

## **Investment Adviser Brochure**

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

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**March 31, 2023**

**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.**

AME 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 AME is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **MATERIAL CHANGES**

AME (as defined below) filed its most recent Form ADV Part 2 on March 31, 2022. This annual amendment includes updates to include new Funds (as defined below), various investment-related risk factors, conflicts of interest and other similar disclosures.

## **ADVISORY BUSINESS**

Arlington Management Employees, LLC, a Delaware limited liability company, doing business as Arlington Capital Partners, is a registered investment adviser that with other affiliated organizations (AME and, together with such affiliated organizations, collectively, “**Arlington**”), as of December 31, 2022, managed approximately \$7,296,670,131 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**”), Arlington Capital Group VI, L.L.C. (“**ACP GP VI**”), Timber Coast Private Opportunities GP, L.P. (“**ACP GP Timber Coast**” and together with ACP GP I, ACP GP II, ACP GP III, ACP GP IV, ACP GP V, ACP GP VI and any future affiliated general partner entities, 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**”), Arlington Capital V, L.P. (“**Manager V**”) and Arlington Capital VI, L.P. (“**Manager VI**,” and together with Manager II, Manager III, Manager IV and Manager V, 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 manager 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 manager 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 manager 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 manager 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.

In its capacity as the manager of Arlington Capital Partners VI, L.P., a Delaware limited partnership (together with any of its feeder vehicles, alternative investment vehicles and other special purpose entities, “**Fund VI**”) and Timber Coast Private Opportunities, L.P., a Delaware limited partnership (together with any of its feeder vehicles, alternative investment vehicles and other special purpose entities, “**Timber Coast**”), Manager VI has the authority to manage the business and affairs of Fund VI and Timber Coast. ACP GP VI is the general partner of Fund VI, and ACP GP Timber Coast is the general partner of Timber Coast. The Advisers manage the business and affairs of Fund II, Fund III, Fund IV, Fund V, Fund VI, Arlington TSI and Timber Coast (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, together with any relevant Limited Partnership Agreement, the “**Governing Documents**”) and the Limited Partnership Agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds (generally referred to herein as “**investors**” or “**limited partners**”) 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, 2022, the Advisers collectively managed approximately \$7,296,600,000 in client assets on a discretionary basis. As of the date hereof, AME is managed by Matthew L. Altman, Michael H. Lustbader, Peter M. Manos and David Wodlinger (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, Manager V and Manager VI 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 current or prospective 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, but in certain instances could be well after the Fund’s initial purchase, 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 and other expenses relating to the diligence or evaluation of a prospective investment are allocated among investors within a Fund 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, depositary, auditing, travel, litigation and indemnification costs and expenses, judgments and settlements, consulting (including consulting and retainer fees paid to Operating Executives 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, 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**”). 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 V prior to such period, but only to the extent that the aggregate Management Fee previously payable to Fund V has not been reduced by such placement fees or excess organizational expenses.

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 general partner of the Manager, 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, 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 Manager V 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; 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.

## *Fund VI*

All investors and prospective investors should review the Limited Partnership Agreement of Fund VI in conjunction with this Brochure for complete information on the fees and compensation payable with respect to Fund VI. 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 VI may be negotiable. Timber Coast does not

charge a Management Fee. Investors and prospective investors in Fund VI 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, 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 VI Waived Fee Amount**”) as provided in the Limited Partnership Agreement for Fund VI.

After giving effect to the Fund VI 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 VI Offset Fees**”). 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 VI prior to such period, but only to the extent that the aggregate Management Fee previously payable to Fund VI has not been reduced by such placement fees or excess organizational expenses, provided that such reduction will be allocated amongst the limited partners other than certain limited partners described in the Limited Partnership Agreement of Fund VI.

Fund VI will be responsible for all fees, costs, expenses, liabilities and obligations relating to the Fund and/or 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 (referred to collectively as “costs”) relating or attributable to: (i) activities with respect to the origination, identification and sourcing of investment opportunities for the Fund, including attending and sponsoring industry conferences and events, meeting with consultants, finders, broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline; (ii) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including expenses incurred in connection with finding and/or partnering with executives of any potential or actual portfolio company to do any of the foregoing with respect to the Fund’s investments (including executive compensation and benefits and fixed and overhead expenses incurred by any portfolio companies (including by a platform company prior to its first acquisition) and due diligence and legal expenses incurred in connection with finding and partnering with executives of any potential or actual portfolio company (including those incurred by such executive))), any associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence, software and service providers, consultants and similar professionals (including any Operating Executives (as defined in the Fund’s Governing Documents)) in connection therewith, whether or not, for the avoidance of doubt, any contemplated transaction or project is consummated and whether or not such activities are successful; (iii) indebtedness of, or guarantees made by, the Fund, the General Partner, the general partner of Manager VI, 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; (iv) financing, commitment, origination and similar activities; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (vi) brokerage, sale, custodial, depository local paying agent, trustee, record keeping, account, registered office and similar services (including any depositary appointed pursuant to the AIFMD and any Swiss representative or paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule or regulation relating to the implementation thereof), trustee, record keeping, account and similar services; (vii) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD or any similar law, rule or regulation (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto), including secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (viii) legal, accounting, research, auditing, technology, administration (including costs associated with any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to, and benefits or personnel costs provided to or on behalf of, the Operating Executives, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax and other professional services (including costs related to the establishment or maintenance of any such activities or services); (ix) reverse breakup, termination and other similar arrangements (including, for the avoidance of doubt, such fees relating to transactions that have been syndicated or offered to but not taken by co-investors, or for which a syndication or co-investment was believed necessary in order to consummate such transaction); (x) insurance, including directors and officers liability, fidelity bond, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance (including costs related to any retention or deductibles and broker costs and commissions) and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance; (xi) filing, title, transfer, survey, registration and other similar activities; (xii) printing, communications, mailing, courier, marketing and publicity; (xiii) 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 similar forms or other communications with partners, any other administrative, compliance or regulatory filings or reports (including Bureau of Economic Analysis Reports, any filings, reports and ongoing compliance contemplated by the AIFMD or any similar law, rule or regulation), or other information, including costs of any third-party service providers and professionals related to the foregoing; provided that the General Partner or Manager VI 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); (xiv) compliance with any tax or financial account reporting regime, including FATCA (as defined in the Fund's Governing Documents), the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, rules and regulations, including any costs of any third-party service providers and professionals related to the foregoing; (xv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial

