

INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV



Arcadius Capital Partners Inc.
Suite 1800, Scotia Centre 700 2nd Street S.W.
Calgary, Alberta T2P 2W1

<http://arcadiuscapital.com/>

March 30, 2016

This Investment Adviser Brochure (“**Brochure**”) provides information about the qualifications and business practices of Arcadius Capital Partners Inc. If you have any questions about the contents of this Brochure, please contact us at (403) 261-4239 or (713) 437-5068. 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.

Arcadius Capital Partners Inc. 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.

This Brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering, governing and/or account documents that contain the material terms relating to such investments, products or services.

Additional information regarding Arcadius Capital Partners Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 **MATERIAL CHANGES**

Since Arcadius Capital Partners Inc filed its initial Form ADV Part 2A on October 14, 2015, there have been no material changes to report in this Brochure. This Brochure contains certain clarifying changes, enhanced disclosure and routine annual updates. We encourage all recipients to read this Brochure carefully and in its entirety.

ITEM 3 **TABLE OF CONTENTS**

	<u>Page</u>
<i>ITEM 2</i> Material Changes	2
<i>ITEM 3</i> Table of Contents	3
<i>ITEM 4</i> Advisory Business	4
<i>ITEM 5</i> Fees and Compensation	5
<i>ITEM 6</i> Performance-Based Fees and Side-By-Side Management	8
<i>ITEM 7</i> Types of Clients	8
<i>ITEM 8</i> Methods of Analysis, Investment Strategies and Risk of Loss.....	9
<i>ITEM 9</i> Disciplinary Information.....	28
<i>ITEM 10</i> Other Financial Industry Activities and Affiliations	28
<i>ITEM 11</i> Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	28
<i>ITEM 12</i> Brokerage Practices	30
<i>ITEM 13</i> Review of Accounts	30
<i>ITEM 14</i> Client Referrals and Other Compensation	31
<i>ITEM 15</i> Custody	32
<i>ITEM 16</i> Investment Discretion	32
<i>ITEM 17</i> Voting Client Securities	32
<i>ITEM 18</i> Financial Information.....	33

ITEM 4 ADVISORY BUSINESS

Arcadius Capital Partners Inc. (“**Arcadius Capital**” or the “**General Partner**”) is a Canadian corporation and a registered investment adviser that began operations in November 2014. Arcadius Capital, Arcadius Capital Partners (US) Inc., a Delaware corporation and wholly-owned subsidiary of the General Partner (the “**Sub-Advisor**” and together with the General Partner and its affiliated entities, “**Arcadius**” or the “**Advisers**”) and their affiliated investment advisers (each named in Item 10 below, “Other Financial Industry Activities and Affiliations”) provide investment advisory services to Arcadius’ private fund clients. Each Adviser is registered as an investment adviser in accordance with SEC guidance under the Advisers Act.

Two of Arcadius’ affiliated investment advisers, SW Capital Partners Inc. and Tombar Energy Holdings, Inc., together serve as the general partners of SW Energy Capital Limited Partnership, a fund that has completed its investment cycle and is focused on managing and identifying exit opportunities for its remaining investments.

Arcadius’ client is Arcadius (SW) Energy Capital, LP, a Delaware limited partnership (the “**Fund**,” and together with any future private investment funds managed by Arcadius, the “**Arcadius Funds**” and each individually an “**Arcadius Fund**”). Arcadius Capital and the Sub-Advisor are generally operated as a single advisory business and are controlled by their principal owners, Jay Brown, Don Hansen and Tym Tombar (the “**Principals**”).

The Fund is a private equity fund and invests through negotiated transactions in operating entities. Arcadius’ investment advisory services to the Fund consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, the Principals or other personnel of Arcadius or its affiliates may serve on the boards of directors of Fund portfolio companies or otherwise act to influence control over management of portfolio companies held by the Fund.

Arcadius’ advisory services for an Arcadius Fund are detailed in the applicable Arcadius Fund’s private placement memorandum, limited partnership agreement and related organizational documents, and are further described below under Item 8 below, “Methods of Analysis, Investment Strategies and Risk of Loss.”

Investors in an Arcadius Fund (each an “**Investor**”) participate in the overall investment program for the applicable Arcadius Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. Arcadius, on behalf of an Arcadius Fund, may from time to time enter into side letter agreements or other similar agreements with one or more Investors, which provide such Investors with additional or different rights (including with respect to economic incentives, access to information, excuse rights and liquidity terms) than the Investors otherwise have pursuant to the applicable Arcadius Fund documents. Arcadius, on behalf of an Arcadius Fund, may enter into such side letters with any party as Arcadius may determine, in its sole and absolute discretion, at any time. Arcadius may establish one or more parallel investment funds to co-invest with any Arcadius Fund. References herein to the “Fund”

or any “Arcadius Fund” include any such parallel investment funds. In addition, Arcadius may form feeder fund vehicles or use alternative structures to address particular legal, regulatory, tax or other considerations particular to any investor or class of investors. Arcadius may also form co-investment vehicles from time to time to co-invest alongside an Arcadius Fund in particular investments.

Arcadius manages \$134,135,288 in regulatory assets under management on a discretionary basis as of December 31, 2015.

ITEM 5 **FEES AND COMPENSATION**

General

The following provides a general description of fees, compensation and expenses of the Arcadius Funds. While the description below may be generally applicable, fees and expenses may vary and are further detailed in the governing agreement(s) of the applicable Arcadius Fund.

Each Arcadius Fund’s limited partnership agreement or other governing agreement(s) describes the fees, compensation and expenses of the particular Arcadius Fund in much greater detail. As detailed below, Arcadius may receive a GP Management Participation (as defined below) and carried interest in connection with providing investment advisory services to the Fund. For other Arcadius Funds, Arcadius may receive GP Management Participation, carried interest, other commitment-based fees or allocations, other performance-based fees or allocations, expense reimbursements or other administrative fees as detailed in such Arcadius Fund’s limited partnership agreement or other governing agreement. Arcadius may also receive additional compensation for any Arcadius Fund in connection with management and other services performed for portfolio companies of the Arcadius Fund(s) and a portion of such additional compensation may offset in whole or in part the GP Management Participation or other fees or allocations otherwise payable to Arcadius. The foregoing compensation is collectively referred to herein as the “**Arcadius Compensation.**”

With respect to co-invest vehicles, to the extent any fees are charged or received by Arcadius, such fees are generally negotiated on a vehicle-by-vehicle basis, but may include GP Management Participation, carried interest, other commitment-based fees or allocations, other performance-based fees or allocations, expense reimbursements, other administrative fees or additional compensation for other services, in each case similar to the types of compensation described above and below relating to the Arcadius Funds.

Arcadius may exempt principals, employees, senior advisors and their related investment vehicles from, and reduce large investors’ payment of, all or a portion of any Arcadius Compensation. Any such exemption from full payment of Arcadius Compensation may be made by a direct exemption, a rebate by Arcadius, or through other Arcadius Funds or co-invest vehicles in which an Investor participates. Arcadius may form co-invest vehicles that are not subject to Arcadius Compensation or that are subject to lesser amounts of Arcadius Compensation than an Arcadius Fund with which the co-invest vehicle participates in investments. Arcadius may also reduce any Arcadius Compensation for certain large or strategic investors through side letter arrangements.

GP Management Participation

During the commitment period of the Fund, the Fund pays Arcadius an annual management participation (the “**GP Management Participation**”) funded by each Investor in the Fund (subject to certain exceptions as described above) quarterly in arrears equal to 2.0% calculated on: (i) aggregate capital commitments (“**Capital Commitments**”), from the initial closing date of the sale of Interests (defined below) in the Fund (the “**Initial Closing**”) through the end of the quarter in which the fifth anniversary of the final closing occurs or the Fund’s active investment period otherwise terminates in accordance with its limited partnership agreement; and (ii) invested capital (determined as of the first day of each quarter) thereafter.

Investors admitted to the Fund subsequent to the Initial Closing, and those Investors increasing their respective Capital Commitments subsequent to the Initial Closing, participate in the investments made by the Fund prior to their admission, other than any prior investment for which a binding written agreement to dispose of such investment was signed prior to the date of such admission or increase, and subject to the General Partner’s right to exclude subsequent Investors and increases from participation in one or more of the pre-existing investments as described below. Such Investors contribute to the Fund an amount equal to their proportionate share of all funded Capital Commitments of Investors admitted in prior closings, plus additional amounts computed as interest thereon at a rate equal to 8% per annum from the date of each applicable funding. The amounts contributed by such Investors (other than amounts attributable to the GP Management Participation and the additional amounts thereon, which will be paid over to the General Partner) will be refunded to the previously-admitted Investors and, other than the additional amounts, will be added back to such Investors’ respective unfunded Capital Commitments and may be drawn down again by the Fund.

