private health insurers, and other organizations. The levels of revenues and profitability of healthcare companies may be affected by the continuing efforts of governmental and third party payors to contain or reduce the costs of healthcare. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. There can be no assurance that a company's proposed products will be considered cost effective or that adequate third party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

### *Dependence of Protection of Intellectual Property*

The Funds' portfolio companies may own or develop various patents and other forms of intellectual property that will be subject to challenge, invalidation, misappropriation or circumvention by third parties, including by direct competitors of such portfolio companies. Such portfolio companies may also rely significantly upon proprietary technology, information,

processes and know-how that are not protected by patents. The relevant General Partner expects that the Fund's portfolio companies will seek to protect their proprietary information through trade secret or confidentiality agreements with their employees, consultants, subcontractors and other parties, as well as through other measures. However, these measures may not provide adequate protection for unpatented proprietary information. In the event of an infringement of the intellectual property rights of a portfolio company, a breach of a confidentiality agreement or divulgence of proprietary information, the portfolio company may be adversely affected and may not have adequate and effective legal remedies, resulting in a deterioration of investment value for such Fund.

### *Disclosure of Information*

Certain Limited Partners may be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Funds, its investments and its investors. There can be no assurance that such information will not be disclosed either publicly, or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which a Fund, the General Partner, their affiliates, portfolio companies or service providers to any of them may be or become subject. While there are certain confidentiality provisions providing protection against requirements to publicly disclose such records and reports, and there currently is an exemption from the U.S. Freedom of Information Act available in respect of such records and reports, no assurance can be given that the mandated disclosure of records or reports to the SEC or other governmental entities will not have a significant negative impact on a Fund, the General Partner or any Limited Partner. Likewise, enhanced recordkeeping and reporting requirements and SEC scrutiny and examinations increases the Fund's compliance, administrative and other operational costs.

The General Partner is permitted to withhold confidential information or other information and materials from any Limited Partner or to such Limited Partner's affiliates, employees, representatives, agents or attorneys if the General Partner determines that such disclosure is not in the best interests of a Fund, any Partner or any portfolio company or is not permitted by applicable law, statute, governmental rule, or regulation or judicial or governmental order, judgment or decree. In addition, due to the fact that potential investors in a Fund may have different diligence inquiries and/or request different information, Arlington may provide certain information to one or more prospective investors that it does not provide to all prospective investors.

### *Alternative Investment Fund Managers Directive*

The European Union ("EU") Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). To the extent a Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) a Fund and the General Partner will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in such Fund incurring additional costs and expenses; (ii) a Fund and the General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in such Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (iii) the General Partner will be

required to make detailed information relating to a Fund and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of a Fund in relation to EEA portfolio companies, including, in some circumstances, a Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of the Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of commitments.

#### *United Kingdom Exit from the European Union (the "EU")*

On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU ("Brexit"). The UK formally left the EU on January 31, 2020 and entered a transition period that ended on December 31, 2020. On December 24 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period.

Although provisionally agreed, the terms of UK's ongoing and future relationship with the EU are still uncertain, including the extent to which UK will have access to the EU single market and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are intended to be ratified and implemented.

There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

#### *Additional Government or Market Regulation*

Market disruptions and the dramatic increase in the capital allocated to alternative asset management during recent years have led to increased governmental as well as self-regulatory organization scrutiny of the private fund industry in general. In addition, certain legislation proposing greater regulation of the industry is periodically considered by Congress, as well as the governing bodies of various jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Funds, the General Partners, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of a Fund and increase the risk such Fund could be required to disclose the identities of the Limited Partners. In addition to, and in particular in light of, the changing global regulatory climate, a Fund may be required to register under certain foreign laws and regulations, in addition to those described above, and need to engage distributors or other agents in certain non U.S. jurisdictions in order to market interests to potential investors. The effect of any future regulatory change(s) on such Fund may be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

### *Litigation*

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

### *Advisory Committee*

A General Partner will appoint one or more limited partner representatives to the advisory committee of the relevant Fund. The Limited Partnership Agreements will provide that to the fullest extent permitted by applicable law, none of the advisory committee members shall owe any fiduciary duties to the Fund or any other limited partner. In addition, representatives of the advisory committee may have various business and other relationships with Arlington and its partners, employees and affiliates. These relationships may influence their decisions as members of the advisory committee.