management and cybersecurity) or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the limited partners; (xvi) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs incurred in connection with the EU Data Protection Law or FOIA (as defined in the Fund's Governing Documents); (xvii) 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 reasonable out-of-pocket costs 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); (xviii) indemnification (including legal and any other costs incurred in connection with indemnifying any partner or other person pursuant to the Limited Partnership Agreement and advancing costs incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification), except as otherwise set forth in the Limited Partnership Agreement; (xix) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xx) any annual, periodic or special meeting of the partners and any other conference, meeting or webcast or other video conference with any Partner(s) (in each case, including any costs associated with venue, set-up, room and board, dining, mementos, honorarium, events or speakers and other meeting or conference-related costs), in each case to the extent incurred by the Fund, the General Partner or any other affiliate of the General Partner; (xxi) the Management Fee paid by the Fund; (xxii) except as otherwise determined by the General Partner in its sole discretion, any cost 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 if it were incurred in connection with the Fund, and costs 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 and any other costs related to any structuring or restructuring of any Fund entity; (xxiii) the dissolution, winding up or termination of the Fund and any persons owned directly or indirectly by the Fund (including portfolio companies) and related entities; (xxiv) defaults by partners in the payment of any capital contributions; (xxv) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities, any entities owned directly or indirectly by the Fund (including portfolio companies) and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxvi) (A) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto, any regulatory costs of the General Partner or any of its affiliates incurred in connection with the operation of the Fund and any costs related to compliance with any environmental, social or governance or other investment considerations and policies applicable to the Fund, the General Partner and/or any of their respective affiliates and/or (B) the validation or other confirmation of any payments made to the Fund or the General Partner (including as a result of any anti-money laundering laws, rules or regulations); (xxvii) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Limited Partnership Agreement; (xxviii) any

consultants, experts or advisors engaged, including independent appraisers engaged in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates (in each case, to the extent permitted under the terms of the Limited Partnership Agreement); (xxix) unreimbursed costs incurred in connection with any transfer or proposed transfer by a limited partner or any limited partner's name change, internal restructuring or change in trust, registered agent or custodian; (xxx) any taxes, fees and other governmental charges levied against the Fund and all costs 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) and any costs of or related to the "partnership representative" of the Fund, provided that the foregoing shall not affect the treatment of any such amount pursuant to the Limited Partnership Agreement; (xxxi) distributions to the partners and other costs associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxxii) unreimbursed and unpaid costs of the Operating Executives or other persons engaged by the Operating Executives; (xxxiii) compliance or regulatory matters (except as otherwise set forth in the Limited Partnership Agreement), including compliance with the Limited Partnership Agreement and/or any side letter or similar agreement; (xxxiv) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner and related entities or any of their respective affiliates at any trade conference, including any applicable registration costs and exhibition, sponsorship or other presentation costs; (xxxv) any travel (including, where appropriate as determined by the General Partner, the cost of chartering private aircraft or other private air travel or a portion thereof; provided that the cost of such chartered or private air travel shall be limited to the cost of commercial first-class travel), car or ride sharing services, other modes of transportation, lodging or meals relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxvi) any of the items listed in clauses (i) - (xxxv) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any such expenses, including where related to an investment or other opportunity not consummated) or where offered to but not taken by co-investors, or for which a syndication or co-investment was believed necessary in order to consummate such transaction; (xxxvii) any organizational expenses; (xxxviii) any placement fees; and (xxxix) any other costs 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**

As is generally the case in private equity funds, the relevant Governing Documents provide that a Fund's Management Fee will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the Governing Documents, from the effective date of the relevant Fund until a date specified in the Governing Documents (generally representing the earlier of the end of the Fund's defined investment period and the date the General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria) (the "**Stepdown Date**"), Management Fees generally will be

charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made by the relevant Fund with respect to investments or portions thereof that (i) have not been distributed to the Fund's limited partners, disposed of for cash or written-off for federal income tax purposes by the relevant Fund or (ii) in the case of any Fund portfolio company investment (excluding bridge financings) with respect to which such Fund has received any cash proceeds with respect to a leveraged recapitalization or similar transaction, do not constitute the portion of such investment equal to a fraction of such investment, not to exceed one, (A) the numerator of which is the aggregate amount of such cash proceeds and (B) the denominator of which is the Fund's investment contributions invested in such portfolio company investment.