In the event of a material change in an investment’s value, the General Partner may, in its sole discretion: (i) increase the cost of carry otherwise to be paid to reflect such change in value, or (ii) exclude subsequent Investors and increases from participating in such investment.

The General Partner, the Principals or their respective affiliates may receive structuring, advisory, monitoring, financing, directors’ and other similar fees in respect of the Fund’s investments. Such fees received by the General Partner, the Principals or their respective affiliates from portfolio companies or prospective portfolio companies will first be applied to pay unreimbursed related expenses or transaction expenses (including those for unconsummated transactions), and remaining amounts may be applied to reduce current or future distributions of the GP Management Participation (but not below zero) to the extent provided in the applicable Arcadius Fund’s governing documents.

Carried Interest

An affiliate of the General Partner (the “**Special Limited Partner**”) is entitled to receive a carried interest with respect to the Fund equal to 20% of all realized profits subject to an 8% annually compounded preferred return, as more fully described in the Fund’s limited partnership agreement. The Special Limited Partner will be required, upon termination of the Fund, to return distributions of carried interest (up to a maximum amount equal to the net after-tax carried interest received by it from the Fund), to the extent that the aggregate amount of carried interest

received by it from the Fund exceeds the aggregate amount of carried interest to which the Special Limited Partner was entitled on a cumulative basis.

It is currently expected that any future Arcadius Funds will have a similar fee structure.

Expenses

The Fund bears all legal costs and other expenses incurred in connection with: the formation and organization of the Fund, the General Partner, the Sub-Advisor and any related entities; the offering and sale of limited partnership interests in the Fund (the “**Interests**,” and when used in reference to any other Arcadius Fund means the limited partnership or similar interests in such other Arcadius Fund) and its related entities; the negotiation, execution and delivery of definitive agreements and other documents related to the Fund and its related entities, including but not limited to legal, accounting, consulting, marketing, mailing, courier, filing, travel, printing and other start-up costs and expenses, and including placement fees (subject to a corresponding reduction in the GP Management Participation for placement fees paid by the Fund), and costs of the General Partner’s and Sub-Advisor’s registration as an investment adviser under the Advisers Act.

The General Partner will pay its own ordinary administrative and overhead expenses incurred in connection with managing the Fund, principally being salaries, benefits and rent.

The Fund pays all other expenses attributable to the Fund’s operation and activities, including but not limited to fees, costs, expenses and liabilities that in the good faith judgment of the General Partner are incurred by or arise out of the operation and activities of the Fund, including: (a) fees, costs, expenses and liabilities related to the management, conduct and operation of the Fund and its business or otherwise attributable to the existence of the Fund and its related entities; (b) the GP Management Participation; (c) the fees, costs expenses and liabilities relating to consummated portfolio investments (including investments warehoused for the Fund) and any syndication thereof, proposed but unconsummated investments (including investments proposed to be warehoused for the Fund) and any proposed but unconsummated syndication of investments, indebtedness, borrowings, contingent commitments, guarantees and temporary investments, including the evaluation, sourcing, finding, investigation, negotiation, acquisition, monitoring, holding, selling, exchanging or other disposition of any of the foregoing, and any syndication costs, to the extent that such fees, costs, expenses and liabilities are not reimbursed by a portfolio company or other third person; (d) fees and expenses related to or arising from any letter of credit in respect of a portfolio company or a Fund liability or commitment; (e) premiums for insurance protecting the Fund and any covered persons from liabilities to third persons in connection with Fund affairs and other insurance-related expenses; (f) legal (including litigation), custodial, auditing, accounting, valuation, data provider services (including management systems and software) and administrative expenses, including expenses associated with the preparation of the Fund’s financial statements, tax returns and Schedule K-1s and any costs incurred in connection with a tax audit, investigation, settlement or review of the Fund, and including bank and custodial accounts and services; (g) banking and external third-party consulting expenses; (h) appraisal expenses (including all expenses and fees of any appraisal firm); (i) expenses related to organizing, maintaining and operating persons through or in which portfolio investments may be made; (j) expenses of the advisory committee (including

for meetings of the advisory committee); (k) compliance costs incurred in connection with the Fund's legal and regulatory compliance obligations (including costs in connection with any audit, investigation or inspection of the Fund or its assets); (l) costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles; (m) except as otherwise provided in the governing agreement(s) of the applicable Fund, taxes and other governmental or regulatory charges, fees and duties payable by the Fund; (n) all travel costs, (o) damages, indemnification obligations and other litigation fees, costs, expenses and liabilities; (p) costs of reporting to the partners (including tax returns and tax reporting) and of any annual meeting; (q) printing and delivery expenses; (r) costs and expenses of any intermediate entity; and (s) costs of winding up and liquidating the Fund; but not including excess organizational expenses or General Partner expenses. Brokerage fees may be incurred in accordance with the practices set forth in Item 12 below, "Brokerage Practices."

Co-investment vehicles generally bear their pro rata share of expenses relating to an investment, but they generally do not bear broken deal expenses as these are generally allocated to the Fund.

Prior Fund

In consideration for managing the remaining assets in SW Energy Capital Limited Partnership, which is now closed to investors, Arcadius or its affiliates generally receive GP Management Participation of 2% and carried interest of 20%. Additional information with respect to the fees, compensation and expenses of SW Energy Capital Limited Partnership is provided in greater detail in its limited partnership agreement.

***ITEM 6* PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under Item 5 above, "Fees and Compensation," the Special Limited Partner may receive a carried interest allocation on realized profits attributable to Investors in the Fund. Except for potential future co-invest vehicles, Arcadius Funds are generally subject to a carried interest. The fact that certain persons pay a lower carried interest and others do not may present a potential conflict of interest. Arcadius will determine allocations of investment opportunities in a manner that they believe is fair and equitable to each Arcadius Fund consistent with Arcadius' obligations to each such Arcadius Fund, including as set forth in the applicable governing agreement(s) and Arcadius' investment allocation policy.

***ITEM 7* TYPES OF CLIENTS**

Arcadius' clients are the Arcadius Funds. The Fund is a Delaware limited partnership which operates as an exempt investment pool under the Investment Company Act of 1940, as amended (the "**1940 Act**"). Arcadius Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the 1940 Act. The Investors participating in the Arcadius Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, sovereign wealth funds, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Arcadius and its affiliates.

The Fund generally has a minimum investment amount of \$5 million for third-party investors, and the Fund's interests are offered and sold solely to "accredited investors" as defined under Rule 501 Regulation D of the United States Securities Act of 1933, as amended (the "**Securities Act**") and "qualified clients" as defined under the Advisers Act. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one's spouse) or (ii) entities with assets totaling over \$5,000,000. Qualified clients are individuals or entities with over \$2,000,000 of net worth (excluding the value of the individual's primary residence) or who placed at least \$1 million under the firm's management, at the time that the individual became an investor in one of the firm's Funds. Non-U.S. investors are not subject to any particular wealth requirements. Such minimum investment amount may be reduced by Arcadius at the discretion of the General Partner, subject to applicable legal requirements. It is currently expected that any future Arcadius Funds will have similar eligibility requirements.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Arcadius provides day-to-day investment advisory services to the Arcadius Funds. The following is a summary of the investment strategies and methods of analysis generally used by Arcadius on behalf of the Arcadius Funds. More detailed descriptions of the Arcadius Funds' investment strategies and methods of analysis are included in the applicable private offering materials and governing agreement(s) of the applicable Arcadius Fund. There can be no assurance that Arcadius will achieve the investment objectives of a given Arcadius Fund and a loss of investment is possible.

Investment Strategy

The Arcadius Funds seek to generate long-term capital appreciation by making profitable private investments in small, U.S. and Canada-based companies operating in the upstream oil and gas sector of the energy industry. Arcadius' management team pursues a disciplined, value-focused investment strategy designed to capitalize on the unique characteristics of the energy industry and the complementary expertise of its management team to achieve attractive absolute and risk-adjusted returns with a view towards capital protection and value maximization. The objective is to proactively identify and partner with high quality management teams in building a portfolio of asset-backed investments. Arcadius expects to focus predominantly on acquisition and exploitation opportunities rather than higher-risk exploration.

The Fund seeks to invest primarily in equity securities of private companies. The Fund may also invest opportunistically in equity securities of public companies and in non-equity securities of both private and public companies.

