

FORM ADV PART 2 - BROCHURE FOR ARC Fiduciary, LLC

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This Brochure provides information about the qualifications and business practices of ARC Fiduciary, LLC. If you have any questions about the contents of this Brochure, please contact us at (212)-974-4011 or [info@arcfid.com](mailto:info@arcfid.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ARC Fiduciary, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

This is the initial version of this Brochure, so there are no material changes.

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#### **Item 4. Advisory Business**

ARC Fiduciary, LLC (“ARC,” “we” or “us”) is a limited liability company formed in Delaware October, 2016, which is principally owned by Dempsey Gable and Paulus Ingram. ARC is responsible for providing investment advisory services to certain private investment funds on a discretionary basis.

ARC currently advises ARC Energy Transition Opportunity Fund III, L.P. (the “Fund”). The investment objectives and strategy of the Fund are set forth in a confidential private offering memorandum provided to each investor. Any restrictions on investments are contained in the investment management agreement among ARC and the Fund.

ARC does not participate in any wrap fee programs.

As of the date of this Brochure, ARC managed approximately \$0 on a discretionary basis.

#### **Item 5. Fees and Compensation**

ARC receives various fees from the Fund that were negotiated at the time of formation. The specific manner in which ARC charges fees for a Fund is established in the Fund’s Governing Documents. ARC and/or its affiliates will generally earn the following compensation from the Funds: (1) a management fee as set forth in the applicable Governing Documents; and (2) performance-based compensation calculated upon a specified percentage of the Fund’s return on its invested capital.

The commitment-based management fee (the “Management Fee”) is paid to ARC periodically in accordance with the terms of the Fund’s Governing Documents and generally ranges from 1.0% to 1.75% of commitments. Management Fee rates typically decrease after each relevant vehicle’s investment period expires. The Management Fee payable for any payment period that is less than a complete calendar quarter or year, as applicable, shall be calculated on a pro rata basis to reflect the actual number of days during such payment period to which the Management Fee relates. The Management Fee shall be assessed in addition to the amount committed by Limited Partner in a Fund as its capital commitment. ARC may decrease, or waive in whole or in part, the Management Fee for any Limited Partner.

All fees are subject to negotiation, and existing and future Limited Partners may have differing fee arrangements. It is critical that potential Limited Partners refer to the Fund’s Governing Documents for a complete understanding of how ARC is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

#### **Organizational Fees and Expenses**

Each Limited Partner will be required to pay its pro rata share, based on its commitments, of its third-party out-of-pocket expenses incurred by the general partner (the “General Partner”) in connection with the organization of the Fund. The Fund is responsible for the organizational fees and expenses incurred in connection with the creation, and the marketing and offering of interests in such Fund, including all legal, accounting and filing expenses, printing costs, travel and accommodation expenses, and other related fees and expenses (the “Organizational Expenses”). The General Partner may decrease, or waive in whole or in part, the Organizational Expenses for any Limited Partner.

## **Fund Expenses**

Except as may otherwise be expressly provided in the applicable Governing Documents, the Fund shall pay its Management Fee and shall be responsible for paying or reimbursing the General Partner directly for all out-of-pocket fund expenses (the “Fund Expenses”), which the General Partner may decrease, or waive in whole or in part, for any Limited Partner.

Unless decreased or waived by the General Partner, the Fund will be responsible for paying all of its administrative, operating, offering and organizational costs, including, but not limited to, broken deal expenses, fees and expenses arising out of borrowings made by the Fund, professional, legal and consulting fees, fees associated with board meetings, regulatory and compliance costs, and fees and expenses related to any investments into a trading company or other vehicle such as travel, as such expenses are incurred.

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

In addition to the compensation discussed in Item 5 – Fees and Compensation, the General Partner, an affiliate of ARC, will be eligible to receive performance-based compensation (“carried interest”) from the Fund, which will be paid in accordance with the Governing Documents and consistent with Section 205(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or Rule 205-3 thereunder. This carried interest is calculated based upon a percentage of the Fund’s return on its invested capital.

