



Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

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Date of Firm Brochure Update: 3/31/2023

This brochure provides information about the qualifications and business practices of Ara Advisers, LLC, which also conducts business as Ara Partners (referred to herein as “Ara” or “the Firm”). If you have any questions about the contents of this brochure, please contact us at (713) 337-9150, or contact our Chief Compliance Officer, Karthik Narasimhan. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

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

Item 2 Material Changes

The following material changes have been made since Ara’s most recent annual updating amendment in March 2022:

- Ara’s principal business address was updated.
- Various sections throughout the brochure were updated to reflect information about the Funds (as defined below) that Ara currently manages, including those launched since the most recent annual updating amendment.
- The expense disclosures in Item 5 were updated and expanded.
- The risk factors in Item 8 were updated and expanded.

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Item 4 Advisory Business

Ara is a private investment group formed by Charles Cherington and Troy Thacker to pursue control investments in businesses that decarbonize the industrial sector. The Firm focuses on investment opportunities in the industrial & manufacturing, chemicals & materials, energy efficiency & green fuels and food & agricultural sectors (each a “Target Sector”, and collectively the “Target Sectors”). Ara was legally formed in May 2017 under the laws of the State of Delaware as a Limited Liability Company. The operations of Ara are managed by a two-person committee, consisting of Charles Cherington and Troy Thacker.

Ara provides investment advisory services to the private funds detailed below, to which Limited Partners or Members (“LPs”) commit capital and make pro-rata contributions to the Funds based on total committed capital. LPs are primarily comprised of institutional investors, such as pension funds, foundations, endowments and alternative asset funds of funds, and others, including high net worth individuals. The Firm’s advisory services are limited to private equity funds and are not tailored to the individual needs of LPs.

Ara’s clients include, but are not limited to, the following private funds:

- Ara Fund I, LP and its affiliated funds (collectively, “Fund I”); Ara Fund II, LP and its parallel funds (collectively, “Fund II”); Ara Fund III, LP and its parallel funds (collectively, “Fund III”); and Ara Infrastructure Fund I, LP and its parallel funds (collectively, “Infrastructure Fund”) (Fund I, Fund II, Fund III and Infrastructure Fund collectively, the “Main Funds”); and
- Various entities setup as co-investment vehicles (collectively the “Co-investment Funds”, and together with the Main Funds, the “Funds”).

In general, the Funds invest in middle-market companies in the Target Sectors, predominantly located in North America and Europe. Specific investment criteria, limitations, and restrictions are detailed in the private placement memorandum (“PPM”) of the Funds and the applicable limited partnership agreement or limited liability company agreement of the Funds (collectively, “Operating Agreements”).

In providing services to the Funds, Ara executes the investment objective for each Fund, directs and manages the investment of each Fund’s assets, and provides periodic reports to LPs in each Fund. Investment advice is provided directly to each Fund and not individually to the Fund’s LPs. Ara manages the assets of each Fund in accordance with the terms of the governing documents applicable to each Fund, which are generally established at the time of the formation of such Fund. The LPs may not direct investments by the Funds, and except in limited circumstances, LPs are not permitted to withdraw from a Fund prior to completion of the Fund’s winding up.

Ara is wholly-owned by Ara Partners Group, LLC (“APG”), an entity controlled by a four-person management committee. While APG has 100% economic ownership in Ara, it does not control Ara. The general partners and the managers of the Funds (collectively, “GPs”) and Ara are controlled by Mr. Cherington and Mr. Thacker.

As of December 31, 2022, Ara’s regulatory assets under management were \$3,282,008,756, all of which are managed on a discretionary basis.

Item 5 Fees and Compensation

Ara is compensated for its advisory services as follows:

- **Management fees**

LPs in the Funds may be charged a management fee that is called from each LP on a quarterly basis in advance, based upon calculations and terms detailed in the Fund's Operating Agreements.

- **Carried interest**

The GP of the Funds may receive up to 20% of the realized appreciation in the Funds, once certain return hurdles are met. Specific information with respect to the calculation of carried interest is included in the relevant Operating Agreements.

- **Other fees**

The GP of the Main Funds may be entitled to receive topping, break-up, monitoring, administration, director's, organizational, commitment, set-up, consulting, advisory, and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions in respect of portfolio companies of the Funds. As defined in the Operating Agreement, 100% of such fees received by Ara benefit the LPs by way of a management fee offset. Ara has not received any such fees to date, but retains the right to do so at the GP's discretion. LPs in the Co-investment Funds may be periodically charged a fee, based upon calculations and terms detailed in such Co-Investment Fund's Operating Agreement.

- **GP Fee**

In the case of each of Fund II, Fund III and Infrastructure Fund, the GP will receive a fee (the "GP Fee") payable annually by such Fund in an amount equal to the greater of (a) \$10,000 and (b) the GP's costs and expenses incurred in the performance of its general partner duties plus an arm's length net profit, the amount of which will be determined from time to time by the GP in good faith.

These fees are disclosed in the Funds' Operating Agreements and offering documents, as applicable. The Firm and all supervised persons do not receive any other compensation for the sale of securities or other investment products, other than what is disclosed herein.