Invest in Small, Geographically Focused Companies in Cost Competitive Plays

The Advisers believe that the maturity of the conventional basins has led to increased turnover of oil and gas assets and companies and is creating opportunities that favor smaller

private and public companies with smaller initial production bases, lower cost structures, and strong incentive alignment between investors and management for value creation. These smaller companies with acquisition- and exploitation-based strategies acquire assets that are more meaningful within their portfolio of properties than for the seller. With a lower cost structure and increased production resulting from greater management attention and capital, higher returns on investment may be achieved than for the original owner. Thus, an asset or project that may not be attractive to a large company (and therefore not warrant the allocation of management resources or capital) because of smaller production volumes and insignificant profit contribution relative to the company's overall portfolio may nevertheless be very attractive to a small company where it would have a material impact on value, within the framework of the small company's intentional management focus, lower cost structure and production base. Reflecting those economies of scale, management teams of small companies can adopt and execute a "buy, build, and sell" strategy, whereby they acquire underdeveloped assets from larger companies, develop the properties principally through cost competitive drilling, and then sell the asset, resulting in a relatively high turnover of companies and assets. Additionally, the large number of smaller oil and gas producers combined with the sector's capital intensity provides a large number of investment opportunities for the Fund. Asset valuation levels and development cost structures can vary widely from region to region across the U.S. and Canada. By investing in the U.S. and Canada, Arcadius believes the Fund will have a broader market perspective and the opportunity to compare and evaluate a wider range of investment opportunities.

The Fund pursues positions in strategically advantaged basins where there is regional access to technical, valuation, and market insights, and where the Principals have longstanding relationships that drive proprietarily sourced deals. The Fund focuses on geographies where the team has experience.

Target Low-Risk Underdeveloped Assets; Avoid Higher-Risk Exploration

As the conventional oil and gas basins in North America mature, the balance of risk and reward for exploration drilling deteriorates. Business plans underpinned by producing oil and gas assets with repeatable and predictable development drilling and exploitation capital deployment opportunities but with relatively limited exposure to higher-impact exploration upside tend to be lower risk in nature. The underlying cash flow stream associated with producing assets narrows the range of potential investment outcomes by creating a floor value for investors and simplifies quantifying the impact on returns of varying degrees of success or of changes in industry conditions such as commodity prices. In addition, the inherent stability of producing assets offers the opportunity for financial engineering at the portfolio company level – for example, the hedging of commodity prices or interest rates, or the use of financial leverage. Finally, the market for producing oil and gas assets is relatively liquid due to the large number of market participants and the rate at which assets are turned over, thus mitigating the exit risks for the Fund.

Focus on Exploitation Opportunities Based on Management Core Competencies

The global energy industry is a highly technical and complex business requiring the expertise of geologists, geophysicists, engineers, technicians, and other scientists to successfully identify, extract, process, transport, refine, and market hydrocarbons from around the world.

This task has become increasingly more challenging as conventional hydrocarbon basins mature. To earn attractive risk-adjusted returns it is critically important for investors to partner with talented, entrepreneurial management teams with a strong combination of technical, operating, financial, and managerial capabilities and that are adept at employing advanced technologies to enhance asset value. Arcadius believes that the Fund's investment professionals are well positioned to identify and invest with technically-savvy management teams in pursuit of area consolidation strategies seeking to establish dominant positions in focused areas with the goal of adding incremental value through exploitation and low-risk exploration.

Build Asset Bases Through Regional Consolidation to Capitalize on M&A Market Dynamics

Oil and gas producers can attain operating cost and capital synergies and greater control over their facilities when their operations are geographically focused. As a result, large concentrated assets trade in the private transaction market at a premium to smaller, geographically dispersed assets. There is value for investors and companies in consolidating areas where the acquisition cost metrics of accumulating assets in a given geographic area is meaningfully less than the ultimate sale price metrics of the consolidated package. With strong technical acumen and staunch operations focus, management teams can add further value through better financial performance with production growth and unit cost improvements. Having a strong management team with area knowledge and execution expertise is critical in order to successfully execute this strategy. In addition, management teams with a thorough understanding of property supply and demand in the area and access to negotiated or "one-off" transactions have a significant competitive advantage. The Arcadius management team brings industry expertise, past transactional experience and relationships that provide insight into regional asset supply and demand, asset valuation levels, and market trends; as a result, Arcadius believes the Fund is positioned to execute successfully upon an area consolidation strategy.

Risks of Investment

The Arcadius Funds and their investors bear the risk of loss that Arcadius' investment strategy entails. The discussion below enumerates certain risk factors that apply generally to an investment in the Arcadius Funds. Prior to making any investment in an Arcadius Fund, investors should review the particular Arcadius Fund's private placement memorandum for additional information regarding risks and conflicts of interest specific to the particular Arcadius Fund.

General Risks

Prospective investors should be aware that an investment in an Arcadius Fund involves a high degree of risk. There can be no assurance that any Arcadius Fund's investment objectives will be achieved or that an Investor will receive any return of or on its capital. In addition, there will be occasions when Arcadius may encounter potential conflicts of interest in connection with the Arcadius Funds. The following considerations are among those that should be carefully evaluated before making an investment in any Arcadius Fund. As used in this Item 8, references to an "Arcadius Fund" include the Arcadius Fund and its related vehicles.

Risks Related to Investing in Arcadius Funds

Long-Term Nature of Investment; Illiquidity. An investment in an Arcadius Fund requires a long-term commitment, with no certainty of return. Generally, an Arcadius Fund's investments will be illiquid, and there can be no assurance that any Arcadius Fund will be able to realize on such investments in a timely manner or at all. There may be little or no near-term cash flow available to the Investors. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Investors. Arcadius Funds typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. Securities laws. Additionally, the realizable value of a highly illiquid investment may be less than its intrinsic value. While an investment may be sold at any time, it is generally not expected that partial or complete dispositions of investments will result in a return of capital or the realization of gains (if at all) for a number of years after an investment is made. A variety of factors (including economic conditions, asset conditions, political and regulatory considerations and public opinion) could affect the ability of an Arcadius Fund to buy or sell investments on favorable terms.

No Market for Limited Partnership Interests; Restrictions on Transfers. An investment in an Arcadius Fund is suitable only for certain sophisticated investors that have no need for immediate liquidity in their investment and who understand that they may lose all or a significant portion of their invested capital. Investors must be willing to bear the economic risk of an investment in the Arcadius Fund for an indefinite period of time. The Interests have not been registered under the Securities Act, the securities laws of any state of the U.S. or the securities laws of any other jurisdiction; and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be effected. There is no public market for the Interests and one is not expected to develop. An Investor may not assign or encumber any Interest in an Arcadius Fund except with the prior written consent of the General Partner (which may be withheld in the General Partner's sole discretion), and subject to various other limitations. Transfer of an Investor's Interest in an Arcadius Fund will not necessarily relieve such Investor of its obligations in respect of its unpaid capital commitment. Any credit facility of an Arcadius Fund, which may be secured by a pledge of unfunded capital commitments, may impose additional restrictions on the transferability of Interests in the Arcadius Fund. Except in extremely limited circumstances, withdrawals from an Arcadius Fund will not be permitted.

No Assurance of Investment Return. An investment in an Arcadius Fund involves a significant degree of risk. Arcadius cannot provide assurance that it will be able to choose, make, and realize investments in any particular Arcadius Fund. There can be no assurance that any Arcadius Fund 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 assets and transactions described herein. There can be no assurance that any Investor will receive any distribution from any Arcadius Fund. Accordingly, an investment in an Arcadius Fund should only be considered by persons who can afford a loss of their entire investment. Past or current activities of Arcadius'

management team provide no assurance of future success. There can be no assurance that projected or targeted returns for any Arcadius Fund will be achieved.

Investors Will Not Participate in Management of the Arcadius Fund. Arcadius will have the exclusive responsibility for each Arcadius Fund's activities, including the management, day-to-day operations and investment and disposition decisions for the Arcadius Fund. Accordingly, an Investor must rely upon the ability of Arcadius in making, monitoring and disposing of investments in a manner consistent with the Arcadius Fund's investment objectives and policies. Investors will have almost no control over their investments in any Arcadius Fund. Investors will not have the opportunity to approve investments or to independently evaluate the information that will be utilized by Arcadius in the selection, management or disposition of investments.

Limited Access to Information. Investors' rights to information regarding an Arcadius Fund will be specified, and strictly limited, in the limited partnership agreement of the Arcadius Fund. In particular, it is anticipated that Arcadius will obtain certain types of material information from investments that will not be disclosed to Investors because such disclosure is prohibited by contractual, legal or other obligations. Decisions by Arcadius to withhold information may have adverse consequences for Investors in a variety of circumstances. For example, an Investor that seeks to transfer its Interests may have difficulty in determining an appropriate price for such Interests. Decisions to withhold information also may make it difficult for Investors to monitor Arcadius and its performance. Additionally, it is expected that Investors who designate representatives to participate on any Arcadius Fund's Investor advisory committee ("**Investor Advisory Committee**") may, by virtue of such participation, have more information about the Arcadius Fund and investments in certain circumstances than other Investors generally and may be disseminated information in advance of communication to other Investors generally.