As a result, the amount of Management Fees generally will not correspond with fluctuations in the Fund's net asset value, including following the investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of investments or portions thereof written off for U.S. federal income tax purposes. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments.

Management Fees will not be reimbursed or refunded under the Governing Documents in connection with an investment's (i) distribution to the Fund's limited partners, disposition for cash or being written-off for federal income tax purposes by the relevant Fund or (ii) leveraged recapitalization or similar transaction.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full Management Fee specified in the Governing Documents unless or until they are reduced in the circumstances and on the date(s) specified therein.

Further, 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 that 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, Management Fees 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 and/or co-investors (including without limitation legal expenses for a transaction in which all such Funds and/or co-investors participate, or other fees or expenses in connection with services the benefits of which are received by other Funds and/or co-investors 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 the relevant allocable portion of any such fee and not the portion of any fee related to General Partner or affiliated partner commitments or 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, ACP GP V and ACP GP VI receive a Carried Interest equal to 20% of all aggregate realized profits from each of Fund II, Fund III, Fund IV, Fund V and Fund VI, respectively, as more fully described in the applicable Fund’s Limited Partnership Agreement, including that, under certain circumstances, ACP GP VI may receive a Carried Interest equal to 25% of the aggregate realized profits attributable to certain Fund VI limited partners from Fund VI. Upon dissolution of any of the Funds, and with respect to Fund IV, Fund V and Fund VI, 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 in respect of certain Fund VI limited partners under certain circumstances and on certain terms and conditions, in each case, as more fully described in the Governing Agreement of Fund VI, 15%) or (ii) the amount (if positive) of distributions that such General Partner received in the aggregate, in excess of 20% (or in respect of certain Fund VI limited partners under certain circumstances and on certain terms and conditions, 25%) 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 typically 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, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund’s life or at certain interim intervals.

### **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, Fund IV and Fund V 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, Fund VI and Timber Coast each has a stated minimum investment amount of \$10 million for third-party investors though such limits were waived for certain investors in Fund V and Fund VI. 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 and defense; (ii) government services & technology; (iii) healthcare; and (iv) business services and 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 and defense; government services and 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 COVID-19, 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.

In an effort to contain such health emergencies, national, regional and local governments, as well as private businesses and other organizations, have taken or have the potential to take 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. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause 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 any such health emergency — 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, but 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 any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, 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. 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*

Prior and recent deteriorations of the global credit markets have made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. The recent deterioration of the sub-prime and global debt markets has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led 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. 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. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of 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 is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. 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 could 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 could 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, without limitation, unfunded commitments. In addition, there can be no assurance that the Funds will have sufficient cash flow to permit it to make annual distributions in the amounts necessary for the limited partners to pay all tax liabilities resulting from the limited partners' ownership of limited partner interests.

#### *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 investment 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.

#### *Investment Strategy*

While the General Partners generally intend to seek attractive returns for the Funds primarily through the investment strategy and methods described in the Private Placement Memorandum of each Fund, subject to the terms of the Limited Partnership Agreement, the General Partners are permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process and investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Limited Partnership Agreement. The General Partners are permitted to pursue investments outside of the industries and sectors in which Arlington has previously made investments or have internal operational experience.

#### *Use of Leverage*

The types of transactions that the Funds carry out will involve equity investments in businesses undertaking a significant amount of debt and the Funds are permitted to make use of leverage by incurring or having a portfolio company or intermediate entity incur debt to finance a portion of its investment. 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 (and such credit markets may be impacted by regulatory restrictions and guidelines), 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 leverage by a Fund will also result in interest expense and other costs to a Fund that may not be covered by distributions made to such Fund or appreciation of its investments. 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. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. 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 will constrain 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. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company. 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, several, joint and several or cross-collateralized basis with one or more other investment funds and entities managed by the Advisers, including through Fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. 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 maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the 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, or results in short-term gains 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 and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. 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 or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to 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, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, it is possible that the relevant General Partner would require 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 could agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Fund subsidiary.

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. A 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 a 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.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

#### *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 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 will 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. In addition, certain changes in the General Partners or circumstances relating to the General Partners could have an adverse effect on the Funds or one or more of their portfolio companies, including potential acceleration of debt facilities. 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 are expected, from time to time, to 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 will 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 portfolio company or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company. Investments to finance follow-on acquisitions present conflicts of interest, including the determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which an existing Fund has previously invested. In addition, subject to the terms of its Limited Partnership Agreement, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which an existing Fund has already invested or will invest. Conflicts of interest will likely arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

### *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.

### *PIPE Investments*

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

### *Non-Controlling Investments*

While the General Partners do not anticipate causing the Funds to make non-controlling investments, to the extent any such investments are made, the Funds would have a limited ability to protect the Funds' positions in such cases. During the process of exiting investments, the Funds at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of a Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and

goals.

### *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 is permitted to 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.