The carried interest payable by the Fund to an affiliate of ARC may create an incentive for ARC to make riskier or more speculative investments on behalf of a Fund than would be the case in the absence of such performance-based compensation. However, this risk is mitigated to some extent because: (1) the payment of carried interest is based on the success of the total Fund and not any single investment, and therefore ARC’s total carried interest would be affected by any single unsuccessful investment; (2) the carried interest paid to the General Partner will be clawed back if clients have not received their preferred return percentage as of the clawback determination date; and (3) ARC’s personnel have made personal capital commitments to the Fund, which aligns ARC’s interests with that of its clients.

Distributions of investment proceeds made by a Fund from an investment or any portion thereof will initially be allocated pro rata among the partners of such Fund (including Limited Partners and the General Partner) in proportion to their contributions with respect to such investment; provided, however, that amounts otherwise distributable to a Limited Partner shall be reduced by the amount of Management Fee, Fund Expenses, and Organizational Expenses paid with respect to, or otherwise allocable to, such Limited Partner. Unless otherwise set forth in the applicable Governing Document, investment proceeds which would otherwise be distributed to each Limited Partner will then be distributed in the following amounts and order of priority:

- (1) First, 100% to such Limited Partner until such Limited Partner has received cumulative distributions of investment proceeds from investments that have been disposed of equal to such Limited Partner’s aggregate capital contributions;
- (2) Second, 100% to such Limited Partner until the cumulative distributions of investment proceeds to such Limited Partner equal a cumulative compounded annual preferred return rate;

(3) Third, 20% to the Limited Partner and 80% to General Partner until the General Partner has received an amount carried interest distributions to the General Partner equal the carried interest percentage, set forth in the Fund's Governing Documents, of the sum of the excess of the cumulative distributions paid to such Limited Partner pursuant to clause (1) above; and

(4) Thereafter, 80% to the Limited Partner and 20% to the General Partner.

## **Item 7. Types of Clients**

ARC provides discretionary investment management services to the Funds, which are pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended (the "Act").

The minimum subscription amount for the Fund is \$10,000,000. The General Partner, an affiliate of ARC, may waive the minimum account or subscription requirements at its sole discretion.

Investors in the Fund consist primarily of family offices, high net worth individuals, and institutions. Such investors must meet the requirements for an "accredited investor" under the Securities Act of 1933, as amended (the "1933 Act") and a "qualified client" under the Advisers Act.

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

ARC is a New York-based global alternative investment manager focused on identifying unique long-term investment opportunities in and around global sustainability and economic development. ARC believes investors can achieve sustainable, above market, risk-adjusted returns by investing in strategies that support and promote long-term trends in sustainable development.

ARC is dedicated to managing profitable fiduciary investment products with attractive risk-adjusted return profiles, which address global challenges in energy, water, agriculture, education and healthcare. ARC targets outperformance while investing in scalable solutions, and believes that integration of sustainability into investment processes can lead to better investment outcomes.

The first fund, the ARC Energy Transition Opportunity Fund III, is due to launch in 2017, and focuses on funding the clean energy transition. The strategy primarily targets investments in energy, renewable energy, power, energy efficiency and related projects, primarily in the United States, with a goal of achieving above market returns as well as significant and measurable carbon and other emission avoidance and a positive impact on climate change.

ARC's principals and employees have previously managed significant investor capital, most recently working together as the dedicated in-house team for APG Asset Management, Europe's largest pension fund asset manager, with approximately \$470 billion of assets under management and representing 4.5 million Dutch pensioners. ARC Fiduciary CIO Dempsey Gable was fund manager of APG Asset Management's Opportunity Fund, which successfully invested \$5.5 billion. CEO Paulus Ingram and Senior Portfolio Manager Steven Bloom were both Senior Portfolio Managers at the Opportunity Fund.

ARC is committed to supporting and furthering sustainable investment best practices. Mr. Ingram helped draft the Farmland Principles and the ESG Disclosure Framework for Private Equity and served as Chair of the hedge fund work stream for the UN PRI. ARC consultant, Heather Langsner, leads the La Francaise Centre of Climate Excellence. ARC advisory board members include Bracebridge Young, Jr, formerly CEO of Mariner Investment Group and Yasemin Saltuk Lamy, who is considered a thought leader in impact

investing, writing seminal reports on the institutional impact investing. She is now a senior manager with Omidyar Network.