Ara calls capital from the Funds to pay for expenses that are permitted in the respective Fund's Operating Agreement. Such expenses include but are not limited to: fees, costs and expenses related to the identifying, evaluating, researching, structuring, negotiating, purchasing, monitoring, holding, financing and selling of portfolio investments (to the extent not reimbursed) and any fees, costs and expenses incurred in connection with proposed but unconsummated investments; insurance premiums and expenses, including for directors and officers liability insurance; certain taxes; fees and expenses of accountants, auditors, counsel, consultants, Ara Consultants and Senior Advisers (as defined in the offering documents); a recharge of a portion of costs and expenses of the GP and Ara and their respective affiliates and employees relating to the administration and operation of the Funds, including providing local administration or management services related to portfolio companies, entities or investments of the Funds, provided that the GP determines in good faith that any such costs and expenses are not greater than what would be paid to an unaffiliated third party for substantially similar services; legal, custodial, administration, auditing, accounting (including tax and tax advisory), and other administrative and regulatory and compliance fees and expenses (including certification fees, costs of financial statements, tax returns and Schedule K-1s, costs of the representation of the Fund, the GP and LPs by its tax representative, costs of U.S. Treasury forms and FATCA compliance, in each case, as related specifically to the Funds and portfolio companies and data processing, market research and

information technology costs (including subscription fees and expenses)); costs, expenses and liabilities related to or arising from indebtedness, guarantees, credit support and hedging activities of the Funds (including establishing, utilizing, modifying and retiring any credit facility or other borrowing and any interest thereon); brokerage, banking and consulting expenses; appraisal and valuation expenses; expenses and costs incurred in connection with government and regulatory filings globally (including legal, custodial, administration, auditing, accounting and regulatory and compliance expenses (including Form PF), ongoing registration fees charged by regulators and any fees, costs and expenses incurred in complying with the disclosure, reporting and other similar obligations under the Alternative Investment Fund Managers Directive and any EU disclosure requirements or other secondary legislation, rules and/or associated guidance; fees paid to locally licensed intermediaries that the Funds or an affiliate thereof is required to engage as a result of one or more LPs being domiciled in, or otherwise affiliated with, a particular jurisdiction; all taxes, fees and other governmental charges payable by the Funds in connection with any audit, investigation, settlement or review; costs of reporting to and meeting with the GP and LPs and governmental authorities; costs and expenses of the members of the applicable Fund's Limited Partner Advisory Committee and the annual meeting or special meetings of the GP and LPs and periodic reports to LPs; costs and expenses associated with any consummated or unconsummated transfer of interests in the Funds, to the extent not otherwise borne by the applicable transferor and the transferee; litigation expenses, including those incurred in connection with litigation involving the Funds, the GPs and Ara or any threatened litigation involving the same; costs and expenses incurred in connection with any modifications to or compliance with the Operating Agreements, the management agreement, any side letter (or similar agreements to or with LPs) or any other constituent or related documents of the Funds and GPs; miscellaneous expenses for custodial and safekeeping services and insurance; expenses and costs of liquidating the Funds, any alternative investment vehicle and their subsidiaries and other extraordinary expenses. Expenses borne by the Funds in connection with the evaluation and sourcing of potential investments include, but are not limited to, those related to technology and database costs, attendance at industry conferences, trade association memberships and various travel (up to the equivalent cost of business or first-class airfare in the case of private air travel) and entertainment expenses. A complete list of permitted expenses is in the respective Fund's Operating Agreement and offering documents, as applicable.

Ara also receives reimbursement from the Funds and from portfolio companies held by the Funds, as permitted in the Fund Operating Agreements. Such expense reimbursements include but are not limited to:

From the Funds

- Unconsummated deal expenses, or “dead deal” expenses. This includes any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, engineers, 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; provided that if a co-investor is committed to such transaction prior to the time at which it is decided by the applicable parties not to consummate such transaction, the GP may seek to have such co-investor pay or reimburse such expenses on a pro rata basis based on the parties' expected commitment to such transaction.
- All of the costs and expenses related to the organization of the Fund and any related vehicles and the offering of interests in the Fund, including legal, accounting, tax advisory, filing, capital raising, travel and other organizational expenses.

- In the case of Fund III and the Infrastructure Fund, services provided by Ara Consultants and Senior Advisers (as defined in the offering documents), which may help in the evaluation of technical, operational, legal and commercial aspects of potential portfolio investments. The amount and terms of such payment for services are no less favorable to such Funds than would be obtained on an arms-length basis.

From the Portfolio Companies

- Services of a specialized nature (such as legal counsel, financial and accounting services, etc.) provided by Ara employees (non-investment professionals) to multiple portfolio companies which directly benefit the operations of the portfolio company. The amount and terms of such reimbursement to Ara are no less favorable to the respective portfolio company than would be obtained on an arms-length basis.
- Services provided to any portfolio company in the ordinary course of such portfolio company's business, or as compensation for services provided as an employee of such portfolio company or any of its subsidiaries paid to an employee of Ara who are devoting a majority of their business time to such portfolio companies, where there amount and terms of such payment for services are no less favorable to such portfolio companies than would be obtained on an arms-length basis.
- In the case of Fund III and the Infrastructure Fund, services provided by Ara Consultants (as defined in the offering documents), which drive portfolio company project delivery in highly technical and niche areas of expertise, and ensure best practices and personnel across the entire portfolio. The amount and terms of such payments for services are no less favorable to such portfolio companies than would be obtained on an arms-length basis.
- Services provided by Senior Advisers (as defined in the offering documents), which provide guidance to portfolio companies and their management teams. The amount and terms of such payments for services are no less favorable to such portfolio companies than would be obtained on an arms-length basis.

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

As noted in Item 5, the Firm earns carried interest after certain performance hurdles are met. Ara also receives compensation from Fund I in the form of a management fee, and other fees as noted in Item 5. Please refer to that section for additional details.

Possible conflicts of interest resulting from a performance-based fee structure have been addressed as follows:

- The carried interest may create an incentive for the GP of the Funds to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments than would be the case if such carried interest were not allocated to the GP. Members of the GP have committed a meaningful amount of personal capital to the Funds and are subject to the same risk of loss as the LPs.
- Each Main Fund has a Limited Partner Advisory Committee (whose seats are filled by institutional LPs that represent a significant percentage of the Main Funds committed capital) that reviews all transactions where a conflict of interest exists (i.e., cross-fund investing, related party transactions, or any other situation where the GP believes a conflict of interest exists)

- Each Co-investment Fund has the right to invest its pro-rata share of any follow-on investment alongside the Main Funds per the terms of each applicable Operating Agreement, eliminating any incentive to favor or provide special treatment to the Main Funds.