### *Side Letters*

The General Partners, on behalf of the Funds, generally will enter into Side Letters with one or more limited partners that have the effect of establishing rights or terms, including, but not limited to, different fee structures (including discounted, rebated or other favorable compensation terms, including with respect to the Management Fee or carried interest calculations), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Except where required by the Limited Partnership Agreement or under the terms of such Side Letters, other limited partners will not receive copies of Side Letters or related provisions. The General Partner, on behalf of a Fund, may enter into such Side Letters with any party as the General Partner may determine in its sole and absolute discretion at any time. The other limited partners will have no recourse against the Funds, the General Partners or any of their affiliates in the event that certain limited partners receive additional and/or different rights and/or terms as a result of such Side Letters. 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.

### *Diverse Limited Partner Group*

The limited partners could have conflicting investment, tax, and other interests with respect to their investments in the Funds. The conflicting interests of individual limited partners are expected to relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of a Fund's investments, and the timing of disposition of such Fund's investments. As a consequence, conflicts of interest will arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of investments that could be more beneficial for one limited partner than for another limited partner, particularly with respect to a limited partners' individual tax situations. In selecting and structuring investments appropriate for a Fund, the General Partner will consider the investment and tax objectives of the Fund and the limited partners as a whole, and not the investment, tax, or other objectives of any limited partner individually.

### *Risks Relating to Due Diligence of and Conduct at Portfolio Companies*

Before making investments, each General Partner will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement may present a number of risks primarily relating to a General Partner's reduced control of the functions that are outsourced. When conducting due diligence and making an assessment regarding an investment, a General Partner will rely on the resources available to it, including information provided by the target of an investment and, in some circumstances, third-party investigations. A General Partner's due diligence investigation with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, a due diligence investigation will not necessarily result in any particular investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect and potential investors should regard an investment in a Fund as being speculative and having a high degree of risk.

### *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.

There can be no assurance that any changes in laws, regulations or governmental policy will not have an adverse impact on the Funds and its investments, including the ability of the Funds to execute its investment objectives and to achieve attractive returns.

#### *Monetary Policy and Governmental Intervention*

Actions by the Board of Governors of the Federal Reserve System (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. For example, 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 has indicated a willingness to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities, and in such cases private equity funds would 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 SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact our business and the business of the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact the General Partners and its affiliates, the Funds and/or its investments, and increase their expenses. Significant time and resources would be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Funds.

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.

### *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 Manager; 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 and its affiliates frequently come 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 and practices. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

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*

A recent court decision found that, in certain circumstances, an investment fund could be treated as a "trade or business" for purposes of determining pension liability under the Employee Retirement Income Security Act of 1974, as amended, ("**ERISA**"). Therefore, 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. Each 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 ERISA control group liability 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, Fund, General Partner, Arlington or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or



corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Arlington, the General Partners, the Funds and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Arlington's, the General Partners', the Funds', portfolio companies' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a 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, and the risks of attack are expected to be heightened in remote work environments. 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.

### *Environmental, Social and Governance*

While Arlington may consider environmental, social and governance (“**ESG**”) factors when making investment decisions, it does not specifically pursue an ESG-based investment strategy. Arlington seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that Arlington will be able to successfully implement its ESG policy or make investments in companies that create a positive ESG impact while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Arlington, or any judgment exercised by Arlington, will reflect the beliefs or values of any particular investor. For avoidance of doubt, however, Arlington does not expect to subordinate investment returns or increase investment risks as a result of (or in connection with) the consideration of any ESG factors.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Arlington's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Arlington's ESG policies could become subject to additional regulation in the future.

### *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., including as a result of COVID-19 or otherwise, 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 (the "FAA") 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.

In late 2018 to early 2019, the United States federal government underwent one of the longest government shutdown in United States history. There can be no assurance that future funding impasses, such as the disagreements that resulted in the shutdowns in the prior administration, will not occur again. A government shutdown could give rise to various risks and uncertainties that could negatively impact the performance of the Funds, which is beyond the control of the General Partners.

To the extent the FAA reduces staffing of air traffic controllers during a shutdown, or, to the extent the U.S. Transportation Security Administration (the "TSA") reduces staffing of security agents or other airport-related workers, such actions could result in increased delays, reduced arrival rates and increased flight cancellations across the airline industry, which could, in turn, reduce the demand for aircraft. Further, portions of the federal government deemed nonessential may be shut down, including the FAA and/or the TSA. Because airline operations are regulated by governmental agencies, a government shutdown may have an adverse impact on the Funds' operations.

A prolonged government shutdown could also impact inspections, regulatory review and certifications or cause other situations that could impede the Funds' ability to effectively

implement its investment strategy. For example, a government shutdown could delay the Funds' efforts to seek certifications of aircraft from governmental agencies, which could have a material adverse effect on the Funds' financial condition.

### *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.

The aerospace industry is dependent on a number of factors. For example, the aerospace industry has been highly impacted by COVID-19 and it is likely that the outbreak itself, as well as measures undertaken in response to the outbreak and related breakdowns in public confidence in the travel sector, will have substantial impacts on investments by the Funds. Additionally, the aerospace industry depends, in part, on the price and availability of aircraft fuel. Continued periods of high fuel costs, significant disruptions in the supply of aircraft fuel or significant further increases in fuel costs could have a significant negative impact on air carriers' operating results. Certain airlines continue to experience significant operating losses. Union disputes, employee strikes and other labor-related disruptions may adversely affect airlines' operations. The aerospace industry is materially adversely affected by terrorist attacks, continues to face on-going security concerns and cost burdens associated with security. Increases in insurance costs or reductions in insurance coverage may adversely impact airlines operations and financial results. Changes in government regulation could increase airlines operating costs and limit their ability to conduct their business. The aerospace industry is intensely competitive. It is subject to risk of losses and adverse publicity stemming from any accident involving any of the aircraft and is subject to weather factors and seasonal variations in airline travel, which cause financial results to fluctuate. Any of these factors can affect the value of the Funds' investments.