Dependence on Key Personnel. The success of an Arcadius Fund depends in substantial part upon the skill and expertise of the members of the Arcadius management team and the other individuals employed by Arcadius. However, there can be no assurance that such professionals will continue to be associated with Arcadius throughout the life of the applicable Arcadius Fund. The loss of one or more members of Arcadius' management team or other key personnel could materially and adversely affect an Arcadius Fund and the performance of its investments. In addition, if the Arcadius management team cannot agree on decisions affecting the Arcadius Fund, it may adversely impact the investment results of the Arcadius Fund, or result in the loss of one or more of the members of the Arcadius management team. In such event, the Arcadius Fund could have a diminished capacity to obtain investment opportunities, to capitalize upon relationships in the oil and gas sector and to structure and execute its potential investments and dispositions. The Arcadius Fund may not be able to successfully recruit additional personnel and any additional personnel that are recruited may not have the requisite skills, knowledge or experience necessary or desirable to enhance the incumbent management.

Lack of Operating History and Experience. Each Arcadius Fund consists of one or more newly formed entities that have not commenced operations prior to the Arcadius Fund's initial closing. Therefore the Arcadius Fund has no operating history upon which prospective investors may evaluate its performance or upon which an Investor can base its prediction of future success

or failure. In addition, although the Arcadius management team has significant experience in making private equity investments in the upstream oil and gas sector, the General Partner and the Sub-Advisor are recently formed entities also with no operating history. Arcadius Funds are permitted to make investments in markets in which Arcadius has no prior operating experience. Accordingly, an Arcadius Fund may compete for assets with entities that may have greater experience and knowledge of such markets and may have better relationships with sellers, brokers, lenders or others in such markets. Investments in new markets may require more management time, staff support and expense in order to develop and maintain an appropriate knowledge base and relevant relationships.

Reliance on Portfolio Company Management. Arcadius Funds intend to seek management rights, including board representation or other rights, where appropriate. However, there is no assurance that these rights, if sought, will be obtained. Furthermore, even in cases where an Arcadius Fund may be represented on management boards or have other management rights, the Arcadius Fund does not expect to have an active role in the day-to-day operations of its investments. The success or failure of many of an Arcadius Fund's portfolio companies may depend to a significant extent on the financial and management talents and efforts of specific employees of such portfolio companies, whose death, disability or resignation could adversely affect the performance of the portfolio company. In addition, the Arcadius Fund may co-invest with non-affiliated co-investors whose ability to influence the day-to-day management and affairs of the portfolio companies' investments may be significant and even greater than that of the Arcadius Fund.

Effect of Fees and Expenses. The Arcadius Fund pays a GP Management Participation share or other Arcadius Compensation to Arcadius and bears all expenses of such Arcadius Fund as described in Item 5 above. Each Arcadius Fund expects to incur significant fund expenses. Arcadius Compensation and fund expenses are expected to reduce actual returns to Investors. Certain Arcadius Compensation and all fund expenses are paid regardless of whether the Arcadius Fund produces positive investment returns. If the Arcadius Fund does not produce significant positive investment returns, the Arcadius Compensation and fund expenses could reduce the amount of the investment recovered by an Investor to an amount less than the amount invested in the Arcadius Fund by such Investor.

Failure to Make Capital Contributions. The interests of an Arcadius Fund may be materially and adversely affected by the failure of an Investor to meet its contribution or other payment obligations to the Arcadius Fund (whether arising through an Investor's default, its excuse or exclusion from one or more investments, or a permitted withdrawal or removal from the Arcadius Fund). If an Investor fails to make any contribution or payment to the Arcadius Fund for any reason, the other Investors may be required to fund the shortfall, with the consequence that the non-defaulting Investors may have greater exposure on the Arcadius Fund's investments or liabilities than they otherwise would. An Investor's failure to make any contribution or payment to the Arcadius Fund for any reason could also cause the Arcadius Fund to be unable to meet the Arcadius Fund's obligations when due, which could materially and adversely impair the Arcadius Fund's ability to execute on its investment strategy or to otherwise continue operations. In such event, the Arcadius Fund may be subjected to significant liabilities or penalties that could materially reduce the returns to the participating Investors (including non-defaulting Investors). A substantial

default by (or discontinued participation of) one or more Investors would limit opportunities for investment diversification and would likely negatively affect the Arcadius Fund's economic results.

Public Disclosure Obligations. An Arcadius Fund may be required to disclose confidential information relating to its investments and its financial results to third parties that may request such information if and to the extent required by federal, state or local law or regulation applicable to the Arcadius Fund or any of its Investors, including any Investors that are public agencies or governmental bodies. Such disclosure obligations may adversely affect certain Investors, particularly Investors who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest.

Side Letters. Arcadius, on behalf of an Arcadius Fund, may from time to time enter into letter agreements or other similar agreements (collectively, "**Side Letters**") with one or more Investors, which provide such Investors with additional or different rights (including with respect to economic incentives, access to information, excuse rights and liquidity terms) than the Investors otherwise have pursuant to the Arcadius Fund's private placement memorandum and limited partnership agreement. As a result of such Side Letters, certain Investors may receive additional benefits that other Investors will not receive. Arcadius will not be required to notify any or all of the other Investors of any such Side Letters or any of the rights or terms or provisions thereof, nor will Arcadius be required to offer such additional or different rights or terms to any or all of the other Investors. Arcadius may enter into such Side Letters with any party as Arcadius may determine, in its sole and absolute discretion, at any time. The other Investors will have no recourse against any Arcadius Fund, Arcadius or any of their affiliates in the event that certain Investors receive additional or different rights or terms as a result of such Side Letters.

Certain Risk Related to an Arcadius Fund's Investments

Liability for Return of Distributions. An Investor's capital commitment is susceptible to risk of loss as a result of any liability of an Arcadius Fund irrespective of whether such liability is attributable to an investment to which such Investor contributed any capital. An Investor may be required to return distributions made to such Investor under various circumstances, including to meet Arcadius Fund obligations. In certain circumstances, applicable law may require that an Investor return previously received distributions with interest. In addition, an Investor may be liable under applicable federal and state bankruptcy or insolvency laws to return a distribution made during the Arcadius Fund's insolvency.

Competitive Market for Investment Opportunities. Identifying and structuring transactions in the natural resources sector is competitive and competition is increasing. A number of new funds and established funds with more generalized investment capabilities have entered into the natural resources sector as capital needs in the North American energy industry have increased and investment returns in other industries have decreased. As global efforts are made to respond to anticipated future population growth, economic development and increased urbanization, and the effects of each of them, the number of funds and sources of investment capital that have similar investment objectives to an Arcadius Fund, or that target similar investment opportunities, is likely to increase, and such funds and vehicles may have more purchasing and negotiating power than the Arcadius Fund. In addition, the availability of investment opportunities generally will be subject to financial and market conditions as well as, in

some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense. There can be no assurance that any Arcadius Fund will be able to locate, complete and exit investments that satisfy the Arcadius Fund's investment objectives or realize upon their values or that it will be able to invest fully its available capital or to diversify the Arcadius Fund's investment portfolio. Additionally, competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available and adversely affecting the terms upon which investments can be made.

Limited Number of Investments; Lack of Diversity. The Arcadius Funds will focus on investments in the energy industry, and in particular in the lower middle market segment of the upstream oil and gas sector. The Arcadius Funds are expected to participate in a limited number of investments and, as a consequence, an Arcadius Fund's aggregate returns may be substantially adversely affected by the unfavorable performance of even a single investment. Although Arcadius will attempt to minimize risk, an Arcadius Fund's actual returns will be subject to numerous factors beyond the Arcadius's control, including among other things natural causes, governmental regulation, competing responses to population growth, economic development, and increased urbanization, the successful implementation of measures to counter any of the foregoing, whether by way of political will, the development of new technologies for that purpose or otherwise, and consumer needs and preferences. On any given investment, loss of all or a portion of the Investors' capital is possible. Investors have no assurance as to the degree of diversification in an Arcadius Fund's investments. Because each Arcadius Fund's investments are expected to be concentrated within the energy industry, portfolio diversification will be less than would be possible if the Arcadius Fund were to invest in a range of industries or sectors. Such reduced diversification may increase the volatility of an Arcadius Fund's returns, and could reduce the Arcadius Fund's returns relative to diversified funds to the extent that the energy industry does not perform as well as other industries. Although the Arcadius Funds (other than any co-invest vehicles) intend to diversify its investments among different assets, no assurances can be given that any such Arcadius Fund will, in fact, so diversify its investments. Arcadius Funds may also make investments that are not diversified geographically. Arcadius Funds may make investments for which third party financing will be desirable but not necessarily available (on desired terms or at all) at the time of investment. Such financing may never become available, or a refinancing may not be able to be completed on desirable terms. This could result in the Arcadius Fund having a variety of unintended long-term investments or reduced diversification. In addition, during the early stages of an Arcadius Fund's term, the Arcadius Fund may hold more concentrated positions than it otherwise would.