Item 7 Types of Clients

Ara provides investment advisory services to private funds, to which LPs commit capital and make pro-rata contributions based on total committed capital. The majority of LPs are institutional investors, such as pension funds, foundations, endowments and alternative asset funds of funds, and others, including high net worth individuals. LPs must meet the minimum standards of an “Accredited Investor” under Rule 501A of the Securities Act of 1933, as amended (“Securities Act”). The minimum commitment accepted from an LP is \$5,000,000, subject to Ara’s right to accept lesser amounts.

In addition, a Fund’s GP may enter into letter agreements or other similar arrangements (collectively, “Side Letters”) with one or more LPs without the approval of any other LP that have the effect of establishing rights under, or altering or supplementing the terms of the Operating Agreements of the Funds as they apply to a particular LP. As a result of such Side Letters, certain LPs may receive additional benefits that other LPs will not receive, including without limitation fee breaks, better information rights and transfer rights. The other LPs will have no recourse against the Funds, Ara or any of its affiliates in the event that certain LPs receive additional or different rights or terms as a result of such Side Letters.

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

Ara’s senior management believes that decarbonization of the global industrial economy will create an attractive private equity investment environment for decades to come. Specifically, we believe that the increasingly prominent role of renewable and carbon-efficient resources in the global energy mix provides investment opportunities in the areas of services and specialized infrastructure. Ara will seek to exploit the sector-wide demand for lower-carbon feedstocks; lower-carbon energy delivery and management; reduced consumer and industrial waste; and higher “zero carbon” post-consumer and post-industrial content.

Ara has developed a methodical approach to portfolio management. Within its Target Sectors, Ara seeks to: (i) source and execute differentiated deal flow; (ii) execute hands-on investment management; (iii) acquire platform companies at attractive prices with downside protection; (iv) upgrade personnel and practices; and (v) drive platform company growth to position for exit.

The Infrastructure Fund will target mid-market yield-oriented buyouts and project-level investments and acquirors. Ara believes the Infrastructure Fund is a natural and synergistic extension of its private equity strategy and does not anticipate any overlap in strategy given the later-stage company scale and return targets for the Infrastructure Fund. In the unlikely event that an investment opportunity is suitable for both the Infrastructure Fund and the private equity strategy, Ara has formed an Allocation Committee with shared representation from both strategies to manage conflicts. Unanimous consent from the Allocation Committee will be required to determine an equitable allocation of the investment opportunity.

An investment with Ara involves significant risks, including loss of the entire investment that the LP should be prepared to bear, as disclosed in detail in the Fund's PPM. The following is a list of risks that Ara considers significant; however this list should not be considered exhaustive:

- **No Assurance of Investment Return.** No assurance can be given as to the Funds' ability to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Funds will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. Investments made by the Funds are subject to a wide range of risks beyond the control of the Funds, Ara or its affiliates any of which could cause the Funds' investments to lose value. There can be no assurance that any LP will receive any distribution from any of the Funds. Accordingly, an investment in the Funds should only be considered by persons that can afford a loss of their entire investment. Past activities of investment entities associated with the Ara investment team provide no assurance of future success.
- **Risks of Investment in the Target Sub-Sectors.** The Infrastructure Fund will seek to make investments across the industrial sector, including industrial & manufacturing, chemicals & materials, energy efficiency & green fuels and food & agricultural sectors (each a "Target Sub-Sector", and collectively the "Target Sub-Sectors"). These companies are sensitive to fluctuations in product supply/demand, interest rates, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Such fluctuations may, among other things, increase compliance costs and other costs of doing business. Furthermore, the Target Sub-Sectors may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of materials, including energy and energy-related products, acts of terrorism, changes in government regulation and sudden changes in prices of related materials. The Infrastructure Fund may be adversely affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.
- **Environmental Matters; Environmental Liabilities.** Environmental laws, regulations and regulatory initiatives play a significant role in the Target Sectors and can have a substantial impact on investments in this industry. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The Target Sectors will continue to face considerable oversight from environmental regulatory authorities, in the U.S. and internationally. The Funds may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. For example, environmental laws regulating infrastructure projects could become more restrictive, as governments aim to reduce the emissions of GHGs. Such changes could adversely affect the performance of one or more of the Funds' investments. Compliance with such current or future

environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the projects' customer(s), or for other reasons.

Environmental laws, regulations and regulatory initiatives play a significant role in the natural resource industry and can have a substantial effect on investments in the industry. Environmental laws, regulations and regulatory initiatives may (i) restrict the types, quantities and concentration of various substances that can be released into the environment; (ii) require reporting of or precautions relating to the storage, use or release of certain chemicals and hazardous substances; (iii) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time; (iv) require the acquisition of various permits to conduct regulated activities; (v) limit or prohibit activities in sensitive areas, such as wetlands, coastal regions or areas inhabited by endangered or threatened species, or require monitoring or other mitigation measures in these areas; and (vi) impose substantial civil liabilities or criminal penalties for failures to comply with such laws and regulations. Moreover, there has been a trend in recent years toward stricter standards in environmental, health and safety legislation and regulation, which could affect the success of companies in which the Funds invest. Required expenditures for environmental compliance, including remediation of contamination and restoration of affected areas, have adversely affected investment returns in many segments of the industry. Compliance with current or future environmental requirements does not ensure that the operations of portfolio investments will not cause injury to the environment or to people under all circumstances or that the portfolio investments will not be required to incur additional, unforeseen environmental expenditures. Moreover, failure to comply with environmental requirements could have a material adverse effect on a portfolio investment. Past practices or future operations of portfolio investments could also result in material personal injury or property damage claims. In addition, owners of contaminated properties may be required to expend substantial sums to clean up contaminations that may have been caused by previous owners or operations. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership, such as the Funds, for environmental liabilities that cannot be resolved by the partnership.