### *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.

The healthcare industry is also particularly susceptible to the effects of COVID-19, the ultimate impact of which is difficult to predict.

### *Healthcare Reform*

Healthcare reform continues to be a significant factor in the profitability of companies in which the Funds could 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 could 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 Alternative Investment Fund Managers Directive (the “**AIFMD**”), as implemented in each member state of the European Economic Area (“**EEA**”) and as implemented and retained by the United Kingdom (“**UK**”) following its departure from the European Union (the “**EU**”), regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors in the EEA and the UK respectively. To the extent a Fund is actively marketed to investors domiciled or having their registered office in the EEA or the UK: (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 or the UK, 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 or UK portfolio companies, including, in some circumstances, a Fund’s ability to recapitalize, refinance or potentially restructure a 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 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 EU*

The UK formally left the EU on January 31, 2020 (“**Brexit**”), and entered a transition period that ended on December 31, 2020. On December 30, 2020, the UK government and the EU Commission signed 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. However, this agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for

EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions).

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.

The legal, political and economic uncertainty generally resulting from Brexit may adversely affect both EU- and UK-based businesses, including Arlington and Fund portfolio companies, as applicable. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

#### *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. While a General Partner will retain ultimate responsibility for all decisions relating to the operation and management of a Fund, the advisory committee is empowered under such Fund's Limited Partnership Agreement to make certain decisions affecting the Fund and its limited partners' investments in the Fund. Interests of the limited partners represented on the advisory committee will, from time to time, diverge significantly from other limited partners, and the decisions of the advisory committee could reflect such diverging interests. 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, including being an investor in another Arlington Fund that is counter-party in a conflict transaction. These relationships may influence their decisions as members of the advisory committee and they will not be required to recuse themselves from any such conflicted transaction. To the extent members of an advisory committee vote regarding conflicts or otherwise participate in matters involving a vote or action, such members will not vote solely in accordance with their interests related to such Fund and will vote in a manner that is beneficial to such members' other interests at the expense of the Fund. Additionally, it is expected that limited partners who designate representatives to participate on the advisory committee may, by virtue of such participation, have more information about the Fund and portfolio investments in certain circumstances than other limited partners generally and may be disseminated information in advance of communication to other limited partners generally. Although such limited partners are subject to confidentiality obligations, there is no guarantee that such limited partners will not use information received as a member of the advisory committee for purposes unrelated to, and potentially harmful to, a Fund. Additionally, because the advisory committee is expected to be comprised of limited partners with large commitments, the advisory committee may not embody a representative sample of limited partners. Finally, advisory committee members may choose to abstain from voting on certain issues, which means that certain votes and issues could be decided only by non-abstaining members to the extent representing a majority of the advisory committee members.

### *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.

### *Russia-Ukraine Conflict*

The ongoing military conflict between Russia and Ukraine has caused disruption to global financial systems, trade and transport, among other things. In response, multiple countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia and Belarus. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of a Fund or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to a Fund. Such impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which a Fund intends to pursue, all of which could adversely affect a Fund's ability to fulfill its investment objectives.

### *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 (including entities formed for the benefit of such persons and/or to facilitate the provision of their services) 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 has the potential to result in economic effects greater than the original amount of compensation, 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 are permitted to 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. There can be no assurance that valuation decisions of the General Partners with respect to an investment will represent the value realized by a 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.

#### *Bank Fees*

In recent years, certain European and other non-U.S. banks have adopted a negative interest rate and/or a balance sheet utilization fee on certain deposits. Negative interest rates and/or fees of this type could have an adverse effect on private equity funds, such as the Funds, particularly to the extent U.S. banks, adopt such measures as a result of COVID-19 or otherwise. Negative interest rates could force the Funds to effectively lose 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, to the extent facing negative interest rates, a Fund may choose to keep less cash or reserves on hand which could result in a greater capital call from limited partners and/or greater reliance on borrowing, along with related costs.

#### *CFIUS and National Security Clearance Considerations*

Certain investments are expected to be subject to or require review and approval by the U.S. Committee on Foreign Investment in the United States (“**CFIUS**”), such as where CFIUS-related laws, regulations or guidance deem non-U.S. persons or entities under their control (such as a Fund, co-investors and/or rollover sellers) to be acquiring a U.S. business (including a business with assets, employees, facilities, and/or operations in the United States). CFIUS has the authority to review proposed or existing transactions or investments or to seek to impose limitations on or prohibit investments, and CFIUS filings and other considerations can materially impact transaction timing, feasibility, certainty and costs. In certain circumstances, CFIUS considerations have the potential to prevent a Fund from maintaining or pursuing investments, or limit the universe of available buyers for an existing investment. Any of these factors have the potential to adversely affect a Fund’s performance, and the likelihood that CFIUS considerations will be implicated is expected to increase where non-U.S. limited partners comprise a substantial percentage of a Fund. Under the Governing Documents, the relevant General Partner generally is authorized, although not required, to excuse or otherwise limit non-U.S. limited partners’ ability to invest in U.S. businesses (or to exercise voting or advisory committee rights with respect thereto) in order to anticipate or comply with CFIUS considerations. However, there can be no assurance that invoking any such excuse provisions or other limitations will allow the Fund to proceed with or maintain any investment, or to avoid losses relating thereto. Similar considerations are expected to apply with respect to reviews by non-U.S. national security or investment clearance regulators.