### *Effect of General Economic and Market Conditions on the Partnership's Activities; Uncertain Environment*

The success of a Fund's activities will be affected by general economic and market conditions such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in law (including laws relating to taxation of such Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and the liquidity of such Fund's investments. Volatility or illiquidity could impair such Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

The current global economic and political climate continues to be one of uncertainty. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of a Fund's financial projections. Furthermore, such uncertainty may have an adverse effect upon the companies in which such Fund makes investments. Unpredictable or unstable market conditions may also make it more difficult for such Fund to exit and realize value from its investments. The current political environment could also create additional regulatory burdens applicable to the General Partner and/or the Funds, which could have an adverse effect on the Funds.

It is important to understand that in, light of the nature of certain investments, a Fund may not be able to react quickly to changes in market conditions and such Fund could incur material losses even if it reacts quickly to difficult market conditions. There can be no assurance a Fund will not suffer material adverse effects from broad and rapid changes in market conditions.

### *Operating Executives*

Additionally, as further described herein and in the applicable Private Placement Memorandum and/or Limited Partnership Agreement of each Fund, it is Arlington's practice to retain certain operating executives (each, an **"Operating Executive"**) to provide services to (or with respect to) one or more Funds and/or certain current or prospective portfolio companies in which one or more Funds invest. Such Operating Executives generally provide services in relation to the identification, acquisition, due diligence, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances these services also include serving in management or policy-making positions for portfolio companies. Operating Executives receive compensation, including, but not limited to, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company, incentive equity and stock awards, remunerations from Arlington 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 Executives, 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. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and the relevant Fund typically will bear the costs of all Operating Executives compensation as well as fees, costs and expenses of structuring Operating Executives arrangements. Operating Executives also generally will be reimbursed for certain travel and other costs in connection with their services. No such compensation received by, or amounts reimbursed to, the Operating Executives will offset or reduce the Management Fee. The use of Operating Executives subjects the Advisers to potential conflicts of interest, as discussed under "Conflicts of Interest," below.

Additionally, portfolio companies may provide opportunities for Operating Executives to invest in such portfolio company and reimburse costs and expenses incurred by Operating Executives. Operating Executives may receive remuneration from the relevant General Partner and/or the relevant Fund or affiliates and/or be entitled to other forms of compensation. Such investment opportunities, reimbursements and other compensation paid to an Operating Executive will not offset the Management Fees of the relevant Fund as described herein. Although the use of Operating Executives and the allocation of compensation paid to them by Arlington, its affiliates and/or the portfolio companies may subject Arlington and/or its affiliates to potential conflicts of interest, Arlington believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the Fund) that will result if the cost of the Operating Executive is lower than market rates for the services provided and/or if the quality of the services of the Operating Executive align with Arlington's model for the portfolio company and improve portfolio company performance. Although Arlington seeks to retain Operating Executives with a view to reducing costs to portfolio companies and, ultimately, the relevant Fund, a number of factors may result in limited or no cost savings from such retention. Arlington also seeks to reduce potential conflicts of interest resulting from such arrangement by structuring compensation packages for such persons in a manner that Arlington believes will align such persons' interest with those of the relevant Fund's limited partners, and seeks to retain only Operating Executives and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance



that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

### *Valuation of Assets*

There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the relevant General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. Valuations are subject to multiple levels of review for approval. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

### *Bank Fees*

Recently, certain U.S. banks, citing Federal Reserve liquidity requirements and/or the costs and/or decreased profitability of holding capital deposits, have indicated that they intend to impose a negative interest rate and/or a balance sheet utilization fee on certain deposits from certain institutional customers. Certain European and other non U.S. banks have also adopted similar measures. Negative interest rates and/or fees of this type could have an adverse effect on private equity funds, such as the Funds. A Fund may be forced to bear such costs, effectively losing money on cash deposits, or seek to find alternative means of holding short term reserves and cash balances. Such alternative arrangements may bear greater risk of loss of principal, longer lock up periods (e.g., money market funds or certificates of deposit), or other less favorable terms. In addition, as a result of the foregoing, a Fund may choose to keep less cash or reserves on hand which could result in a greater frequency of capital calls from limited partners and/or greater reliance on borrowing, along with related costs.