ARC's thinks about the investment process in three parts: portfolio construction; investment origination and underwriting; and portfolio/asset management. The Investment Team relies upon a principled approach to investment underwriting. The Investment Team conducts a bottom up review of the relative attractiveness of each deal taking an opportunistic approach to capital allocation. Risk management is an integrated part of the investment origination and portfolio/asset management process. The Partnership's risk management framework seeks to: (1) measure risk in a transaction through a thorough, in-depth deal assessment and due diligence; (2) evaluate each investment for a base-case or normal market scenario as well as and during stressed market scenarios; and (3) negotiate terms and structures that increase expected risk-adjusted returns by reducing downside risks. The Investment Team has established processes and methodologies to achieve deal-level and Partnership-level risk management objectives. The risk management framework focuses on achieving sufficient diversification and effectively managing tail risks. Idiosyncratic risks are addressed through due diligence, deal structuring and strict operational risk mitigants on the individual deal level. In addition, the Investment Team often uses independent technical consultants to evaluate the technical components of each potential project and provide a view on market pricing. ARC's Investment Committee process is designed to ensure that each investment is properly underwritten, taking into account risk/return considerations, structuring, market, impact and ESG factors.

#### Risk Factors

- **You Should Not Rely on Past Performance of the General Partner or the Investment Manager In Deciding To Purchase Interests.** The past investment performance of other entities managed by ARC or principals of ARC is not necessarily indicative of a Fund's future results. No assurance can be given that ARC will succeed in meeting the investment objectives of a Fund. You may lose all or substantially all of your investment in a Fund.
- **Dependence on Key Personnel.** In managing the investments, ARC will be relying extensively on the experience, relationships and expertise of the principals of ARC and other key employees. There can be no assurance that these individuals will remain in the employ of ARC or otherwise continue to carry on their current duties through the term of the Fund.
- **No Assurance of Investment Return.** ARC cannot provide assurance that it will be able to identify, make and realize investments. There can be no assurance that ARC will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein.
- **Risks Associated with Market Generally.** Investors will be relying on the ability of ARC to source attractive investments for each Fund. Because such investments may occur over a substantial period of time, each Fund faces the risks of changes in long-term interest rates and adverse changes in the buyout market. Even if the investments entered into by a Fund are successful, they may not produce a realized return to the Limited Partners for a period of several years.

- **Restricted Investment Liquidity in the Interests.** The Interests are not registered and it is not contemplated that the Interests will ever be registered under the Securities Act of 1933, as amended, or any other securities laws. There is no public market for the Interests and one is not expected to develop. Interests may not be transferred, pledged, charged or otherwise encumbered without the prior written consent of ARC. Except in extremely limited circumstances, withdrawal from a Fund will not be permitted. Limited Partners must be prepared to bear the risks of owning Interests for an extended period of time.
- **Absence of Recourse to the General Partner.** The Fund's limited partnership agreement (including the applicable series designation) limits the circumstances under which ARC can be held liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would in the absence of such limitation.
- **Risks of Investments.** Private equity investments are subject to varying degrees of risk. The value of the investments contemplated by a Fund is affected by a number of factors, including changes in the general economic climate, industry dynamics, quality of management, competition, and changes in operating costs. Values of equity investments in companies are also affected by such factors as government regulations, interest rate levels, availability of financing and potential liability under changing environmental and other laws.
- **Lack of Liquidity of Investments.** The investments to be made (directly or indirectly) by a Fund are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist, and Limited Partners should not subscribe unless they can readily bear the consequences of such loss.
- **No Assurance of Investment Return.** A Fund cannot provide assurance that it will be able to identify, make and realize investments. There can be no assurance that a Fund will be able to generate returns for its Limited Partners or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that any Limited Partner will receive any distributions from the applicable Fund. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment. The past activities of the principals of the Investment Manager provide no assurance of future success.
- **Competitive Market for Investment Opportunities.** As with any market, the activity of identifying, completing and realizing attractive investments in accordance with the guidelines of a Fund involves a significant degree of uncertainty, and such Fund will compete with other investors for investment opportunities. There can be no assurance that the Fund will be able to locate and complete investments that satisfy the Fund objectives or realize upon their values or that it will be able to invest fully its committed capital.
- **Concentration Risk.** The Fund investments may be, at times, concentrated in a particular sector and its subsectors. Concentration of the Fund's investments in any single sector or its related subsectors may involve greater exposure to certain risks than the exposure generally associated with more diversified funds, and may result in greater fluctuations in returns. Instability, volatility, or significant unforeseen events in a specific sector or any subsectors may not be readily balanced or offset by investments in other industries or markets not so affected.