- **Shifts in Regulations and/or Scientific Consensus around the Negative Impact of Carbon Emissions.** Investments in decarbonization are subject to a high degree of government regulation, making these investments susceptible to changes in government policy and the failure to secure, or unanticipated delays in securing, regulatory approvals. Such regulations are constantly evolving and are impacted by political and economic factors. If the scientific community were to soften its stance on carbon emission and climate change, the academic community is likely to conform, which in turn could affect policy, public opinion, and other macroeconomic drivers of decarbonization.
- **Uncertainty of Renewable Energy Market.** The market for renewable energy assets and businesses continues to evolve rapidly. Diverse factors, including the cost-effectiveness, performance and reliability of renewable energy technology, changes in weather and climate and availability of government subsidies and incentives, as well as the potential for unforeseeable disruptive technology and innovations, present potential challenges to investments in renewable

assets. Renewable resources (e.g., wind, solar, hydro, geothermal) are inherently variable. Variability can arise from site-specific factors, daily and seasonal trends, long-term impact of climatic factors, or other changes to the surrounding environment. Variations in renewable resource levels impact the amount of electricity generated, and therefore cash flow generated, by renewable energy investments. Renewable power generation sources currently benefit from various incentives in the form of feed-in-tariffs, rebates, tax credits, Renewable Portfolio Standard regulations and other incentives. The reduction, elimination or expiration of government subsidies and economic incentives could adversely affect the cash flows and value of a particular portfolio investment, the flow of potential future investment opportunities and the value of any platform in the sector. In addition, the development and operation of renewable assets might at times be subject to public opposition. For example, with respect to the development and operation of wind projects, public concerns and objections often center around the noise generated by wind turbines and the impact such turbines have on wildlife. While public opposition is usually of greatest concern during the development stage of renewable assets, continued opposition could have an impact on ongoing operations.

- **Technology Changes.** Historically, technology changes in the industrial sector have resulted in gradual incremental improvements with limited disruptive technology impacts. However, there are currently a number of scientific research institutions (including those supported by major venture capital firms and corporations) seeking to develop technologies designed to transform the energy and industrial economy. In the event that any such technology is successfully developed and implemented, the Fund's investments may be adversely affected.
- **Cash Flow and Revenue Generation.** Many industrial assets can be capital intensive at points in time, as heavy capital expenditure programs may result in decreased profits and/or continual capital injection from investors. Typically, the timing and size of future capital requirements can be forecast and should be factored into return expectations. However, sometimes these capital requirements cannot be forecasted due to the development of unforeseen circumstances and unbudgeted maintenance, in which case the Fund's business could be adversely affected.
- **Commodity Price Risk.** Investments made by the Fund might be subject to commodity price risk. The operation and cash flows of any investment could depend, in some cases to a significant extent, upon prevailing market prices of commodities, including, for example, commodities such as gas, electricity, steel or concrete. Commodity prices fluctuate depending on a variety of factors beyond the control of the General Partner or the Fund, including, without limitation, weather conditions, foreign and domestic supply and demand, force majeure events, pandemics such as COVID-19, changes in laws, governmental regulations, price and availability of alternative commodities, international political conditions, including those in the Middle East, actions of the Organization of Petroleum Exporting Countries (and other oil and natural gas producing nations) and overall economic conditions. Recent events in the energy markets, as well as events over the last few years, have caused significant dislocations and illiquidity in the equity and debt markets for commodities. To the extent that such events continue (or even worsen), this could have an adverse impact on certain Fund investments and could lead to an overall weakening of global economies. Any resulting economic downturn (or the continuation of the current economic downturn) could adversely affect the financial resources of and returns generated by a portfolio company in this sector. Such marketplace events could also restrict the ability of the Fund to sell or liquidate portfolio companies at favorable times or for favorable prices. A stabilization or improvement of the conditions in the global financial markets generally and the energy markets specifically likely would aid the Fund's

portfolio companies in this sector. Absent such a recovery or in the event of a further market deterioration, the value of the Fund's portfolio companies in this sector might not appreciate as projected (if applicable) or could suffer a loss. There can be no assurance as to the duration of any perceived current market dislocation.

- **Long-Term Commitment by LPs.** An investment in the Funds represents a long-term commitment. There can be no assurance as to the length of time that any Fund may be required to hold any or all of its investments. LPs will generally not be able to withdraw capital contributions or terminate their capital commitments, irrespective of material changes in the world economy, the Target Sectors, applicable laws and regulations or taxes. In addition, the interests in the Funds are subject to substantial restrictions on transferability. The interests in the Funds generally may not be transferred without the prior written consent of the GP in its sole discretion. In addition, the interests will not be registered under the Securities Act, or the securities laws of any states or any other jurisdictions and, therefore, cannot be resold unless they are subsequently registered under such laws or registration thereunder is not required pursuant to an exemption from such registration or otherwise.
- **Lack of Operating History.** Although the Ara investment team has extensive experience investing in the Target Sectors, the Funds have recently commenced operations and therefore have limited operating history upon which prospective investors may evaluate its performance. As with any performance data, the prior investment performance of the Ara investment team can provide no assurance of future results.
- **Potential for Insufficient Investment Opportunities.** The activity of identifying, completing and realizing attractive investments for the Funds is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. The Funds will be competing for investments with other investors, including companies, individuals, and other financial institutions. Over the past several years, an increasing number of private investment funds have been formed, including in the Target Sectors (and many such existing funds have grown in size), resulting in greater capital available for investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. Competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Funds and adversely affecting the terms upon which investments can be made. Accordingly, there can be no assurance that the Funds will be able to invest fully its committed capital.
- **Concentration of Investments.** The Funds generally will seek to diversify its investment portfolio in a manner consistent with its investment objective and strategy. However, given the nature of the Funds' investment strategy, the Funds may participate in a limited number of investments, and as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single investment.
- **Valuation of Investment Opportunities.** The Funds may make investments relying upon projections developed by the Firm or a portfolio company concerning such company's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of the Firm and the company in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values and/or cash flow.