Minority Investments. The Arcadius Funds may make minority equity investments in portfolio companies where an Arcadius Fund may not be able to protect its investment or to control or influence effectively the business or affairs of such entities to the same extent as it would in a controlled investment. An Arcadius Fund may be adversely affected by actions taken by the majority equity holder(s) of the portfolio companies in which it invests.

Control Positions. An Arcadius Fund (alone, or together with other investors, including other investment vehicles sponsored by Arcadius) may be deemed to have a control or management position with respect to one or more of the portfolio companies in which it has an investment. This in turn could expose the Arcadius Fund to risk of liability for environmental

damage, product defects, failure to supervise management, violation of governmental regulations, violation of fiduciary duties to minority owners and other types of liability, including, in the case of debt investments, lender liability.

Investments in Unlisted Securities. The Arcadius Funds may invest in companies the securities of which may not now and may never be publicly traded or listed on a securities exchange. Companies whose securities are unlisted are not subject to the same disclosure and other investor protection requirements that are applicable to companies with listed securities. These investments may be difficult to value and to sell or otherwise liquidate, and the risk of investing in such companies is generally much greater than the risk of investing in listed or publicly traded companies.

Investments in Less Established Companies. Arcadius Funds may invest a portion of their assets in smaller, less established or start-up companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by an Arcadius Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies also have shorter operating histories on which to judge future performance and may experience start-up related difficulties that are not faced by established companies. The Arcadius Funds have not established any minimum capitalization or operating history for the companies in which they will invest. In the event of fraud by any company in which an Arcadius Fund invests, the Arcadius Fund may suffer a partial or total loss of capital invested in that company. There can be no assurance that any such losses will be offset by gains (if any) realized on the Arcadius Fund's other investments.

Co-Investment Opportunities. The Arcadius Funds may co-invest in one or more investments with certain strategic investors, lenders, Investors (or affiliates thereof) and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of the Arcadius Fund. The Arcadius Funds may not have control rights over certain of their investments and, therefore, may have a limited ability to protect their position therein. In addition, the Arcadius Funds' investments will be subject to typical risks in connection with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Arcadius Fund, or may be in a position to take (or block) action in a manner contrary to the Arcadius Fund's investment objectives. The Arcadius Fund may also in certain circumstances be liable for the actions of its third-party partners or co-investors. Investments made with third parties in joint ventures or other entities may involve carried interests or fees payable to such third-party partners or co-investors, thereby reducing the distributions to the Arcadius Fund. In addition, such co-investments may or may not be on substantially the same terms and conditions as the Arcadius Fund, and such different terms may be disadvantageous to the Arcadius Fund or to any Investor participating directly or indirectly therein.

Investment in Troubled Assets. The Arcadius Funds may make investments in portfolio companies that are experiencing or are expected to experience financial difficulties which may

never be overcome. These financial difficulties may cause such portfolio companies to become subject to bankruptcy proceedings and could, in certain circumstances, subject the Arcadius Fund to certain additional potential liabilities which may exceed the value of the Arcadius Fund's investment therein. Additionally, under certain circumstances, payments to the Arcadius Fund and distributions by the Arcadius Fund to the Investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws.

Risks in Effecting Operating Improvements. In some cases, the success of an Arcadius Fund's investment strategy will depend, in part, on the ability of the Arcadius Fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Arcadius Fund will be able to successfully identify and implement such restructuring programs and improvements.

Reinvestment. Under certain circumstances, proceeds distributable (or previously distributed) to the Investors that constitute a return of capital contributions may be retained and reinvested (or recalled for reinvestment) by Arcadius or used (or recalled for use) by the Arcadius Fund for any other proper purpose. Amounts available for recall will be restored to the Investors' respective available capital commitments. Accordingly, an Investor may be required to fund for investments or expenses during the term of the Arcadius Fund an aggregate amount that significantly exceeds its capital commitment.

Need for Additional Funds. Following its initial investment in an asset, an Arcadius Fund may need or deem it appropriate to provide additional funds for the investment. There is no assurance that the Arcadius Fund will be willing or be able to fund such follow-on amounts, or that the Arcadius Fund will have sufficient uncommitted capital or available cash to provide additional funds to an asset in excess of its original investment. Any decision by an Arcadius Fund not to make follow-on investments or its inability to make such investments may have a substantial negative impact on an investment in need of such additional capital and may diminish the Arcadius Fund's ability to influence the investment's future development and operation.

Accuracy of Third Party Information. Arcadius may select investments for the Arcadius Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Arcadius by third parties. Although Arcadius will evaluate all such information and data and will ordinarily seek independent corroboration when Arcadius considers it is appropriate and when such corroboration is reasonably available, Arcadius may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available.

Risk Relating to Due Diligence and Conduct at Portfolio Companies. Before an Arcadius Fund makes an investment, Arcadius will conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues as well as background investigations of individuals. 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 of third-party advisors or consultants may present a number of risks primarily relating to reduced control of the functions that are outsourced. In addition, if the Arcadius Fund is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the Arcadius Fund will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigators. 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, due diligence investigations will not necessarily result in an investment being successful. 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 any Arcadius Fund as being speculative and having a high degree of risk. For example, there can be no assurance that any Arcadius Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor an investment on an ongoing basis. In the event of fraud by any portfolio company or any of its affiliates, the Arcadius Fund may suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller of assets acquired by a portfolio company. Such inaccuracy or incompleteness may adversely affect the value of the Arcadius Fund's investments in the affected portfolio company. The Arcadius Funds will rely upon the accuracy and completeness of representations made by portfolio companies and/or their owners in the due diligence process to the extent reasonable when they make their investments, but cannot guarantee such accuracy or completeness.

Expedited Transactions. Investment analyses and decisions by Arcadius may be undertaken on an expedited basis in order for the Arcadius Fund to take advantage of investment opportunities. In such cases, the information available to the Arcadius Fund at the time of an investment decision may be limited, and the Arcadius Fund may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

Projections. The Arcadius Funds may rely upon projections developed by Arcadius or other transaction parties or third party reports concerning an investment's expected future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the persons making such projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could materially and adversely impair the realization of projected values and cash flows.

Reliance on Valuations. Investments will be valued periodically by Arcadius. Any such valuation, however, is a subjective analysis of the fair market value of an asset, and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. Valuations may result in adjustments of an Arcadius Fund's aggregate fair market values or gross or net internal rate of return calculations. There can be no assurance that the Fund's aggregate fair market values or gross or net internal rates of return, as calculated based on such valuations, will be accurate on any given date, nor can there be any assurance that the sale of any asset would be at a price equivalent to the last estimated value of such asset.

Risks Relating to the Energy Industry

Acquisition, Drilling, Exploration and Development Risks. The Arcadius Funds are expected to invest in businesses involved in exploring for, acquiring, drilling, developing and operating oil and gas properties, which involve many risks. In making acquisitions of oil and gas assets, the Arcadius Funds and their portfolio companies must rely on estimates of oil and gas reserves. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. The drilling and development of oil and gas properties can be a speculative business involving a high degree of risk and the use of new technologies. Oil and gas drilling and fracturing may involve unprofitable efforts, not only from dry holes, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. In addition, drilling risks may include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. There can be no assurance that all portfolio companies will be fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect a portfolio company's operations and financial condition.

Environmental Matters. Environmental laws, regulations and regulatory initiatives play a significant role in the energy industry 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. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The energy industry will continue to face considerable oversight from environmental regulatory authorities. The Arcadius 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. 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, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership (such as the Fund) subject to environmental liability.

Volatility of Commodity Prices; Marketing Considerations. Oil and natural gas prices have been particularly volatile in recent months with notable excess supply bringing prices sharply lower. The performance of investments of the Arcadius Funds may be substantially impacted by changes in the prevailing prices of oil and natural gas. Historically, the markets for oil and natural gas have been volatile, and such markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, speculation and a variety of additional factors that are beyond the control of the Arcadius Funds. These factors include the level of consumer product demand, the refining capacity of oil purchasers, weather conditions, domestic and non-U.S. governmental regulations, the price and availability of alternative fuels, political conditions in the Middle East and Africa, actions of the Organization of Petroleum Exporting Countries, the non-U.S. supply of oil and natural gas, the price of non-U.S. imports and overall economic conditions. In addition, changes in commodity prices within North America can vary widely from one location to the next dependent upon the characteristics of the production and the availability of gathering, transportation, processing and storage facilities used to transport the oil and gas to markets. Although it is expected that an Arcadius Fund's portfolio companies may enter into financial hedging contracts to mitigate the impact of changes in commodity prices, these financial hedging transactions will not extend for the entire life of the companies' hydrocarbon production and may not be able to protect the portfolio company from changes in commodity prices. In addition, changes in commodity prices within North America can vary widely from one location to the next dependent upon the characteristics of the production and the availability of gathering, transportation, processing and storage facilities used to transport the oil and gas to markets. Although changes in prices can be mitigated to some extent by hedging activities involving the purchase and sale of financial futures contracts, these contracts are typically priced based on certain main transportation hubs, and in many cases there is no readily available method of protecting changes in commodity prices between the prices at these hubs and the point at which the commodities are sold in the local market in which they are produced.