### *Foreign Investment Clearance Risk*

Certain investments by the Funds involve the acquisition of a U.S. business or assets with a nexus to U.S. interstate commerce could be subject to review by the Committee on Foreign Investment in the United States (“CFIUS”), which may have outsized impacts on transaction certainty, timing, feasibility, and cost, among other things. In August 2018, the President signed into law the *Foreign Investment Risk Review Modernization Act* (“FIRRMA”), which will increase the number of transactions that are subject to the jurisdiction of CFIUS and make certain transactions subject to mandatory pre-closing notification requirements. Moreover, other countries are increasingly taking action to strengthen their national security review regimes, and the EU will soon implement an EU-wide national security investment screening framework. As a result, certain investments in foreign countries may likewise be subject to similar foreign investment clearance and national security review regimes if the investments are perceived to implicate national security policy priorities. In the event that CFIUS or another regulator reviews one or more of a Fund’s investments, there can be no assurances that such Fund will be able to maintain or proceed with

such investments. Changes to the implementing laws and regulations, and agency practice, of CFIUS and similar non-U.S. foreign investment and national security review regimes may limit the universe of suitable prospective acquirers for certain investments that such Fund may exit and may make more difficult for our funds to realize value from such investments.

### *Privacy and Data Protection Law Compliance Risk*

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations (“Privacy Laws”) in the United States, Europe and elsewhere 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 Advisers, 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 the Advisers, 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, 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 the Advisers, the General Partners, the Funds and/or their portfolio companies.

### **Conflicts of Interest**

Arlington and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of multiple Funds, and providing transaction-related, investment advisory, legal, management and other services to Funds and portfolio companies. Arlington will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Limited Partnership Agreements, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Arlington conducting its activities, the interests of a Fund likely will conflict with the interests of Arlington, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein.

During the commitment period of a Fund all appropriate investment opportunities generally will be pursued through such Fund, subject to certain limited exceptions set forth in the Fund's Limited Partnership Agreement and the Adviser's allocation policies. Arlington 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. The Advisers' investment staff will continue to manage and monitor all Arlington Funds over the life of each of the Funds. Arlington believes that the significant investment of the Partners in the Funds, as well as the Advisers' interest in the Carried Interest, operate to align, to some extent, the interests of the Advisers with the interests of each Fund and its limited partners, although certain principals of Arlington have and expect to make investments outside of Arlington. Such other investment funds and investments likely will compete with one of the Funds or companies acquired by the Funds in certain circumstances. Following the commitment period of a Fund, the Advisers likely will focus their investment activities on other opportunities and areas unrelated to such Fund's portfolio company investments, though the Advisers will continue to manage and monitor investments in such Fund as well as any other previous Funds. Unless restricted by the Governing Documents, Arlington personnel are permitted to serve on boards or act in other roles unaffiliated with Arlington, 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.

From time to time, the Advisers will be presented with investment opportunities that would be suitable for more than one Fund. In determining which Fund(s) should participate in such investment opportunities, the Advisers are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Limited Partnership Agreement, the Advisers are not obligated to recommend any investment to any particular investment vehicle. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in each of their Funds in accordance with the provisions of the relevant Funds' Limited Partnership Agreements, and attempt to allocate investment opportunities among the Funds in a fair and equitable manner. Where necessary, the Advisers consult and receive consent to conflicts from an advisory board consisting of the limited partners of each applicable Fund.

In making allocations among Funds, Arlington must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Arlington generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Limited Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Fund's Limited Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life-cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliated adviser of Arlington in the manner set forth in the relevant Limited Partnership Agreements and the Advisers' allocation policy. Arlington will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with Arlington's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocations among Funds, Arlington will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and Arlington reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Funds' Limited Partnership Agreements, Side Letters and Arlington's procedures regarding allocation. Arlington's procedures permit it 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); perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Arlington'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 Arlington's ability to execute the relevant transaction in the desired time or on desired terms; Arlington's perception of the ability of the co-investors to continue to support the investment in the event of subsequent financings; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; existence of a formal or informal strategic relationship with the prospective co-investor; and other factors that Arlington considers important in connection with the specific transaction or investment. Although Arlington 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 Arlington in identifying co-investors. Arlington reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, Arlington or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain Arlington investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of Arlington and its affiliates make capital investments in or alongside certain Funds, Arlington and its affiliates are subject to potentially conflicting interests in connection with these investments.