- **Uncertainty of Financial Projections.** The GP will generally base its investment decisions on the basis of financial projections for each portfolio company. Projected operating results will typically be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.
- **Risk Relating to Due Diligence and Conduct at Portfolio Companies.** Before the Funds make an investment, the GP and/or the Firm will conduct such due diligence as they deem reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence may entail feasibility and technical studies, environmental studies, marketing studies, business plan development, evaluation of important and complex business, financial, tax, accounting, environmental and legal issues as well as background investigations of individuals. Outside professionals, engineers, 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. The involvement of such third parties may present a number of risks primarily relating to reduced control of the functions that are outsourced and may entail significant third-party expenses, which will be borne by the Funds subject to certain limitations thereon set forth in the applicable Operating Agreements. In addition, if the Funds are unable to timely engage third-party providers, its ability to evaluate and acquire more complex assets could be adversely affected. Due diligence investigations with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. Moreover, there can be no assurance that attempts to identify risks associated with an investment will achieve their desired effect. Potential investors should regard an investment in the Funds as being speculative and having a high degree of risk.
- **Resource and Time Intensive Strategy.** Ara's strategy is resource- and time-intensive. This aspect of its strategy constrains the Funds' ability to include a large number of significant investments in its portfolio and necessarily limits the amount of due diligence and research which can be completed on any given proposed investment.
- **Reliance on the GP and the Firm.** The GP and the Firm will have exclusive responsibility for the Funds' activities. Other than as may be set forth herein or in the Operating Agreements, LPs will not be able to make investment or any other decisions in the management of the Funds. In general, the LPs will have no opportunity to control or participate in the day-to-day operations, including investment and disposition decisions, of the Funds. As such, the LPs will not have an opportunity to evaluate for themselves the relevant economic, financial or other information regarding the investments made by the Funds, and instead will be relying on the ability of the GP and the Firm to select the investments to be made using the capital available to the Funds. Accordingly, the success of the Funds will depend in large part upon the skill and expertise of the Ara investment team and other professionals employed by the Firm. There can be no assurance that the Ara investment team and such other professionals will continue to be associated with the Firm throughout the life of the Funds. Were the services of certain of such persons to become unavailable, the effect on the Funds could be material and adverse. In order to maintain their limited liability status under applicable law with respect to the liabilities and obligations of the Funds, LPs are expected to rely entirely on the GP and the Firm to conduct and manage, respectively, the affairs of the Funds.

- **Reliance on Portfolio Company Management.** The Funds may make debt or minority equity investments in entities where the Funds do not control the business or affairs of such entities. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the GP and the Firm will be responsible for monitoring the performance of each investment and generally intend to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in a successful manner.
- **Debt Financing.** The Funds may provide debt financing in connection with one or more of its investments. The Funds will bear the risk of any changes in capital markets that may adversely affect the ability of a portfolio company to refinance any such debt investment. If such portfolio company were unable to complete a refinancing, the Funds could have a long-term investment in a junior debt security or a junior debt security that is convertible into equity, and the interest rate on such debt financing may not adequately reflect the risk associated with the unsecured position taken by such Fund.
- **Global Economic Conditions; Market Dislocation.** General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial markets may affect the value of investments made by the Funds. Instability in the securities markets may increase the risks inherent in portfolio investments made by the Funds. Events of the past decades in the sub-prime mortgage market and other areas of the fixed-income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. To the extent the Funds' portfolio companies participate in such markets, the results of their operations may suffer. In addition, to the extent that such marketplace events continue or worsen, this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S., European and global economies. Any resulting economic downturn could adversely affect the financial resources of the Funds' portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Fund could lose both invested capital in and anticipated profits from such portfolio companies.
- **Cyber Security Breaches and Identity Theft.** Information and technology systems of Ara and the Funds' portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly Ara, the Funds and/or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Ara's, the Funds' and/or a portfolio company's operations 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). Such a failure could harm Ara's, the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

- **Risks of Investment in the Target Sectors.** The Funds will make investments in the Target Sectors, including in companies involved in, or supporting speculative businesses involving a high degree of risk. These companies are sensitive to fluctuations in product supply/demand, interest rates, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Such fluctuations may, among other things, increase compliance costs and other costs of doing business. Furthermore, the Target Sectors may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of materials, acts of terrorism, changes in government regulation and sudden changes in prices of related materials. The Funds may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.
- **Portfolio Company Development, Construction and Operational Risks.** A portfolio company may face development and construction risks, including, but not limited to: (i) labor disputes, shortages of material and skilled labor or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents, breakdowns or failures of equipment or processes; and (vi) catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the Funds' control, such as any event of force majeure. Events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, construction or operation of portfolio company assets or businesses. Such delays or disruptions may result in lost revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company.

While portfolio companies may maintain insurance to protect against certain operational risks, such as business interruption insurance, such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of a portfolio company's losses. In addition, events outside the control of the portfolio company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring facilities. Such operational interruptions or the occurrence of such force majeure events could adversely affect the amount of revenues from operations, which in turn may impair a portfolio company's ability to repay its debt or make distributions to the Funds.

- **Regulation and Oversight of Industrial Assets.** Industrial assets are essential to the effective functioning of society and the modern economy and, as a result, are generally subject to regulation and governments oversight. The level of exposure to political developments as well as the features of the regulatory framework can vary significantly from one jurisdiction or sector to another and can have a significant impact on the generation of investment returns.

In particular, the Infrastructure Fund's industrial projects may be subject to statutory and regulatory requirements, including those imposed by zoning, environmental, safety, labor and other regulatory or political authorities. The adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, could have a material adverse effect on portfolio investments and thus on the Infrastructure Fund's ability to meet its investment objectives. Such changes could necessitate the creation of new business models and the restructuring of investments to meet regulatory requirements, which may be costly and/or time-consuming. In addition, failure to obtain, or a delay

in obtaining, relevant permits or approvals could hinder construction or operation and could result in fines or additional costs for the project entity, which could have a material adverse effect on the Infrastructure Fund's investment projects.