Energy Regulatory Risks. The energy industry is subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of an Arcadius Fund. The Arcadius Fund's portfolio companies could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such companies. 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 companies' customers or for other reasons. There can be no assurance that a portfolio company will be able to (i) obtain all required regulatory approvals that it does not currently have or that it may be required to have in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to or from third parties or could result in additional costs to a portfolio company.

Regulation of Greenhouse Gases. There is a growing consensus in the U.S. and globally that emissions of greenhouse gases (“GHGs”) are linked to global climate change and this consensus may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more international, U.S. federal or U.S. regional requirements to reduce or mitigate the effects of GHGs. While Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level. However, the EPA has recently announced that it will propose regulations to directly regulate and require reductions to methane emissions from the oil and gas industry. Certain states participate in the Regional Greenhouse Gas Initiative, which is intended to stabilize and reduce emissions of GHGs. In addition, the United States Supreme Court in *Massachusetts v. Environmental Protection Agency* ruled that the United States Clean Air Act authorizes regulation of GHGs.

In January 2015, the U.S. federal government announced a new goal to cut oil and gas sector methane emissions by 40-45% from 2012 levels by 2025, with such cuts to be accomplished with the implementation of a new EPA rule establishing methane and volatile organic compound standards for new and modified oil and gas production sources, to be finalized in 2016, among other new rules and cooperative strategies. Additionally, future lawsuits brought by environmental groups under applicable laws and regulations may result in EPA regulation of methane emissions from existing oil and gas production sources as well. Compliance with these changes could be costly and could have a material adverse economic impact on investments in the oil and gas sector.

While Arcadius will endeavor to take into account existing and anticipated future applicable GHG and methane emissions regulation in its investment decisions, substantial limitations on GHG emissions or any change in the regulation of GHGs and/or methane emissions could adversely affect the demand for oil and gas, and ultimately impact a portfolio investment or make certain future investments undesirable.

Changes in Regulation. Regulatory changes in a jurisdiction where a portfolio investment is located may make the continued operation of the portfolio investment infeasible or economically disadvantageous and any expenditures made to date by such portfolio investment may be wholly or partially written off. The locations of the portfolio investments may also be subject to government exercise of eminent domain power or similar events. Any of these changes could significantly increase the regulatory-related compliance and other expenses incurred by the portfolio investments and could significantly reduce or entirely eliminate any potential revenues generated by one or more of the portfolio investments, which could materially and adversely affect returns to the Arcadius Funds.

Broken Deal Expenses. Investments in the energy industry often require extensive due diligence activities and regulatory approvals prior to acquisition. Due diligence may include, without limitation, feasibility and technical studies, preliminary engineering and marketing studies, and legal and environmental review, any or all of which may entail significant third-party expenses. In the event that an investment is not consummated, the applicable Arcadius Fund(s) may bear some or all of such third party expenses and any termination fees.

Documentation and Other Legal Risks. Upstream oil and gas projects and related projects are typically governed by complex legal agreements. As a result, there can be a higher risk of dispute over interpretation or enforceability of the agreements. It is not uncommon for upstream oil and gas assets to be exposed to a variety of other legal risks including, but not limited to, legal action from special interest groups. Interest groups may use legal processes to seek to impede particular projects to which they are opposed.

Land Title Risks. Certain portfolio investments may require large areas of land (including undersea territory) to install and operate their equipment and associated infrastructure. The rights to use the necessary land may be obtained through freehold title, easements, leases and other rights of use. Different jurisdictions adopt different systems of land title, and in some jurisdictions it may not be possible to ascertain definitively who has the legal right to enter into land tenure arrangements with portfolio investments. In addition, the grantor's fee interests in the land which is the subject of such easements and leases are or may become subject to mortgages securing loans, other liens (such as tax liens) and other lease rights of third parties (such as leases of oil, gas, coal or other mineral rights). As a result, a portfolio investment's rights under such leases or easements are or may be subject and subordinate to the rights of third parties. It is also possible that a default by the grantor under any mortgage could result in a foreclosure on the grantor's interest in the property and thereby terminate the portfolio investment's right to the leases and easements required to operate such portfolio investment. Similarly, it is possible that a government authority, as the holder of a tax lien, could foreclose upon a parcel and take possession of the portion of the portfolio investment located on such parcel. The rights of a third party pursuant to a superior lease (such as leases of oil, gas or other mineral rights) could also result in damage to or disturbance of the physical assets of a portfolio investment or require relocation of portfolio investment assets. If any portfolio investments were to suffer the loss of all or a portion of their underlying real estate interests or equipment as a result of a foreclosure by a mortgagee or other lienholder of a land parcel, or damage arising from the conduct of superior leaseholders, such portfolio investment's operations and revenues may be adversely affected. In addition, any declaration of native title or other indigenous rights in respect of land on which portfolio investments are located may adversely affect the owner or occupier of that land. While the Fund will generally seek to conduct due diligence in such jurisdictions to determine the extent to which portfolio investments may be affected by indigenous rights, it may not be possible to mitigate or remove a risk associated with indigenous claims.

Fragmented Industry. Although the North American energy industry is highly fragmented, which Arcadius believes enhances the opportunity to deploy its acquisition and exploitation investment strategy for the Arcadius Funds, it is possible that one or more segments of the industry could cease to be as fragmented as a result of significant investments by a group of dominant consolidators. The performance of an Arcadius Fund's investments could be materially adversely impacted in the event that dominant consolidators materialize within a segment of the energy industry in which the Arcadius Fund is invested.

Reliance on Financial and Engineering Projections. Arcadius expects to establish the capital structure of the companies in which the Arcadius Funds invest on the basis of its financial projections for such companies, which will normally be based primarily on management projections. In addition, for companies engaged in the production of oil and natural gas, significant reliance will be placed on the companies' engineering analysis. Estimates of

hydrocarbon reserves, by necessity, are projections based on engineering data involving a subjective process of estimating the quantity of underground accumulations of hydrocarbons, projections of future rates of hydrocarbon production, timing of capital expenditures and future commodity prices. Such projections will be estimates of future results, based on assumptions made at the time that the projections are developed, and there can be no certainty that these results will be obtained. In fact, actual results may vary significantly from projections. General economic conditions and other factors, such as interest rates and commodity prices, which are not predictable, can have a materially adverse impact upon actual results.

Operational and Technical Risks. The Arcadius Funds' investments may be subject to operating and technical risks, including the risk of mechanical breakdown, spare parts shortages, failure to perform according to design specifications, failure to meet expected levels of efficiency, availability or output, increases in costs of fuel or other necessary supplies, pipeline or offtake disruptions, power shutdowns, labor strikes, labor disputes, work stoppages and other work interruptions, and other unanticipated events which adversely affect operations. While the Arcadius Funds expect to seek investments in which creditworthy and appropriately bonded and insured third parties may bear certain of these risks, there can be no assurance that any or all such risk can be mitigated or that such parties, if present, will perform their obligations. The long-term profitability of an Arcadius Fund's assets, once constructed, is partly dependent upon the efficient operation and maintenance of the assets. Inefficient operations and maintenance, or limitations in the skills, experience or resources of operating companies, may reduce returns to Investors.

Catastrophic and Force Majeure Events; Availability of Insurance. The Arcadius Funds' investments may be subject to catastrophic events and other force majeure events, in the construction, technical and operational phases, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment, significant down time resulting in lost revenues, and injury or loss of life, as well as litigation related thereto, among other potentially detrimental effects. Losses from such catastrophic events may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. To the extent losses related to such events are insurable at all, they may have high deductibles and other important limitations on coverage. As a result, not all investments may be insured against such events, or such insurance may be obtained notwithstanding the high cost.

Conflicts of Interest

Potential Conflicts Generally. Arcadius may encounter potential conflicts of interest in connection with the Arcadius Funds' interests, assets or activities (including certain conflicts of interest as among the interests of different Arcadius Fund vehicles). If any matter arises that Arcadius determines in its good faith judgment constitutes an actual conflict of interest, Arcadius may take such actions as may be necessary or appropriate to ameliorate the conflict and upon taking such actions Arcadius will be relieved of any responsibility for such conflict. By acquiring an Interest in an Arcadius Fund, each Investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

Certain Affiliate Transactions. The Arcadius Funds may, from time to time, make investments in, or in association with, certain of the portfolio companies currently owned (in whole or in part) by SW Energy Capital Limited Partnership. In the event the applicable Arcadius Fund seeks the approval of its Investor Advisory Committee or (ii) takes other steps necessary to demonstrate that such transactions have been completed on an arm's length basis, Arcadius will be absolved from liability for such conflicts.