Arlington's allocation of investment opportunities among the persons and in the manner discussed herein often 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 Arlington will allocate investment opportunities in a manner that it believes 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 have been if the potential conflicts of interest to which Arlington expects to be subject, as discussed herein, did not exist.

In certain cases, Arlington will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Limited Partnership Agreement, no obligation) to identify

one or more secondary transferees of interests in a Fund. In such cases, Arlington will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Limited Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Arlington in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, Arlington expects to face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, each applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, Arlington expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances Funds are expected to be prohibited from exercising (or Arlington may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. Arlington intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

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

can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds that may adversely affect other Funds. Investments by more than one Fund in the same portfolio company also have the potential to raise the risk of using assets of a Fund to support positions taken by other Funds. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Subject to any relevant restrictions or other limitations contained in the Limited Partnership Agreements of the Funds, Arlington will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Arlington expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Arlington or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Arlington. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

In certain limited circumstances, a Fund may pay an expense common to it and one or more other Fund(s) (including, without limitation, legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefits of which are received by the Fund and other Funds over time), and be reimbursed by the other relevant Fund(s) by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Arlington is expected to advance amounts related to the foregoing and receive reimbursements from the Funds to which such expenses relate.

As a result of the Funds' controlling interests in portfolio companies, Arlington and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Arlington and/or its affiliates. Such amounts will be in addition to any Management Fees or Carried Interest paid by a Fund to Arlington. Additionally, a portfolio company typically will reimburse Arlington or service providers retained at Arlington's discretion for expenses (including without limitation travel expenses) incurred by Arlington or such service providers in connection with its performance of services for such portfolio company. This subjects Arlington and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be

substantial. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Arlington or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

In connection with its services to the Funds and their investments, Arlington, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Arlington's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Arlington 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, "**Arlington Information**"). In many cases, Arlington Information will include tools, procedures and resources developed by Arlington to organize or systematize Arlington Information for ongoing or future use. Although Arlington expects its Funds and their portfolio companies generally to benefit from Arlington's possession of Arlington 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 Arlington Information was originally received. Arlington Information will be the sole intellectual property of Arlington and solely for the use of Arlington. Arlington reserves the right to use, share, license, sell or monetize Arlington 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.

Arlington generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contracts for services with certain service providers, and from time to time such service providers are expected to include: (i) Arlington or a related person of Arlington (which may include a portfolio company of such Fund), (ii) an entity with which Arlington or its affiliates or current or former members of their personnel has a relationship or from which Arlington or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Arlington personnel are seconded, or from which Arlington receives secondees; or (iii) certain limited partners or their affiliates. For example, Arlington expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects Arlington to conflicts of interest, because although Arlington selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Arlington has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business

interest. There is a possibility that Arlington, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Arlington), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Arlington will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. In certain circumstances where Arlington commits or has committed to seek “market” or “arms-length” rates or terms, Arlington 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, Arlington undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking 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, Arlington 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. Whether or not Arlington has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, Arlington reserves the right from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds, or co- investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such a transaction is entered into represents what ultimately would be the underlying investment’s fair value. To the extent required by the relevant Funds’ Limited Partnership Agreements or otherwise in the sole discretion of Arlington, Arlington reserves the right to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund’s advisory board) to such transactions. In certain circumstances, Arlington reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to a Fund under then-current market conditions. Arlington intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although Arlington generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds’ share of the relevant obligation and/or joint and several liability among Funds. In such case, Arlington intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.