#### *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.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose 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.

#### *U.S. Taxation of Carried Interest*

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or Arlington who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for Arlington to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

#### *LIBOR and other Benchmark Rates*

To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate ("**LIBOR**") or other benchmark or reference rates (each, a "**Benchmark Rate**"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio companies; increase the cost of borrowing;

reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

### *Secondaries and other GP-Led Transactions*

There continues to be a significant market in the private fund sector for secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by Arlington following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Arlington believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by the Arlington and its affiliates). However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of Arlington or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Arlington or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction, their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Arlington, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. Further, the relevant General Partner is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances Arlington reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that Arlington will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any

individual limited partner or group of limited partners. However, Arlington reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents.

#### *Financial Institution Risk; Distress Events*

An investment in a Fund is subject to the risk that one or more of the Fund's banks, brokers, hedging counterparties, lenders to or other custodians of some or all of the Fund's assets (each, a "**Financial Institution**") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "**Distress Event**"). Distress Events can be caused by various factors, including eroding market sentiment, significant withdrawals (e.g., a bank run in which depositors collectively withdraw their balances within a short period of time), fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Arlington, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, or the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance (including Fund assets maintained with qualified custodians pursuant to Rule 206(4)-2 under the Advisers Act) are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Arlington to manage the Funds and their investments, and on the ability of Arlington, any Fund and/or portfolio companies to maintain operations, which, in each case, could result in significant losses and unconsummated investment acquisitions and dispositions. Although Arlington seeks to do business with Financial Institutions it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Arlington is under no obligation to use a minimum number of Financial Institutions with respect to any Fund or to maintain account balances at or below the relevant insured amounts. Furthermore, such balances maintained by Arlington and the Funds are generally expected to fluctuate, including with respect to the Funds in connection with capital calls to limited partners and dispositions of investments, and certain balances from time to time will substantially exceed applicable deposit insurance.

#### **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 (including, but not limited to, allocations made to existing Arlington funds to invest the remainder of their capital, and any co-investment vehicles and/or any continuation funds pertaining thereto). Arlington personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. 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. To the extent an advisory opportunity is received that is unsuitable for a Fund, in Arlington's sole discretion, Arlington and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. 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, none of which will offset or otherwise reduce Management Fees.

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 committee 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. In other circumstances, during the period that a portfolio company is owned by a Fund, it could acquire size, revenue or other characteristics that would make it a suitable investment for one or more other Funds.

Following such determination of allocations among Funds, Arlington reserves the right to offer co-investment opportunities to one or more potential co-investors, including Operating Executives, vendors, service providers and/or other 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. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and Arlington expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be

allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. 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. Further, Arlington reserves the right to consider each relevant Fund's strategy as a component of its allocation of investment expenses, and as a general matter will not allocate expenses associated with one Fund's equity investment to a different Fund's credit investment, or *vice versa*, even if the two investments are in the same portfolio company.

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 (or by Arlington and its personnel) 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. Arlington reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arm’s-length.” 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, services, geographies or comparable markets 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 input from an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness or “arm’s-length” nature of a purchase or sale price, whether or not part of a formal fairness opinion, “request for proposal” process, or proposal or quotation provided exclusively for the benefit of Arlington) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund’s advisory committee) 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 (including its value) 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 circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund or any Arlington affiliate, in certain circumstances lenders and other market participants 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 cases, 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. In other circumstances, lenders and other market parties are expected to seek “cross default” rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund or an Arlington affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund’s limited partners could suffer

adverse effects resulting from any default by any Fund or an Arlington affiliate, whether or not related to the Fund in which such limited partners have invested.

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, whether or not relating to financing Arlington personnel obligations to fund General Partner commitment obligations) 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, but will not in such circumstances be required to share in or reimburse the relevant Fund for due diligence or other expenses (including broken deal expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. 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.

The General Partner of each of Fund IV, Fund V and Fund VI generally is permitted to receive a distribution in kind from the applicable Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than Arlington deems suitable for the Fund. Although the General Partner and its beneficial owners bear the risk that the value of such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

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.

Subject to each Fund's Governing Documents, for the avoidance of doubt, to the extent that any other Arlington fund or any other entity or individual co-invests alongside such Fund in any portfolio company investment, any offset fees will be allocated among the Funds and the co-investors in proportion to the cost of the investment or potential investment in the portfolio company held (or committed to be held) by each. Accordingly, the Funds will, in most cases, only benefit from the Management Fee reduction with respect to its allocable portion of any such offset fee and not the portion of any such fee allocable to any other investor in a portfolio company. Similarly, in certain circumstances, Arlington expects that co-investors or other parties will negotiate the right to share a portion of such offset fees from a particular investment, and the Management Fee offset will be applied after excluding any amounts paid to such persons.