- **Risks of Investments in Processing Facilities and Other Downstream Assets.** In addition to the risks applicable to energy and infrastructure assets in general, refineries and other processing facilities in particular deal with large volumes of flammable and toxic materials. As a result, an accident at such a facility could result in large explosions or fires, and leaks or other breakdowns in safety mechanisms could expose the environment to toxic materials. Such events would be costly to mitigate and could result in loss of life or negative health consequences for employees and surrounding residents. As a result, the company operating the refinery could face regulatory fines, civil litigation and/or negative publicity, any of which would have a material adverse effect on the Infrastructure Fund. As populations increase, the resulting increased demand for land for residential and commercial purposes near refineries could further increase these negative consequences.
- **Development and Construction of New Industrial Assets.** Investments in industrial assets made prior to construction, or so-called "greenfield assets", may experience cost overruns or construction delays for a number of reasons, including design errors or changes to specifications. These risks are particularly high for complex assets and may involve technology risk when new untested technologies are used. Cost overruns and delays can lead to a postponement of the project, which can result in delayed revenues, and reduced returns and could negatively impact the ability to meet any debt financing obligations entered into in connection with the project's construction. In addition, regulatory requirements may delay or increase costs associated with the project approval and bid process for greenfield assets. For example, the approval process for a particular asset may require design changes to mitigate specific concerns that regulators and community members have about a particular project, which could add significant capital cost compared to the original design. In a heavily contested bid process, bid cost risk can be high, and if the bid fails, the cost is typically borne by investors, including the Infrastructure Fund. Greenfield projects may also be attached to existing operating assets and in some instances it may not be possible to develop the new project without impacting the operation of the existing asset. This may place service delivery pressure on the existing asset and may impact revenues and cause additional operating expenditure to try to maintain services.

New-build projects typically require the installation of at least some infrastructure prior to knowing whether the project will be as successful as expected. As a result, new-build projects have more implied risk than buy-and-build and organic growth strategies. To mitigate greenfield risks, the Infrastructure Fund's projects will generally seek to secure some level of contracted and/or expected volumes by one or more high quality counterparties that will utilize the new infrastructure. Contract terms may include guaranteed minimum volumes, creative pricing mechanisms designed to transfer risk from the Infrastructure Fund to the customer and/or risk sharing designed to insure an acceptable downside-case rate of return.

- **Asset-Level Management.** The management of the business or operations of a portfolio company might be contracted to a third-party management company or operator unaffiliated with the GP. The selection of a management company or operator is inherently based on subjective criteria, making the true performance and abilities of a particular management company or operator difficult to assess. Further, there are a limited number of management companies and operators with the expertise necessary to maintain and operate infrastructure projects successfully. Although

it would be possible to replace any such operator, the failure of such an operator to perform its duties adequately or to act in ways that are in the portfolio company's best interest, or the breach by an operator of applicable agreements or laws, rules and regulations, could have an adverse effect on the portfolio company's financial condition or results of operations. A third-party management company could suffer a business failure, become bankrupt, or engage in activities that compete with a portfolio company. These and other risks, including the deterioration of the business relationship between the Infrastructure Fund and the third-party management company, could have an adverse effect on a portfolio company. Should a third-party management company fail to perform its functions satisfactorily, it might be necessary to find a replacement operator, which could require the approval of a government or Regulatory Agency that has granted a concession with respect to the relevant portfolio company. It might not be possible to replace an operator in such circumstances, or do so on a timely basis, or on terms that are favorable to the Infrastructure Fund.

- **Subcontractors.** Infrastructure investments in many cases involve the subcontracting of design and construction activities in respect of projects. The subcontractors responsible for the construction of a project asset will normally retain liability in respect of design and construction defects following the construction of the asset, subject to liability caps and statutory limitations. The contractual arrangements made by the Infrastructure Fund or a third-party management company might not be as effective in passing on risks to its subcontractors as intended and this could result in unexpected costs or a reduction in expected revenues for the Infrastructure Fund. Certain provisions in subcontracts intended to pass risk could be ineffective. In addition to this financial liability, the construction subcontractors might also have an obligation to return to the site in order to carry out any remedial works required for a pre-agreed period. The Infrastructure Fund will not normally have recourse to any third party for any defects which arise after the expiry of limitation periods. If a subcontractor to a third-party management company fails to perform the services which it has agreed to provide, the Infrastructure Fund could fail to meet the service standards it has agreed with certain counterparties and there could be a reduction in the actual income received that was anticipated by the Infrastructure Fund and/or claims by the counterparties against the Infrastructure Fund for damages. These reductions and/or claims are typically passed on to the relevant subcontractor, subject to any contractual liability caps. If there is a subcontractor service failure and the relevant subcontractor or its guarantors or insurers fail to meet their obligations in respect of the liabilities that have been passed on to them, then, to the extent the liability cannot be set off, the Infrastructure Fund will not be compensated for any reductions in payments and/or claims made by counterparties which they suffer as a result of the subcontractor's service failure. Ultimately such service failure could lead to termination of a project agreement.

In some instances, a single subcontractor might be responsible for providing services to various infrastructure investments. In such instances, the default or insolvency of such single subcontractor could adversely affect a number of the infrastructure investments. If there is a subcontractor service failure which is sufficiently serious to cause the Infrastructure Fund or third-party management company to terminate a subcontract, or an insolvency in respect of a subcontractor, or a counterparty requires the Infrastructure Fund to terminate a sub-contract in such event, there could be a loss of revenue during the time taken to find a replacement subcontractor and the replacement subcontractor could levy a surcharge to assume the subcontract or charge more to provide the services. There will also be costs associated with the re-tender process. These costs might not be recoverable from the defaulting subcontractor.