Arlington and/or its affiliates reserves the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Arlington and/or its affiliates; conversely, current or former personnel or executives of Arlington and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Arlington. Similarly, Arlington, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, broker, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Arlington and/or its affiliates, and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Arlington entities) to Arlington personnel and their estate planning vehicles. Arlington expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Arlington information about markets and industries in which Arlington operates (or is contemplating operations) or will provide other services that are beneficial to Arlington. Arlington expects to be subject to a potential conflict of interest in making such recommendations, in that Arlington has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Arlington, its affiliates, and equity holders, officers, principals and employees of Arlington and its affiliates reserve the right to buy or sell securities or other instruments that Arlington has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Such transactions are subject to any restrictions in the relevant Fund's Limited Partnership Agreement and any policies and procedures set forth in Arlington'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 Arlington 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, Arlington 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 or accounts 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, Arlington and its personnel are also permitted to offer, restructure and monetize interests in Arlington.

Because a General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for such General Partner to cause a Fund to make riskier or more speculative investments than it otherwise would make or to retain ownership of investments for a longer period in an effort to achieve a higher return. Also, because there is a fixed investment period after which capital from investors in a Fund may only 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 may create an incentive to deploy capital when the Adviser might not otherwise have done so.

Since Arlington is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. Additionally, Arlington, its personnel, affiliates or others designated by Arlington expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Governing Documents are applied (which could be based on the then-present value of such securities), Arlington and/or such other recipients will be permitted to retain such securities as Supplemental Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Arlington) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Arlington reserves the right to accrue, defer or forego payments of Supplemental Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

The Advisers have entered into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures (including discounted or rebated compensation terms), different information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. 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 applicable 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, or from 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.

In addition, Arlington and its principals and officers may invest for their personal accounts in the same areas of investment opportunity as those in which the Funds may invest and may become aware of, and participate in, business opportunities in which investors may not be given the opportunity to invest as long as such opportunities are not otherwise suitable for the Funds. In addition, due to differing investment objectives or other factors, Arlington and its principals and officers may take investment positions in securities that are different from, or opposite to, the positions taken by a Fund.

Representatives of Arlington may also serve on the boards of directors of and provide management, consulting, and other services to companies that are not Fund portfolio companies. Investors will have no right to any fees derived from these activities.

As described above under “Methods of Analysis, Investment Strategies and Risk of Loss – Investment and Operating Strategy”, one key element of Arlington’s investment approach is partnering with Operating Executives who have experience running businesses. Arlington may partner with an Operating Executive to assist it in identifying one or more target portfolio companies. As a part of that arrangement, Arlington may agree with the Operating Executive that, once a Fund acquires a portfolio company identified by the Operating Executive, Arlington may cause the portfolio company to hire the Operating Executive in an executive-level position. Such arrangements may create a potential conflict of interest, in that such compensation arrangement may incentivize the Operating Executive to recommend an investment in a portfolio company even though the investment may not be in the best interests of the Fund. Arlington believes that it effectively mitigates that risk through its highly disciplined investment process, rigorous pre-investment due diligence and the many years of business and private equity investment experience of its personnel, all of which allow Arlington to form its own conclusions as to the merits of each proposed investment. Furthermore, whether Arlington does, in fact, invest is never at the discretion of the Operating Executive. In addition, after a portfolio company has hired an Operating Executive, the Operating Executive typically causes the portfolio company to enter into a professional services agreement with Arlington, pursuant to which Arlington agrees to provide certain management and other services to the portfolio company and the portfolio company agrees to pay additional compensation to Arlington (which, as described herein under “Fees and Compensation”, may offset in whole or in part the Management Fee otherwise payable to the Managers). An Operating Executive may have an incentive to cause the portfolio company to enter into such an agreement as a result of his or her prior contractual relationships with Arlington, even though such agreement may not be in the best interests of the portfolio company and therefore the Fund.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) are expected to pay certain fees or other compensation to Operating Executives and other third party consultants (including consultants introduced or arranged by Arlington and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees and other compensation do not offset or reduce the Management Fee as described herein. The following discussion of Operating Executives applies equally to any such other third party consultants.