- The Funds Incur Substantial Charges. Each Fund must pay substantial charges, and must generate profits and interest income which exceed its fixed costs in order to avoid depletion of its assets. Each Fund is required to pay management fees to the Investment Manager regardless of its performance, and each Fund may be required to pay brokerage commissions to brokers used regardless of their trading performance.
- No Fund is required to register as a Registered Investment Company. No Fund is required to register, and none are registered, as investment companies under the Investment Company Act. Accordingly, Limited Partners will not have the protections afforded by the Investment Company Act (which, among other matters, requires investment companies to have a majority of disinterested directors and regulates the relationship between the advisor and the investment company).

THE INTERESTS OF EACH FUND ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. THEY ARE SUITABLE ONLY FOR PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

#### **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of whether to make an investment decision. None of ARC's affiliates, or its principals have been subject to any disciplinary action, whether criminal, civil, or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of ARC have been subject to such action.

#### **Item 10. Other Financial Industry Activities and Affiliations**

Employees will also be required to dedicate substantially all of their professional efforts to ARC and its affiliates, and will be prevented from outside business activities which could pose a conflict of interest with the business of ARC and its affiliates or which could distract employees from dedicating sufficient time and attention to the business of ARC and its affiliates. Prior to engaging in any outside business activities, employees will be required to pre-clear such activities with the CCO.

## **Item 11. Code of Ethics**

ARC has adopted a Code of Ethics (the “Code”) that obligates ARC and its employees to put the interests of ARC’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients.

All of ARC’s personnel are also required to comply with applicable federal securities laws. ARC and its related persons do not recommend to clients, or buy or sell for client accounts, securities in which ARC or its related persons have a material financial interest.

All trades made by employees are generally reviewed by the Chief Compliance Officer on a case-by-case basis. ARC requires its employees to pre-clear all transactions in their personal accounts with the Chief Compliance Officer who may deny permission to execute the transaction if such transaction is believed to have an adverse economic impact on one of its clients. Any approval will remain in effect for that business day. In addition, the Code prohibits ARC or its employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer.

No employee may acquire new issues or securities in a limited offering without first obtaining pre-clearance and approval from the Chief Compliance Officer.

All of ARC’s employees are required to disclose their securities transactions, if any, on a quarterly basis and their holdings upon commencement of employment with ARC and on an annual basis thereafter. All of ARC’s employees are also required to provide brokerage statements quarterly and an annual certification of transactions. Trading in employees’ accounts will be reviewed by the Chief Compliance Officer and compared against the restricted securities list.

The Code of Ethics also sets forth ARC’s policy with respect to insider trading by providing: i) a detailed explanation of the rules and regulations that govern insider trading, and ii) policies and procedures that should be carried out by ARC employees in the event that there is any question as to the applicability of the insider trading rules.

ARC is also committed to maintaining the confidentiality, integrity, and security of its investors’ personal information. It is ARC’s policy to collect only information necessary or relevant to its management business and to use only legitimate means to collect such information. ARC does not disclose any non-public, personal information about investors to anyone except for servicing and processing transactions and as required by law. ARC restricts access to non-public, personal information about its investors to those employees with a legitimate business need for the information. ARC maintains physical, electronic, and procedural safeguards to guard each investor’s non-public, personal information. ARC’s privacy policy is available upon request.

## **Item 12. Brokerage Practices**

ARC does not currently utilize any soft dollar arrangements. Furthermore, ARC does not intend to direct trades in recognition of research provided by a broker-dealer. ARC will not pay a higher dealer “spread” or otherwise utilize client funds to compensate dealers for the provision of research or trading advice.