Carried Interest; Clawback of Distributions May Be Insufficient. The existence of Arcadius's carried interest or GP Management Participation share or other Arcadius Compensation, as applicable, may create an incentive for Arcadius to make riskier or more speculative investments on behalf of an Arcadius Fund than would be the case in the absence of this arrangement. In certain limited circumstances, the amount of carried interest could be calculated based on the fair market value of non-cash distributions, which could result in a valuation for purposes of determining the carried interest that exceeds any cash value ultimately achieved. The GP Management Participation share provisions of an Arcadius Fund and the terms of an Arcadius Fund relating to other fee income may also create an incentive to seek out investments which would provide the opportunity to earn other fee income and to make investments earlier during the term of the Arcadius Fund than would be the case in the absence of such arrangements. The carried interest may be distributed prior to the final liquidation of all of the Arcadius Fund's investments and prior to returning all of the capital invested by Investors. If the Arcadius Fund experiences significant losses after having made distributions of the carried interest to Arcadius, then it is possible that the aggregate cumulative amount distributed to all of the Investors upon final liquidation of the Arcadius Fund would be less than the Investors' aggregate capital contributions plus the cumulative unpaid amount of the preferred return thereon. In such a case, Arcadius may be required to contribute to the Arcadius Fund all or a portion of the carried interest distributions previously received to restore the deficiency; however, such clawback obligations will be computed on an "after-tax" basis. Such calculated amounts may not be sufficient to return to an Investor its capital contributions or any return thereon.

Other Activities of Management. Arcadius and its management team will generally devote such time as is reasonably necessary to conduct the business affairs of the Arcadius Funds in an appropriate manner. However, the Arcadius management team will work on other projects, including but not limited to, SW Energy Capital Limited Partnership's existing corporate investments, and other Arcadius Funds and their investments, in the normal course of business. Accordingly, conflicts may arise in the allocation of management resources.

Relationship with SW Energy Capital Limited Partnership and SW Capital Partners Inc. The Principals continue to own and manage SW Capital Partners Inc., which is registered under SEC guidance as a Relying Adviser (defined below) of Arcadius Capital. The Principals, through SW Capital Partners Inc., manage SW Energy Capital Limited Partnership, which has investment objectives similar to those of the Fund and is continuing to complete its investment program.

Joint Venture Partners. Joint venture investments may, under certain circumstances, involve risks not otherwise present, including the possibility that the co-venturer might become bankrupt, that such co-venturer might at any time have economic or other business interests or goals which are inconsistent with the business interests or goals of the applicable Arcadius Fund, and that such co-venturer may be in a position to take action contrary to the instructions or the requests of the Arcadius Fund or contrary to the Arcadius Fund's policies and objectives. Such investments may also have the potential risk of an impasse on decisions because neither co-venturer may have full control over the joint venture. To the extent a dispute arises between Arcadius, on the one hand, and such joint venture partners, on the other hand, the Arcadius Fund's separate investments with such joint venture partners may also be adversely affected.

Diverse Investor Group. The Investors may have conflicting investment, tax and other interests with respect to their investments in the Arcadius Funds. The conflicting interests of individual Investors may relate to or arise from, among other things, the nature of investments made by the Arcadius Funds, the structuring or the acquisition of investments and the structure, timing or manner of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Arcadius, including with respect to the nature or structuring of investments or dispositions, that may be more beneficial for one Investor than for another Investor, especially with respect to Investors' individual tax situations. In selecting and structuring investments appropriate for an Arcadius Fund, Arcadius will consider the investment and tax objectives of such Arcadius Fund and its Investors as a whole, not the investment, tax or other objectives of any Investor individually.

In addition, it is anticipated that Investors or their affiliates, who may be companies with significant business interests within the targeted industry sectors, insurance and other risk management companies, financial institutions and governmental or other pension plans, may have a direct or indirect interest in one or more of the investments of an Arcadius Fund. For example, one or more Investors or their affiliates may be senior or subordinated lenders to one or more of the portfolio companies or an Investor may also act as a co-investor or otherwise participate in the financing of a portfolio company in which the Arcadius Fund has made an investment or where such co-investor has a direct or indirect interest in such investment. One or more of an Arcadius Fund's Investors could hold portfolio company securities or provide risk management services. This could result in the Arcadius Fund becoming involved in disputes and litigation with one or more of its Investors or affiliates.

Use of Placement Agents. Arcadius and its affiliates may enter into placement agent agreements whereby third-party placement agents may introduce investors to an Arcadius Fund. Placement agents may collect fees from the Arcadius Fund, which will reduce the amount of capital available to the Arcadius Fund for making investments, but an amount equal to the payments made by the Arcadius Fund to such placement agents is generally expected to be a reduction item in the calculation of the GP Management Participation paid by the applicable Arcadius Fund.

Service Providers. An Arcadius Fund's service providers (including lenders, brokers, attorneys and investment banking firms) may be investors in one or more Arcadius Funds and/or may be sources of investment opportunities or counterparties to any of the foregoing. This

presents a conflict of interest, as it may influence Arcadius or its affiliates in deciding whether to select such a service provider or have other relationships with such service provider. Advisors, consultants and other service providers to an Arcadius Fund, its portfolio companies, Arcadius, their respective affiliates or their other clients may charge different rates for their services or may have different arrangements for specific types of services, which may be more beneficial to certain of such persons than others and/or may benefit Arcadius or its affiliates, or may benefit other clients of such persons, to a greater degree than the benefit accorded to an Arcadius Fund or its portfolio companies. Such benefits may include more favorable rates or arrangements than those payable by an Arcadius Fund or its portfolio companies. By acquiring an Interest in an Arcadius Fund, each Investor consents to any such differential rates or arrangements, authorizes Arcadius to make all determinations regarding the same and further waives any conflict of interest in connection with any of the foregoing.

Board Fees. Arcadius personnel may serve on the boards of companies that are competitors of portfolio companies of the Arcadius Funds. It would be expected that the interests of a competitor company would not be aligned with the interests of an Arcadius Fund or its portfolio company.

Related Services Fees. Arcadius may perform related services for, and will receive fees or reimbursements from, actual or prospective portfolio companies or other investment vehicles of the Arcadius Funds. Such fees will be in addition to the GP Management Participation or carried interest or other Arcadius Compensation paid to Arcadius by the Arcadius Funds. This creates a conflict of interest between Arcadius and the Arcadius Funds because the amounts of these fees may be substantial and only a portion of such excess fees would be offset against the management participation.

Dodd-Frank Act. The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) was enacted in July 2010. The Dodd-Frank Act has resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. The Dodd-Frank Act created new recordkeeping and reporting requirements for investment advisers, which add costs to the legal, operational and compliance obligations of the Arcadius Funds, and increase the amount of time that the Arcadius management team spends on non-investment-related activities.

Cyber Security Breaches and Identity Theft. Information and technology systems of the Advisers and the Fund’s 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, the Advisers, the Fund 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 the Advisers’, the Fund’s 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 the Advisers’,

the Fund's or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

ITEM 9 DISCIPLINARY INFORMATION

Arcadius Capital and its management team have not been subject to any material legal or disciplinary events required to be discussed in this Brochure nor would be material to an Investor or prospective Investor's evaluation of its advisory business or the integrity of its management team.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Arcadius Capital is a registered investment adviser. Additionally, Arcadius Capital is affiliated with other Arcadius investment advisers registered with the SEC under the Advisers Act pursuant to Arcadius' registration in accordance with SEC guidance. These advisers include Arcadius Capital Holdings LP, a Delaware limited partnership, Arcadius Capital Partners (US) Inc., a Delaware corporation, Tombar Energy Holdings, Inc., a Delaware corporation and SW Capital Partners Inc., an Alberta corporation (each a "**Relying Adviser**"). SW Capital Partners Inc. is controlled and managed by the Principals and both SW Capital Partners Inc. and Tombar Energy Holdings, Inc. together serve as the general partners of SW Energy Capital Limited Partnership, an investment partnership that makes control growth equity investments of \$25 to \$60 million in start-ups and existing small, private companies in the U.S. and Canadian upstream oil and gas sector.

The Relying Advisers together with Arcadius Capital operate as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions. The Relying Advisers are under common control and subject to Arcadius Capital's code of ethics and compliance programs, both of which are administered by Arcadius Capital's Chief Compliance Officer, pursuant to the requirements of the Advisers Act.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Arcadius Capital has adopted the Arcadius' Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of Arcadius principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Arcadius personnel to report their personal securities transactions, prohibits or requires pre-clearance for Arcadius personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Arcadius personnel from directly or indirectly acquiring beneficial ownership of securities, with limited exceptions, without first obtaining approval from Arcadius' Chief Compliance Officer. 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. A copy of the Code will be provided to any investor or prospective investor upon request to Don Hansen, Arcadius' Chief Compliance Officer, at (403) 218-6791.