Operating Executives generally make use of Arlington resources or otherwise be associated with Arlington. Arlington and/or its affiliates reserve the right to agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating Executive compensation is expected to include cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, remunerations from Arlington, its affiliates and/or the Fund, or other compensation. Additionally, portfolio companies may provide opportunities for Operating Executives to invest in such portfolio company and reimburse costs and expenses incurred by Operating Executives. Such investment opportunities, reimbursements and other compensation paid to an Operating Executive will not offset or reduce the Management Fees of any Fund as described herein. To the extent that Operating Executives are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Executive's services at a time when fewer portfolio companies or Funds make use of such Operating Executive. Although the use of Operating Executives and the compensation paid to them by Arlington, its affiliates and/or the portfolio companies may subject Arlington and/or its affiliates to potential conflicts of interest, Arlington believes that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Executive is lower than market rates for the services provided and/or if the quality of the services of the Operating Executive align with Arlington's model for the portfolio company and improve portfolio company performance. Although Arlington seeks to retain Operating Executives with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. Arlington also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Arlington believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Operating Executives and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Arlington expects that it may in the future institute a program under which portfolio companies owned by the Funds would be given the option to participate in purchasing, vendor or similar arrangements with Arlington, its affiliates and/or other portfolio companies. Program participants would expect to receive discounts negotiated with various vendors and service providers on a group wide basis. Arlington would allocate any fees and/or third-party administration costs for such program among the relevant Funds and/or portfolio companies. In certain cases, such arrangements will involve the sharing of risk, such as under group insurance arrangements where deductibles are shared or calculated with regard to the group rather than individual insured parties. Arlington and its affiliates also might participate in the program in exchange for an allocable portion of any such fees and/or costs, and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts would offset or reduce the Management Fee. Arlington believes the potential for conflicts relating to such arrangements would be mitigated by the anticipated cost savings to portfolio companies (which would be expected to be to the benefit of the applicable Fund(s)) that would result if the rates for goods and services were discounted due to scale or relative to those widely available in the market.

Arlington has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Arlington has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. From time to time it is expected that Arlington, its affiliates and personnel and/or persons selected by them will receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. To the extent that portfolio companies offer such discounts to customers other than Arlington and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Arlington believes that the potential for conflicts of interest relating to such discounts would be mitigated. Arlington, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to Arlington, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

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

#### **DISCIPLINARY INFORMATION**

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

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AME is affiliated with other Arlington investment advisers registered including General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to AME’s registration in accordance with SEC guidance. These advisers also include AME’s relying advisers that are registered under the Advisers Act pursuant to AME’s registration. These affiliated investment advisers serve as managers or general partners of Funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions.

An indirect minority interest in certain relying advisers of AME is owned by investment funds managed by Goldman Sachs Asset Management’s (“GSAM”) Petershill program (“Petershill”). Petershill does not have authority over the day-to-day operations of investment decisions of AME or its relying advisers as they relate to the Funds, although it has negotiated

certain minority protection and consent rights in connection with its indirect investment in such relying advisers. Although it intends to maintain operations, strategy and investment decisions separate from Petershill, AME and its relying advisers generally will have incentives to conduct operations in a manner that benefits Petershill.

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

The Advisers have adopted the Arlington Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Arlington principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Arlington personnel to report their personal securities transactions, prohibits or requires pre-clearance for Arlington personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Arlington personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Arlington Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any limited partner or prospective limited partner of the Fund upon request to Deneshea Phelps, the Arlington Chief Compliance Officer, at (202) 337-7500. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

The Advisers and their 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, the Advisers and their 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 the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material non-public or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers 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 the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates generally are expected to directly or indirectly own an interest in one or more Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles are expected to invest based on a fixed percentage in one or more of the same portfolio companies as the Funds. Co-invest opportunities generally are also expected to be presented to certain affiliates of the Advisers, as well as third-party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company’s structure. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

The Advisers and their affiliates, principals and employees expect from time to time to carry on investment activities for their own account for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Funds, as well as give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

The operative documents and investment programs of certain vehicles sponsored by Arlington (the “**Reference Funds**”) generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by Fund limited partners (or their representatives) in such Reference Funds or be subject to limitations (*e.g.*, by time or percentage of capital deployed).

In borrowing on behalf of a Fund, Arlington is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of such Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund’s preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the relevant General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers reserves the right to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, they intend to follow the brokerage practices described below.