ARC has adopted a policy for the fair and equitable allocation of transactions, which generally analyzes each investment and/or investee fund commitment on an investment by investment basis, taking into

consideration the specifics of each investment and the guidelines of each client. To the extent that multiple Funds participate in an investment, such investment will generally be allocated pro-rata among such clients, unless facts specific to the transaction and clients warrant an alternative allocation methodology. In making such determination, ARC will consider, among other factors, the proposed investment size, liquidity of the investment, investment objective, risk profile, time horizon, vintage year of the Fund, client specific concentration limits or legal restrictions, the composition of a client's portfolio and diversification considerations, nature of investment, current market conditions, timing of cash flows and each client's liquidity, and any other information determined to be relevant. Allocations may also differ for tax, regulatory, or other reasons as deemed appropriate by ARC. Where conflicts arise in the allocation of investment opportunities, ARC will seek to resolve such conflicts fairly.

As a fiduciary, ARC has the responsibility to effect orders correctly, promptly, and in the best interests of our clients. ARC will use its best efforts to seek to assure that investments are executed correctly; however, to the extent that an error occurs, ARC will only be responsible for losses due to errors caused by the willful misconduct or gross negligence of ARC. ARC is not responsible for the errors of other persons, including third-party brokers and custodians.

#### **Item 13. Review of Accounts**

The Funds' portfolios are reviewed daily by the portfolio manager responsible for the accounts.

Generally, Limited Partners will receive quarterly statements for their investment in the Fund directly from an independent administrator. Additionally, on a quarterly basis, ARC provides Limited Partners with estimates of the Fund's performance and other information as ARC may, from time to time, deem advisable and desirable.

Investors also receive annual financial statements audited by a third party independent auditor to the Funds and, if applicable, the information necessary for a Limited Partner to complete its annual federal income tax returns.

#### **Item 14. Client Referrals and Compensation**

ARC does not receive any economic benefit from anyone who is not a client for providing investment advice or other advisory services.

From time-to-time, ARC, its affiliates or its funds may pay a fee to an unaffiliated third party placement agent to refer investors to ARC's funds.

#### **Item 15. Custody**

An affiliate of ARC, ETO3 GP, LLC, serves as general partner of the Fund. Consequently, ARC is deemed to have "custody" over the Funds within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, ARC distributes to each investor in a Fund audited financial statements within 180 days of the Fund's fiscal year-end under Rule 206(4)-2(b)(4). Limited Partners should review these audited financial statements carefully. If you have invested in a Fund and have not received audited financial statements in a timely manner, please contact us immediately.

#### **Item 16. Investment Discretion**

ARC provides its investment advisory services on a discretionary basis. ARC's authority is established by the Governing Documents at the outset of the advisory relationship. The investors in the Funds generally may not place limits on ARC's investment authority beyond the agreed-upon limitations set forth in the Governing Documents. When selecting and determining amounts for investments, ARC observes the investment policies, limitations and restrictions of the Funds which it advises.

ARC's investment decisions and advice with respect to its Fund are subject to the Fund's investment objectives and guidelines, as set forth in its Governing Documents.

Clients agree to inform ARC promptly in writing of any change in their financial circumstances and investment objectives and to provide such other information as may be needed to manage the account.

#### **Item 17. Voting Client Securities**

ARC, as a matter of policy and as a fiduciary to the Fund, is responsible for voting proxies for portfolio securities consistent with the best economic interests of ARC's clients. ARC maintains written policies and procedures as to the handling, research, voting and recording of proxies. ARC's policies and procedures include the responsibility to monitor corporate actions, receive and vote proxies and maintain relevant records.

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised.

To the extent ARC exercises or is deemed to be exercising voting authority over securities, the policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxy proposals, amendments, consents or resolutions (collectively, "proxies") is exercised in a manner that serves the best interest of the Fund, as determined by ARC in its discretion. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, ARC may not always vote proxies in accordance with the policy. In addition, many possible proxy matters are not covered in the policy. Generally, Arc will vote proxies (i) in favor of management's recommendation for the election of the board of directors and (ii) to approve the financial statements as presented by management.

Each proxy is voted on a case-by-case basis taking into consideration any relevant facts and circumstances at the time of the vote. In situations where ARC wishes to vote differently from what is recommended in the policy, or where a potential material conflict of interest relating to the proxy vote exists, ARC will take such actions as are required by the policy.

#### **Item 18. Financial Information**

ARC does not require or solicit prepayment of any fees six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to its clients.

#### **Item 19. Requirements for State-Registered Advisers**

Not applicable.