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 or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Arlington's compensation, none of which generally will be subject to the "most-favored nation" provisions of a Fund's Governing Documents), different information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, excuse rights applicable to particular investments or industries (which may increase the percentage interest of other limited partners in, and contribution obligations of other limited partners with respect to, such investments) as well as economic procedural and other terms. Arlington is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (*e.g.*, based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Arlington, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Arlington, its affiliates and personnel, or the Funds. Further, 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, Arlington,

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. Side Letters subject Arlington to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund. As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although Arlington believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

In addition, Arlington and its principals and officers reserve the right to 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 are permitted to 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, and reimburse expenses of, 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 amounts 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, and the use of Operating Executives is expected to fluctuate and/or expand over time. 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. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by the 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 generally will 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.

The relevant liability standards under insurance coverage procured by Arlington are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in Arlington's insurance coverage are higher or lower than that set forth in the Governing Documents.

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 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 Brian Foist, Arlington’s Chief Compliance Officer and Chief Financial 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 reserves 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 generally expect that they will be deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “**Custody Rule**”)) of the funds or securities held in the name of one or more Funds, subject to certain exceptions set forth in the Custody Rule and

related guidance, and intend to maintain such assets 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 committees on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory committee 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 Brian Foist, the Arlington Chief Compliance Officer and Chief Financial 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.

**PART 2B OF FORM ADV: BROCHURE SUPPLEMENT – Matthew L. Altman**

**Item 1 – Cover Page**

Matthew L. Altman  
5425 Wisconsin Avenue, Suite 200  
Chevy Chase, MD 20815  
Tel. (202) 337-7500  
Fax. (202) 600-3924

**March 2023**

This Part 2B (the “brochure supplement”) provides information about Matthew L. Altman that supplements Arlington Management Employees, LLC’s (the “Firm” or “Arlington”) Form ADV Part 2A (the “brochure”). Such brochure should have been provided to you prior to, or in conjunction with, this brochure supplement. Please contact Brian Foist, the Firm’s Chief Compliance Officer, at (202) 337-7500 if you have not received the Firm’s brochure or if you have any questions about the contents of this brochure supplement.

## **2. Educational Background and Business Experience**

Matthew L. Altman, 48, 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 Everest Clinical Research, 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.

## **3. Disciplinary History**

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

## **4. Other Business Activities**

Mr. Altman has engaged in, and in the future is expected to engage in, personal and family investment and advisory activities (collectively, "**Personal Activities**"), which activities include making investments unrelated to Arlington, its investment strategies and its advisory clients. Such Personal Activities may involve investments in, alongside or in partnership with individuals or entities, as applicable, which are not affiliated with Arlington or its advisory clients. Such investments may be in real estate, early-stage companies, credit and/or other types of assets or investment strategies that are generally unrelated to Arlington and its lines of business. For the avoidance of doubt, Mr. Altman's Personal Activities do not, in the aggregate, materially interfere with his obligations to Arlington and its advisory clients.

## **5. Additional Compensation**

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

## **6. 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 and Chief Financial Officer, Mr. Brian Foist, with respect to compliance matters, but is not otherwise subject to the supervision of any other person. Mr. Foist can be reached at [bfoist@arlingtoncap.com](mailto:bfoist@arlingtoncap.com) or (202) 337-7500.

**PART 2B OF FORM ADV: BROCHURE SUPPLEMENT – Michael H. Lustbader**

**Item 1 – Cover Page**

Michael H. Lustbader  
5425 Wisconsin Avenue, Suite 200  
Chevy Chase, MD 20815  
Tel. (202) 337-7500  
Fax. (202) 600-3924

**March 2023**

This Part 2B (the “brochure supplement”) provides information about Michael H. Lustbader that supplements Arlington Management Employees, LLC’s (the “Firm” or “Arlington”) Form ADV Part 2A (the “brochure”). Such brochure should have been provided to you prior to, or in conjunction with, this brochure supplement. Please contact Brian Foist, the Firm’s Chief Compliance Officer, at (202) 337-7500 if you have not received the Firm’s brochure or if you have any questions about the contents of this brochure supplement.

## **2. Educational Background and Business Experience**

Michael Lustbader, 47, 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, TRP Infrastructure Services 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.

## **3. Disciplinary History**

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

## **4. Other Business Activities**

Mr. Lustbader has engaged in, and in the future is expected to engage in, personal and family investment and advisory activities (collectively, "**Personal Activities**"), which activities include making investments unrelated to Arlington, its investment strategies and its advisory clients. Such Personal Activities may involve investments in, alongside or in partnership with individuals or entities, as applicable, which are not affiliated with Arlington or its advisory clients. Such investments may be in real estate, early-stage companies, credit and/or other types of assets or investment strategies that are generally unrelated to Arlington and its lines of business. For the avoidance of doubt, Mr. Lustbader's Personal Activities do not, in the aggregate, materially interfere with his obligations to Arlington and its advisory clients.

## **5. Additional Compensation**

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

## **6. 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 and Chief Financial Officer, Mr. Brian Foist, with respect

to compliance matters, but is not otherwise subject to the supervision of any other person. Mr. Foist can be reached at [bfoist@arlingtoncap.com](mailto:bfoist@arlingtoncap.com) or (202) 337-7500.