If the Advisers sell publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution

capability. In selecting a broker to execute client transactions, the Advisers reserve the right to consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally would seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research or deal flow furnished by them, although the Advisers generally do not make use of such services at the current time. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers’ Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by the Advisers, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund. Research services may be shared among the Advisers and their affiliates.

The Advisers do not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers in their discretion reserves the right to cause the Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This generally arises where the Advisers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The Advisers will periodically determine which brokers have provided research or deal flow that has been helpful in the management of the Funds. To the extent consistent with the Advisers’ goal to obtain best execution for the Funds, the Advisers reserve the right to seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Adviser allocates brokerage business on the basis of research services or deal flow, it expects to have an incentive to select or recommend broker-dealers based on the interest in receiving such research, deal flow, or other products or services, rather than based on its Funds’ interest in receiving most favorable execution.



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

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

#### **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Funds invest, and the Arlington Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to each of its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Limited Partner’s tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, the Advisers reserve the right to enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to, and related expenses incurred by, any such placement agents generally will be borne by the Advisers indirectly through an offset against the Management Fee under the governing documents, although, pursuant to the relevant placement agent or other similar agreement, direct payments and reimbursements of such fees and expenses generally will be made to a placement agent by the relevant Fund(s).

### **CUSTODY**

The Advisers maintain custody of the Funds' assets held in the name of one or more Funds with the following qualified custodians: Citibank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and JPMorgan Chase.

### **INVESTMENT DISCRETION**

As a general policy, the Advisers do not allow clients to place limitations on the authority to manage investments on behalf of the Funds. Pursuant to the terms of the Limited Partnership Agreements, however, the Advisers have entered, and expect to enter, into Side Letters with certain limited partners whereby the terms applicable to such limited partners' investment in the Funds are altered or varied, including, in some cases, the right to opt-out of select investments for limited legal, tax, regulatory or other similar reasons. The Advisers assume this authority pursuant to the terms of the applicable Limited Partnership Agreements and powers of attorney executed by the limited partners of each Fund.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of each Fund's limited partners, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek Limited Partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds' advisory boards on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board is authorized to approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Arlington personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of a Fund. If you would like a copy of the Adviser's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Deneshea Phelps, the Arlington Chief Compliance Officer, at (202) 337-7500 and it will be provided to you at no charge.

### **FINANCIAL INFORMATION**

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

**SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS  
OF ARLINGTON MANAGEMENT**

**Matthew L. Altman**

*Educational Background and Business Experience*

Matthew L. Altman joined Arlington in 2001 and is a member of the Firm's Investment Committee. Mr. Altman shares overall responsibilities for all management and investment activities of the Firm. He has primary responsibility for Arlington's healthcare investments and shares responsibility for the Firm's A&D investments. Mr. Altman has closed LBOs, recapitalizations and growth equity investments representing approximately \$3.0 billion in value during his 23 year career in private equity. His private equity experience encompasses a wide range of industries including healthcare services, aerospace, defense, industrial manufacturing, specialty distribution and media. Prior to joining Arlington, Mr. Altman worked at Stonington Partners, a

\$1.0 billion private equity fund established in 1994 by the principals of Merrill Lynch Capital Partners. His responsibilities at Stonington included originating and conducting due diligence of investment opportunities, structuring and negotiating transactions, arranging public and private debt financing, designing management incentive plans and participating in portfolio company management and realizations. Mr. Altman was also directly involved in the monitoring and realization of Merrill Lynch Capital Partners' investments.

Mr. Altman earned an M.B.A. from the Stanford Graduate School of Business and received a B.A. degree, *summa cum laude*, from Duke University in Economics. He currently serves on the Board of Directors of Grand River Aseptic Manufacturing, and Riverpoint Medical, and previously served on the Board of Directors of Advanced Health Media, Avalign Technologies, Cambridge Major Laboratories, Chandler/May, Inc., Cherry Creek Radio, Consolidated Precision Products, Endeavor Robotics, Main Line Broadcasting, MB Aerospace Holdings, Micron Technologies, Molecular Products, New Vision Group, Ontario Systems, Tex Tech Industries, and United Flexible.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Altman.

*Other Business Activities*

Mr. Altman, together with certain other individuals not affiliated with Arlington, has invested in, and participated in the investment activities of an entity established to make personal investments in real estate holdings and start-up companies.