- Natural Disasters, Terrorist Acts and Similar Dislocations.** Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on portfolio companies and other developing economic enterprises in such country. In particular, natural disasters could cause structural and other damage to physical infrastructure and energy assets, which could lead to significant expense for repairs and/or decreased revenue generation. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. or European military and related actions in Afghanistan, Syria, and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S., European and other world economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to the Funds' investments. Included in so-called "force majeure" events is the possibility of a health pandemic, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and most recently, the coronavirus. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the countries in which the Funds may invest and thereby adversely affect the performance of the Fund's investments.
- Key Inputs.** The operations of the businesses in which the Funds invest may rely on access to certain key inputs such as strategic consumables, raw materials and drilling and processing equipment. The inability to obtain such key inputs in a timely manner could delay or reduce a portfolio company's production, which could have an adverse impact on its results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and cash flows of the Funds' investments.
- Risk of Loss.** The Funds may lend to distressed businesses. These loans by their nature are made to companies in unstable financial condition, and thus entail substantial inherent risks. Although the Firm will attempt to manage these risks, there can be no assurance that the Funds' investments will be repaid as agreed or that the Funds will not incur significant losses. The Firm anticipates that several of the Funds' investments may incur losses; thus, investors should be prepared to lose all or substantially all of their capital commitments and contributions to the Funds.
- Operational Risk.** Operational risks associated with an industrial or infrastructure asset in full operation include start-up risk, performance risk and maintenance risk. New build products must be tested prior to entering into full operation. If modifications or corrections are required as a result of such testing, there is the potential for increased costs and delayed revenue generation. Performance risk can include falling short of volume or price objectives or increased costs of doing business. Maintenance risk includes unplanned maintenance costs that can reduce operating cash-flow levels. In particular, mechanical breakdown, spare parts shortages, failure to perform according to design specifications, labor strikes, labor disputes, work stoppages and other work interruptions, and other unanticipated events may adversely affect operations. Exposure to operational risk varies by asset type. Regulated assets, for example electricity grids, can be more protected against certain risks through regulatory formulas or pass through to the customer, while unregulated assets are usually more exposed.

- **Investments in Highly Leveraged Companies.** The Funds may invest in portfolio companies which are expected to employ significant leverage (including substantial leverage senior to the Funds' participation), a considerable portion of which may be at floating interest rates. The leveraged capital structure of such companies will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such company or the energy industry. The Funds' investment in a portfolio company may be among the most junior financing in such company's capital structure. In the event a portfolio company cannot generate adequate cash flow to meet its debt service obligations, the portfolio company may default on its loan agreements or be forced into bankruptcy, resulting in a restructuring or liquidation of the company, and the Funds, particularly in light of the subordinated and/or unsecured position of its mezzanine debt securities, may suffer a partial or total loss of capital invested in the portfolio company.
- **Counterparty Risk.** To the extent that contracts for investment will be entered into between the Funds or a portfolio company and a market counterparty as principal (and not as agent), the Funds or the portfolio companies are exposed to the risk that the market counterparty may, in an insolvency or similar event, be unable to meet its contractual obligations to the Funds or the portfolio companies. The Funds or the portfolio companies may have a limited number of potential counterparties for certain of its investments, which may significantly impair the Funds' or the portfolio companies' ability to reduce its exposure to counterparty risk. In addition, difficulty reaching an agreement with any single counterparty could limit or eliminate the Funds' or the portfolio companies' ability to execute such investments altogether. Because certain purchases, sales, hedging, financing arrangements and other instruments in which the Funds or the portfolio companies will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Funds and the portfolio companies is subject to the risk that a counterparty will not be able to perform, or choose not to perform, its obligations under the related contracts. Although the Funds and the portfolio companies intend to pursue their remedies under any such contracts, there can be no assurance that a market counterparty will not default and that the Funds or the portfolio companies will not sustain a loss on an investment as a result.
- **Illiquid Investments.** Many of the Funds' investments can be expected to be highly illiquid. The Funds will invest in non-publicly-traded securities, private debt and equity instruments, and acquire assets and businesses for which the number of potential purchasers and sellers, if any, is very limited. The Funds will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Funds may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. There can be no assurances that private purchasers of the Funds' investments will be found, or otherwise as to the timing and amount of the distributions, if any, made by the Funds.
- **Uncertain Exit Strategies.** Due to the illiquid nature of the investments which the Funds expect to make, the Firm is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given investment position. Exit strategies which appear to be viable when an investment is initiated may be precluded when the investment is deemed to be ready for realization due to economic, legal, political or other factors. The larger the transaction, the more uncertain the Funds' exit strategy tends to become, which increases risk to the Funds' total returns and success.

Fund PPMs provide current and prospective LPs with an extensive list of risks, including those listed above.

Item 9 Disciplinary Information

Ara and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10 Other Financial Industry Activities and Affiliations

Ara is not a registered broker-dealer, registered representative of a broker-dealer, futures commission merchant, or commodity pool operator, and is not associated with any of these types of entities. Ara also does not recommend other investment advisors for direct or indirect compensation.

As discussed in Item 6, the GPs of the Funds, which are affiliates of Ara, are generally entitled to carried interest distributions.

As disclosed in Item 4, Ara is wholly owned by APG, an entity owned by and controlled by a four-person committee that includes Charles Cherington and Troy Thacker. While APG has 100% economic ownership in Ara, it does not control Ara. The GPs and Ara are controlled by Mr. Cherington and Mr. Thacker.

A conflict of interests between Ara or other investment advisers affiliated with APG related to investment allocations is unlikely given that the investment strategy of such other advisers differs from the investment strategy of Ara. If a conflict arose, however, it would be presented to the applicable Limited Partner Advisory Committees for approval.

Ara engages senior advisors/operating partners in order to source transactions on behalf of the Funds and to provide certain consulting or related services regarding existing Fund investments. Operating partners are not employees of Ara, and as disclosed in Item 5, certain fees, costs, and expenses of such operating partners are borne by the Funds or the portfolio companies.

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

Ara maintains a policy of compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC under rule 204A-1. The Code of Business Conduct and Ethics ("Code of Ethics") applies to each access person, and is designed to ensure compliance with legal requirements and Ara's standards of business conduct.

Ara's investment committee is comprised of senior members of the Ara team who are responsible for making investment decisions on behalf of the Funds. Prior to investing in a fund, each LP is provided with a PPM, comprehensive due diligence materials, opportunities to meet Ara's partners and employees, and the Operating Agreement that documents the fund structure, the GP's roles and responsibilities, the LPs' rights and obligations, and other pertinent partnership terms. Conflicts that may arise as a result of compensation structure (including mitigating factors) are discussed in Item 6. Conflicts that may arise from cross-fund investments or mutual investment ownership among related parties (including mitigating factors) are discussed in Items 6 and 10.

