

BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO. S-17-0105  
ORDER NO. S-17-0105-17-OR01

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:  
CADRON CAPITAL PARTNERS LLC and  
CADRON CAPITAL PARTNERS FUND MANAGER LLC

APPLICANTS

**ORDER APPROVING A LIMITED INVESTMENT ADVISER REGISTRATION**

This Order is entered pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”), and the Arkansas Administrative Procedures Act, Ark. Code Ann. §§ 25-15-201 through 25-15-219.

**FINDINGS OF FACT**

1. A request was submitted to the Arkansas Securities Commissioner (“Commissioner”) by Cadron Capital Partners LLC (“CCP”) and Cadron Capital Partners Fund Manager LLC (“CCP Fund Manager”), collectively, the CCPS, to approve a limited investment adviser registration.
2. CCP is an Arkansas limited liability company that will operate as a traditional venture capital fund.
3. CCP Fund Manager is the managing member entity that will manage CCP’s operations.

**CONCLUSIONS OF LAW**

4. Ark. Code Ann. § 23-42-302(a)(2) provides in part that the Commissioner may by order approve a limited registration with such limitations, qualifications, or conditions as the Commissioner deems appropriate.

**ORDER**

Based on representations made by the CCPS in their request, the Commissioner finds it in the public interest to provide a limited registration exemption for CCP Fund Manager to transact

business as an adviser to the private fund operated by CCP provided that they comply with the following:

- (1) Definitions. For purposes of this order, the following definitions shall apply:
  - (A) “Value of primary residence” means the fair market value of a person’s primary residence, subtracted by the amount of debt secured by the property up to its fair market value.
  - (B) “Private fund adviser” means an investment adviser who provides advice solely to one or more qualifying private funds.
  - (C) “Qualifying private fund” means a private fund that meets the definition of a qualifying private fund in Rule 203(m)-1 of the Investment Advisers Act of 1940, 17 C.F.R. 275.203(m)-1.
  - (D) “3(c)(1) fund” means a qualifying private fund that is eligible for the exclusion from the definition of an investment company under section 3(c)(1) of the Investment Company Act of 1940, 15 U.S.C. 80a-3(c)(1).
  - (E) “Venture capital fund” means a private fund that meets the definition of a venture capital fund in Rule 203(l)-1 of the Investment Advisers Act of 1940, 17 C.F.R. § 275.203(l)-1, and is a private fund ultimately comprised of only investors that are accredited investors as defined in Rule 501 of Regulation D, promulgated under the Securities Act of 1933, 17 C.F.R. § 230.501.
- (2) Exemption for private fund advisers. Subject to the additional requirements of sub-paragraph (3) below, a private fund adviser shall be exempt from the registration requirements of Section 23-42-301 of the Act if the private fund adviser satisfies each of the following conditions:
  - (A) neither the private fund adviser nor any of its advisory affiliates are subject to an event that would disqualify an issuer under Rule 506(d)(1) of SEC Regulation D, 17 C.F.R. § 230.506(d)(1);
  - (B) the private fund adviser files with the state each report and amendment thereto that an exempt reporting adviser is required to file with the Securities and Exchange Commission pursuant to SEC Rule 204-4, 17 C.F.R. § 275.204-4. These filings are to be made electronically through the Investment Adviser Registration Depository (IARD); and
  - (C) the private fund adviser pays the fees specified in Section 304(a)(6) of the Act.
- (3) Additional requirements for private fund advisers to certain 3(c)(1) funds. In order to qualify for the exemption described in sub-paragraph (2) above, a private

fund adviser that advises at least one (3)(c)(1) fund, that is not a venture capital fund, shall in addition to satisfying each of the conditions specified in sub-paragraph (2) above, comply with the following requirements:

(A) The private fund adviser shall advise only those 3(c)(1) funds, other than venture capital funds, whose outstanding securities, other than short-term paper, are beneficially owned entirely by persons who, after deducting the value of the primary residence from the person's net worth, would each meet the definition of a qualified client in Rule 205-3 of the Investment Advisers Act of 1940, 17 C.F.R. § 275.205-3, at the time the securities are purchased from the issuer;

(B) At the time of purchase, the private fund adviser shall disclose the following in writing to each beneficial owner of a 3(c)(1) fund that is not a venture capital fund:

- (i) all services, if any, to be provided to individual beneficial owners;
- (ii) all duties, if any, the investment adviser owes to the beneficial owners; and
- (iii) any other material information affecting the rights or responsibilities of the beneficial owners.

(C) The private fund adviser shall obtain on an annual basis audited financial statements of each 3(c)(1) fund that is not a venture capital fund, and shall deliver a copy of such audited financial statements to each beneficial owner of the fund.

(4) Federal covered investment advisers. If a private fund adviser is registered with the Securities and Exchange Commission, the adviser shall not be eligible for this exemption and shall comply with the state notice filing requirements applicable to federal covered investment advisers in Section 23-42-301(c)(1) of the Act.

(5) Investment adviser representatives. A person is exempt from the registration requirements of Section 23-42-301(c) of the Act if he or she is employed by or associated with an investment adviser that is exempt from registration in this state pursuant to this regulation and does not otherwise act as an investment adviser representative.

(6) Electronic filing. The report filings described in sub-paragraph (2)(B) above shall be made electronically through the IARD. A report shall be deemed filed when the report and the fee required by Section 23-42-304(a)(6) of the Act are filed and accepted by the IARD on the state's behalf.

(7) Transition. An investment adviser that becomes ineligible for the exemption provided by this order must comply with all applicable laws and rules requiring

registration or notice filing within ninety (90) days from the date the investment adviser's eligibility for this exemption ceases.

(8) Waiver Authority with Respect to Statutory Disqualification. Sub-paragraph (2)(A) shall not apply upon a showing of good cause and without prejudice to any other action of the commissioner, if the commissioner determines that it is not necessary under the circumstances that an exemption be denied.

(9) Grandfathering for investment advisers to 3(c)(1) funds with non-qualified clients. An investment adviser to a 3(c)(1) fund, other than a venture capital fund, that has one or more beneficial owners who are not qualified clients as described in sub-paragraph (3)(A) is eligible for the exemption contained in sub-paragraph (2) of this order if the following conditions are satisfied:

(A) the subject fund existed prior to the effective date of this order;

(B) as of the effective date of this order, the subject fund ceases to accept beneficial owners who are not qualified clients, as described in sub-paragraph (3)(A) of this regulation;

(C) the investment adviser discloses in writing the information described in sub-paragraph (3)(B) to all beneficial owners of the fund; and

(D) as of the effective date of this order, the investment adviser delivers audited financial statements as required by sub-paragraph (3)(C).

(10) Requests for records.

(A) Upon a written request from the commissioner or the commissioner's authorized representative, an investment adviser relying on an exemption provided by this order shall make available to the commissioner all records subject to the custody or control of the investment adviser related to any private fund to which the investment adviser provides investment advice.

(B) Failure to comply with provisions of this order will result in the loss of the exemption provided by this order.

IT IS SO ORDERED this 30<sup>th</sup> day of October, 2017.



B. Edmond Waters  
Arkansas Securities Commissioner