*Additional Compensation*

Mr. Altman does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Partner of Arlington, Mr. Altman is responsible for implementing and overseeing the investment strategy of the clients of Arlington. Mr. Altman is subject to the supervision of the Arlington Chief Compliance Officer with respect to compliance matters, but is not otherwise subject to the supervision of any other person.

## **Michael H. Lustbader**

### *Educational Background and Business Experience*

Michael Lustbader joined Arlington in 1999 and is a member of the Firm's Investment Committee. Mr. Lustbader shares overall responsibilities for all management and investment activities of the Firm. Mr. Lustbader has primary responsibility for the Firm's government services investments and shares responsibility for the Firm's software and business services investments. He has 23 years of private equity and mergers and acquisitions transactional experience having been involved in approximately 50 transactions. Prior to Arlington, Mr. Lustbader worked at Lazard Frères & Co. in New York in the Telecommunications and Technology practice, where he focused on advising corporate clients on mergers and acquisitions. He has been responsible for all aspects of sourcing, evaluating, structuring and closing buyout transactions. Mr. Lustbader's private equity experience includes outsourced business services, IT services and the A&D industry.

Mr. Lustbader earned an A.B. degree, *magna cum laude*, from Harvard College with a major in Social Studies. He currently serves on the Board of Directors of BlueHalo, ITI, J&J Worldwide, Octo Consulting, and Tyto Athene and previously served on the Board of Directors of Apogen Technologies, Centauri, CompuSearch Software Systems, MicroPact, Inc., Novetta Solutions, Polaris Alpha, SECOR International, SignalTree Solutions, Quantum Spatial and Zemax.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Lustbader.

### *Other Business Activities*

Mr. Lustbader is not engaged in any investment-related business outside of his roles with AME and its affiliates.

### *Additional Compensation*

Mr. Lustbader does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Partner of Arlington, Mr. Lustbader is responsible for implementing and overseeing the investment strategy of the clients of Arlington. Mr. Lustbader is subject to the supervision of the Arlington Chief Compliance Officer with respect to compliance matters, but is not otherwise subject to the supervision of any other person.

## **Peter M. Manos**

### *Educational Background and Business Experience*

Peter Manos joined Arlington in 2002, and is a member of the Firm's Investment Committee. Mr. Manos shares overall responsibility for all management and investment activities of the Firm. Mr. Manos has primary responsibility for Arlington's A&D investments and shares responsibility for the Firm's healthcare investments. Mr. Manos has over 27 years of private equity, public equity and mergers and acquisitions transactional experience and has completed 55 transactions in a variety of industries representing over \$4.8 billion in aggregate enterprise value. Prior to Arlington, Mr. Manos co-founded Capitol Partners, a Washington, D.C.-based LBO firm focused exclusively on healthcare investments. Previously, Mr. Manos was a Vice President at The Carlyle Group where he was a member of the aerospace and defense group and a co-founder of the firm's healthcare investment practice. Mr. Manos began his career as an investment banker at DLJ and later at Peers & Co. His private equity and transactional experience is complemented by his operating experience as co-founder and President of iFinance, Inc., a point-of-sale credit infrastructure company.

Mr. Manos earned an M.B.A. from the Harvard Business School and received a B.A. degree from Stanford University with a major in English. He is currently on the Board of Directors of Cadence Aerospace, Forged Solutions Group, Molecular Products, Radius Aerospace, and Tex Tech Industries and previously served on the Board of Directors of Advanced Health, Avalign Technologies, Cambridge Major Laboratories, Chandler/May, Inc., Consolidated Precision Products, Endeavor Robotics, MB Aerospace, Ontario Systems, Quantum Spatial, SECOR International, TSI Group, Inc. and United Flexible.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Manos.

### *Other Business Activities*

Mr. Manos is not engaged in any investment-related business outside of his roles with AME and its affiliates.

### *Additional Compensation*

Mr. Manos does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Partner of Arlington, Mr. Manos is responsible for implementing and overseeing the investment strategy of the clients of Arlington. Mr. Manos is subject to the supervision of the Arlington Chief Compliance Officer with respect to compliance matters, but is not otherwise subject to the supervision of any other person.