Arcadius and its personnel may, from time to time, acquire or come into possession of confidential or material non-public information or be restricted from initiating transactions in certain instruments which, if disclosed, might affect an investor's decision to buy, sell or hold an investment. Under applicable law, Arcadius and its personnel are 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 Arcadius or its affiliates.

Accordingly, should Arcadius or its Principals or employees come into possession of material nonpublic or other confidential information, they are prohibited from communicating such information to clients, and have no responsibility or liability for failing to disclose such information to clients.

Participation or Interest in Client Transactions

When two or more fund vehicles are formed as part of the same Arcadius Fund for making the same investments, Arcadius will generally allocate investments made by such fund vehicles based on their relative Investors' commitments, subject to any limitations in the applicable partnership agreements.

Additionally, the Arcadius Funds may invest together with other future Arcadius Funds advised by Arcadius, subject to limitations set forth in the applicable partnership agreements. Arcadius will determine allocations of investment opportunities in a manner that it believes is fair and equitable to the Arcadius Funds consistent with Arcadius' obligations to each such Arcadius Fund, including as set forth in the applicable partnership agreement and Arcadius' investment allocation policy. Where necessary, Arcadius will consult and receive consent to conflicts from the applicable Arcadius Fund's Investor Advisory Committee or from the applicable Arcadius Fund's Investors.

Arcadius may serve as investment manager to certain co-invest vehicles that invest alongside an Arcadius Fund in certain portfolio companies. Certain affiliates and personnel of Arcadius, third-party investors and other persons may be permitted to participate in the co-invest vehicles or in some cases co-invest directly in a particular portfolio company. Subject to Arcadius' obligation to make co-invest opportunities available first to Investors or certain Arcadius Funds in certain circumstances, Arcadius will select which investors or other persons are permitted to co-invest based on various factors, including (but not limited to) the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis, any strategic transaction value that an investor may bring, and any other reason for including such investor or person. In circumstances where an entire investment could be made by an Arcadius Fund, Arcadius may still allocate a portion of such investment to one or more co-invest vehicles in accordance with such Arcadius Fund's partnership agreement and Arcadius' investment allocation policy.

Personal Trading

The Principals and employees of Arcadius may carry on personal investment activities for their own account and for family members, friends or others who do not invest in the Arcadius Funds. The investment advice that such Principals and employees give to such persons

may differ from advice given to, or securities recommended or bought for the Arcadius Funds even though their investment objectives may be the same or similar. Principals and employees of Arcadius and its affiliates may also directly or indirectly own an interest in an Arcadius Fund or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Arcadius Fund.

ITEM 12 BROKERAGE PRACTICES

Arcadius focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Arcadius may also distribute securities to investors in an Arcadius Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Arcadius does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Arcadius sells publicly traded securities on behalf of an Arcadius Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Arcadius. In such event, Arcadius will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Arcadius may 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.

Arcadius has 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 Arcadius generally seeks competitive commission rates, it 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 Arcadius seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Arcadius generally does not make use of such services at the current time and has not made use of such services since its inception.

ITEM 13 REVIEW OF ACCOUNTS

The investments made by the Arcadius 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, Arcadius closely monitors the Arcadius Funds’ portfolio investments. Arcadius’ Principals comprise its Investment Committee and work closely with other Arcadius professionals to oversee and monitor the operations, financial performance and strategic direction of each portfolio investment. The Investment Committee as a whole will meet

whenever necessary to ensure that all committee members and assigned investment professionals are apprised in every step of the investment playbook.

The Arcadius Funds will also generally establish their own Investor Advisory Committees consisting of representatives of Investors selected by Arcadius in its sole discretion. The Investor Advisory Committees will generally be empowered to provide such advice and counsel as is requested by Arcadius regarding potential conflicts of interest and other matters as specified in the applicable limited partnership agreement of an Arcadius Fund. In addition, under the terms of the limited partnership agreement of an Arcadius Fund, the Investors generally will have authorized the Investor Advisory Committee to provide any consent (on behalf of the Investors) required under the Advisers Act, including in connection with any affiliated or conflict transactions or any “assignments” (as that term is defined under the Advisers Act).

The Arcadius Funds provide the following information to their Investors on an annual basis: (i) audited financial statements, (ii) valuations of the applicable Arcadius Fund’s portfolio investments as of the end of such year, (iii) descriptive investment information for each portfolio company investment, and (iv) a report on the other fees received during the preceding fiscal year and all GP Management Participation offsets. The Arcadius Funds also furnish to their Investors on a quarterly basis unaudited summary financial information and descriptive investment information for each portfolio investment.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

Arcadius may provide certain business or consulting services to the Arcadius Funds’ portfolio companies and may receive compensation from these companies in connection with such services. While this may present a conflict of interest between Arcadius and an Arcadius Fund, such conflicts may be addressed by the fact that, as described in the applicable Arcadius Fund’s partnership agreement and Item 5 above “Fees and Compensation,” certain of such compensation received by Arcadius offsets the GP Management Participation payable by an Arcadius Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to the GP Management Participation. See Item 5 above, “Fees and Compensation.”

Arcadius has entered into a solicitation agreement with CSP Securities, LP (the “**Placement Agent**”) with respect to the Fund pursuant to which Arcadius compensates the Placement Agent for referrals that result in a potential investor becoming a limited partner in the Fund. Any fees payable to the Placement Agent or any other placement agent engaged by Arcadius in respect of the Fund will be borne by Arcadius either directly or indirectly through a dollar-for-dollar offset against the GP Management Participation for the Fund as described in Item 5, “Fees and Compensation,” above. Such placement arrangements are generally based on a percentage of commitments to the Fund. Future Arcadius Funds may have similar or different arrangements.

ITEM 15 CUSTODY

In accordance with current SEC standards and guidance, Arcadius may be deemed to have custody of client assets as defined by Rule 206(4)-2 of the Advisers Act. In order to comply with Rule 206(4)-2, Arcadius has established an account with Northern Trust as its “qualified custodian” as such term is defined under the Advisers Act. The unaffiliated third-party custodian holds funds and securities on behalf of the Arcadius Funds. In addition, the Arcadius Funds are subject to a year-end audit by a major accounting firm that is a member of, and examined by, the Public Company Accounting Oversight Board. The audited financial statements are provided to the underlying investors of Arcadius Funds within 120 days of the end of the fiscal year.

ITEM 16 INVESTMENT DISCRETION

Arcadius generally has discretionary authority to manage investments on behalf of each Arcadius Fund. Arcadius assumes this discretionary authority pursuant to the terms of the applicable partnership agreements, investment management agreements and powers of attorney executed by the limited partners of the applicable Arcadius Fund.

As a general policy, Arcadius does not allow clients to place limitations on this authority. Pursuant to the terms of the applicable partnership agreement, however, Arcadius may enter into side letters with certain limited partners whereby the terms applicable to such limited partner’s investment in an Arcadius Fund may be altered or varied, including, in some cases, to provide for reduced fees or the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

ITEM 17 VOTING CLIENT SECURITIES

Arcadius has adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the Arcadius Fund’s (and any future Arcadius Fund’s) portfolio investments. The Proxy Policy seeks to ensure that Arcadius votes proxies (or similar instruments) in the best interest of the Arcadius Funds, including where there may be material conflicts of interest. Arcadius generally believes its interests are aligned with those of the Arcadius Funds’ Investors through Arcadius’ and the Principals’ capital commitment to the Arcadius Funds, and therefore will not seek Investor approval or direction when voting proxies. However, the Proxy Policy sets forth certain specific proxy voting guidelines for when Arcadius does vote proxies on behalf of an Arcadius Fund, and Investors in an Arcadius Fund may obtain information on how Arcadius voted their securities upon request to Arcadius’ Chief Compliance Officer.

Arcadius does not consider service on portfolio company boards by Arcadius 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 the event that there is or may be a conflict of interest between Arcadius and an Arcadius Fund in voting proxies, the Proxy Policy provides that Arcadius may address the conflict using certain procedures, including by seeking the approval or concurrence of the Arcadius Fund’s Investor Advisory Committee on the proposed proxy vote or through other alternatives set forth in the Proxy Policy.

A copy of Arcadius' Proxy Policy will be provided to any client, prospective client, Investor or prospective Investor in an Arcadius Fund upon request to Don Hansen, Arcadius' Chief Compliance officer, at (403) 218-6791.

ITEM 18 **FINANCIAL INFORMATION**

Arcadius does not require prepayment of the GP Management Participation more than six months in advance or have any other events requiring disclosure under this item of the Brochure. Arcadius is not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients. Arcadius has not been the subject of any bankruptcy petition.