**PART 2B OF FORM ADV: BROCHURE SUPPLEMENT – Peter M. Manos**

**Item 1 – Cover Page**

Peter M. Manos  
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Chevy Chase, MD 20815  
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**March 2023**

This Part 2B (the “brochure supplement”) provides information about Peter M. Manos that supplements Arlington Management Employees, LLC’s (the “Firm” or “Arlington”) Form ADV Part 2A (the “brochure”). Such brochure should have been provided to you prior to, or in conjunction with, this brochure supplement. Please contact Brian Foist, the Firm’s Chief Compliance Officer, at (202) 337-7500 if you have not received the Firm’s brochure or if you have any questions about the contents of this brochure supplement.

## **2. Educational Background and Business Experience**

Peter Manos, 56, 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, Qarbon Aerospace, Radius Aerospace, Stellant Systems, 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, Molecular Products, Ontario Systems, Quantum Spatial, SECOR International, TSI Group, Inc. and United Flexible.

## **3. Disciplinary History**

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

## **4. Other Business Activities**

Mr. Manos has engaged in, and in the future is expected to engage in, personal and family investment and advisory activities (collectively, "**Personal Activities**"), which activities include making investments unrelated to Arlington, its investment strategies and its advisory clients. Such Personal Activities may involve investments in, alongside or in partnership with individuals or entities, as applicable, which are not affiliated with Arlington or its advisory clients. Such investments may be in real estate, early-stage companies, credit and/or other types of assets or investment strategies that are generally unrelated to Arlington and its lines of business. For the avoidance of doubt, Mr. Manos' Personal Activities do not, in the aggregate, materially interfere with his obligations to Arlington and its advisory clients.

## **5. Additional Compensation**

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

## **6. 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 and Chief Financial Officer, Mr. Brian Foist, with respect to compliance matters, but is not otherwise subject to the supervision of any other person. Mr. Foist can be reached at [bfoist@arlingtoncap.com](mailto:bfoist@arlingtoncap.com) or (202) 337-7500.

**PART 2B OF FORM ADV: BROCHURE SUPPLEMENT – David C. Wodlinger**

**Item 1 – Cover Page**

David C. Wodlinger  
5425 Wisconsin Avenue, Suite 200  
Chevy Chase, MD 20815  
Tel. (202) 337-7500  
Fax. (202) 600-3924

**March 2023**

This Part 2B (the “brochure supplement”) provides information about David C. Wodlinger that supplements Arlington Management Employees, LLC’s (the “Firm” or “Arlington”) Form ADV Part 2A (the “brochure”). Such brochure should have been provided to you prior to, or in conjunction with, this brochure supplement. Please contact Brian Foist, the Firm’s Chief Compliance Officer, at (202) 337-7500 if you have not received the Firm’s brochure or if you have any questions about the contents of this brochure supplement.

## 2. Educational Background and Business Experience

David Wodlinger, 43, joined Arlington in 2006 and is a member of the Firm's Investment Committee. Mr. Wodlinger shares overall responsibility for all management and investment activities of the Firm. Mr. Wodlinger has primary responsibility for Arlington's investments in the government contracting, technology-enabled business services and software and IT services sectors. Prior to Arlington, Mr. Wodlinger worked in Deutsche Bank's Financial Sponsors Group in New York. While at Deutsche Bank, Mr. Wodlinger worked on the origination, diligence, structuring, and financing of leveraged buyouts, including Blackstone's acquisition of New Skies Satellites, Kelso's acquisition of Insurance Auto Auctions, Hicks Muse's acquisition of Swett & Crawford, and Carlyle, CD&R, and Merrill Lynch Private Equity's \$15.0 billion buyout of Hertz. Since joining Arlington, Mr. Wodlinger has completed more than 40 acquisitions including BlueHalo, Cambridge Major Labs, Centauri, Compusearch Software Systems, Micron Technologies, Novetta Solutions, Polaris Alpha, Quantum Spatial and Systems Planning and Analysis. Prior to Deutsche Bank, Mr. Wodlinger worked as a management consultant focused on the U.S. Intelligence Community.

Mr. Wodlinger earned an A.B. degree in Economics, *cum laude*, from Georgetown University. He currently serves on the Board of Directors at BlueHalo and Systems Planning and Analysis. David previously served on the Board of Directors of Cambridge Major Labs, Centauri, Micron Technologies, Novetta Solutions, Polaris Alpha, and Quantum Spatial.

## 3. Disciplinary History

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

## 4. Other Business Activities

Mr. Wodlinger has engaged in, and in the future is expected to engage in, personal and family investment and advisory activities (collectively, "**Personal Activities**"), which activities include making investments unrelated to Arlington, its investment strategies and its advisory clients. Such Personal Activities may involve investments in, alongside or in partnership with individuals or entities, as applicable, which are not affiliated with Arlington or its advisory clients. Such investments may be in real estate, early-stage companies, credit and/or other types of assets or investment strategies that are generally unrelated to Arlington and its lines of business. For the avoidance of doubt, Mr. Wodlinger's Personal Activities do not, in the aggregate, materially interfere with his obligations to Arlington and its advisory clients.

## 5. Additional Compensation

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

## 6. Supervision

As a Partner of Arlington, Mr. Wodlinger is responsible for implementing and overseeing the investment strategy of the clients of Arlington. Mr. Wodlinger is subject to the supervision of the Arlington Chief Compliance Officer and Chief Financial Officer, Mr. Brian Foist, with respect

to compliance matters, but is not otherwise subject to the supervision of any other person. Mr. Foist can be reached at [bfoist@arlingtoncap.com](mailto:bfoist@arlingtoncap.com) or (202) 337-7500.