Ara has adopted a compliance manual and code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”) that is predicated on the principle that Ara owes a fiduciary duty to the Funds. Accordingly, employees of Ara must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of the Funds. Upon request, a copy of the Code of Ethics will be provided to existing or prospective LPs.

Ara’s access persons, as defined by Rule 204A-1, must have written clearance for all transactions involving initial public offerings, private placements and certain publicly traded securities before completing the transactions. Ara may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. Ara also endeavors to maintain current and accurate records of all personal securities accounts of its access persons in an effort to monitor all such activity.

Ara, its employees or a related entity will have an investment in each Fund. For example, the GP for each Fund is owned all or in part by Ara’s partners. In addition, Ara and its GPs will participate in the Funds’ investment programs by agreeing to commit a certain percentage of the Funds’ total capital commitments or a certain amount as defined in the Funds’ governing documents. Therefore, Ara, its employees or a related entity will indirectly participate in transactions effected for the Funds.

Ara requires employees to report any outside business activities in order to track such activities for potential conflicts of interest. Certain employees hold director positions at unaffiliated companies. Relevant directorships and other outside business activities are disclosed in Ara’s Form ADV Part 2B, which is available to prospective clients or LPs.

Item 12 Brokerage Practices

Ara’s investment committee members, in their capacity as members of the GP of each Ara fund, have the authority to determine what securities/investments the Funds should buy or sell and what brokers or dealers to use. The majority of the investments made by the Funds are in non-registered securities (e.g., direct participation securities) offered in private placements without the services of a broker-dealer. While Ara has the authority to select brokers or dealers, such authority is seldom exercised. Where the Firm is required to select brokers or dealers for transactions on behalf of an LP, it takes several factors into account, including the financial stability and reputation of the broker or dealer, the quality of the services provided by the broker or dealer, and any special execution capabilities of the broker or dealer. Ara does not necessarily choose a broker or dealer based on the lowest available commission cost or spread. The Firm will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances.

Ara does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

Item 13 Review of Accounts

Ara focuses on making private equity investments in companies in the middle-market. All investments are carefully reviewed and approved by the investment committee. Investment committee approval also requires the approval of the managing partner. The portfolio companies are reviewed on a regular basis and Ara’s

investment professionals meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

On a quarterly basis, a third-party fund administrator, IQ-EQ (“IQ-EQ”), prepares financial statements for the Fund. These financial statements are distributed to each LP in the respective fund, along with the LP’s quarterly capital account statement, which details the LP’s balance sheet, unfunded commitment, capital account activity, and additional information (if applicable) in corresponding footnotes to the statement. Included in the financial statements is a letter from Ara’s managing partners highlighting the activity from the reporting period, as well as written reports detailing the latest financial and operational updates for each company in which the respective fund has invested. The financial statements and capital account statements of the Fund are prepared by IQ-EQ. All financial reports are reviewed by Ara’s Director of Finance.

Item 14 Client Referrals and Other Compensation

Ara has historically compensated a third-party promoter to assist with marketing and private placement of Fund commitments from institutional LPs. The fees paid to such promoter reduce the management fees charged to the LPs, mitigating any perceived conflict of interest. Specific information with respect to the management fee reduction is included in the relevant Operating Agreements.

Item 15 Custody

The Funds are structured as commitment-based investment vehicles. Ara calls capital from the LPs on-demand, for the purpose of making an investment or paying for partnership expenses, including management fees. Capital called that is not immediately deployed (as is sometimes the case when investments or Fund expenses are anticipated in the coming weeks) is held in the Fund’s bank account until needed. Ara has access to client accounts since an affiliate serves as the GP of each Fund.

When an investment is sold, the proceeds are held in the Fund’s bank account for a short period of time until the distribution calculation has been completed. The proceeds are then distributed to each LP according to the distribution provisions set forth in the applicable Fund’s Operating Agreement.

Ara complies with custody requirements of Rule 206(4)-2 under the Advisers Act by subjecting the Funds to an annual audit and distributing the audited financial statements to LPs. The audited financial statements will be prepared in accordance with U.S. Generally Accepted Accounting Principles by an independent public accountant and be will distributed within 120 days of the Fund’s fiscal year end.

Item 16 Investment Discretion

Ara’s investment committee members are given discretionary authority to manage the investment decisions of each Fund. The specific investment discretion granted to the GP is detailed in each Fund’s respective Operating Agreement and Side Letters.

Ara may, but shall not be required to, offer co-investment opportunities to third parties, strategic investors, LPs and, with the consent of the applicable Fund’s Limited Partner Advisory Committee, any other Fund. As a pre-condition to the offering of such co-investment opportunity to one or more persons or entities,

Ara may require such persons or entities to enter in such agreements or other undertakings as Ara determines are necessary or desirable in light of such co-investment opportunity.

Item 17 Voting Client Securities

Ara's investment committee is comprised of senior members of the Ara team who are responsible for making investment decisions on behalf of the Funds. The investment committee's discretion includes voting rights on behalf of securities held by the Funds. Please reference Ara's approach to addressing conflicts of interest in Item 6.

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Ara has adopted and implemented written policies and procedures governing the voting of client securities. Ara's voting policies and procedures are available to LPs upon request.

Most of the portfolio companies in which the Funds invest are private companies which typically do not issue proxies. However, in the event proxies have to be voted, Ara has adopted proxy voting policies and procedures, and will be responsible for voting proxies on behalf of the Funds. Ara will vote client proxies in a way that it believes will maximize shareholder value. Ara's investment professionals are generally responsible for making voting decisions with respect to proxies received. A record of all proxy votes cast on behalf of the Funds will be maintained and available for review. LPs may request a copy of Ara's proxy voting policies or a record of how Ara voted certain proxies by contacting the Chief Compliance Officer.

The specific investment discretion and voting rights granted to the GP are detailed in each Fund's respective Operating Agreement.

Item 18 Financial Information

Ara has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts. As such, disclosure of additional financial information is not required.