



ARCH cru Private Finance IC Limited
Supplemental Scheme Particulars
Dated: January 2008



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ARCH CRU PRIVATE FINANCE IC LIMITED

(registered with limited liability in Guernsey with registration number 46100)

An incorporated Cell of

ARCH GUERNSEY ICC LIMITED

(an incorporated cell company registered with limited liability in Guernsey with registration number 46098)

SUPPLEMENTAL SCHEME PARTICULARS

These supplemental scheme particulars containing information relating to the issue of an unlimited number of participating preference shares of no par value in ARCH Private Markets Focus IC Limited (the "Fund") should be read and construed in conjunction with the Scheme Particulars relating to ARCH Guernsey ICC Limited (the "ICC") dated January 2007 (the "Principal Particulars"). This document is deemed to be incorporated in and to form part of the Principal Particulars and may not be distributed unless it is accompanied by them and such other documentation as the Principal Particulars may prescribe.

The Principal Particulars and these supplemental Scheme Particulars form the Listing Document for the purpose of listing the Shares on The Channel Islands Stock Exchange, LBG. (the "CISX")

Neither the admission of the Shares to the Official List nor the approval of the Listing Document pursuant to the requirements of the CISX shall constitute a warranty or representation by the CISX as to the service providers to or any other party connected with the Fund, the adequacy of the information contained in the Listing Document or the sustainability of the Fund for investment or any other purpose.

This Listing Document includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the Issuer. The Directors of the Fund, whose names appear under the heading "Directors" under the Directory, accept full responsibility for the information in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



TABLE OF CONTENTS

DEFINITIONS.....	4
DIRECTORY.....	5
ARCH CRU PRIVATE FINANCE IC LIMITED	6
Introduction	6
Investment Objective	6
Investment Policy.....	6
Outline of Private Finance.....	6
Borrowings	7
Hedging.....	7
Base Currency	7
Conflicts of Interest	7
Distribution Policy	7
Risk Factors	7
SUBSCRIPTION AND REDEMPTION OF SHARES	10
Subscriptions	10
Minimum Subscription.....	10
Application Procedure.....	10
Compulsory Redemption	10
Publication of Net Asset Value per Share.....	10
Life of the Fund	11
Transfers of Shares.....	11
FEES AND EXPENSES	13
Establishment Costs.....	13
Fees of the Investment Manager	13
Performance Fee.....	13
Initial Dealing Charge & Initial Commission.....	13
Fees of the Administrator.....	14
Fees of the Auditors	14
Fees of the Custodian.....	14
Fees of the Directors	14
Fees for the Listing on the Channel Islands Stock Exchange	14
ADDITIONAL INFORMATION	15



ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008

DEFINITIONS

Save as provided below, words and expressions defined in the Principal Particulars shall have the same meanings herein. In these supplemental particulars, the following words shall have the meanings opposite them unless the context in which they appear requires otherwise:-

Closing Date

Such date as nominated by the Directors as being the closing date for the initial offer of Shares;

Euro Class

The class of Shares denominated in Euros and "Euro Shares" shall be construed accordingly;

Fund

ARCH cru Private Finance IC Limited, the incorporated cell to which these Supplemental Particulars relate;

ICC

ARCH Guernsey ICC Limited;

Offer Period

From the date of these supplemental particulars to the Closing Date;

Principal Particulars

Scheme Particulars relating to ARCH Guernsey ICC Limited;

Shares

An unlimited number of participating preference shares;

Sterling Class

The class of Shares denominated in Pounds Sterling and "Sterling Shares" shall be construed accordingly;

US\$ Class

The class of Shares denominated in US Dollars and "US\$ Shares" shall be construed accordingly.

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



DIRECTORY

Directors of the ICC and the Fund

Neal Meader
Peter Radford
Robert Addison

Each of whose address is the registered office of the ICC

Administrator, Secretary, Listing Sponsor and Registrar of the Fund

Bordeaux Services (Guernsey) Limited
Bordeaux Court
Les Echelons
St Peter Port
Guernsey
Channel Islands
GY1 6AW

Legal Adviser in Guernsey

Carey Olsen
PO Box 98
7 New Street
St Peter Port
Guernsey
Channel Islands
GY1 4BZ

Registrar

Anson Registrars Limited
Anson Place
Mill Court
La Charroterie
St Peter Port
Guernsey
Channel Islands
GY1 1EJ

Registered Office of the ICC

PO Box 466
Bordeaux Court
Les Echelons
St Peter Port
Guernsey
GY1 6A

Investment Manager

ARCH Financial Products LLP
7 Savile Row
Mayfair
London
W1S 3PE

Auditors

Moore Stephens
Town Mills South
La Rue du Pre
St. Peter Port
Guernsey
Channel Islands
GY1 3HZ

Custodian and Bankers

Fortis Bank (CI) Limited
Martello Court
Admiral Park
St Peter Port
Guernsey
Channel Islands
GY1 3HB



ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008

ARCH CRU PRIVATE FINANCE IC LIMITED

Introduction

The Fund is an Incorporated Cell registered with limited liability in Guernsey on 21 December 2006 with registration number 46100, an Incorporated Cell of Arch Guernsey ICC Limited, a closed-ended incorporated cell company registered with limited liability in Guernsey on 21 December 2006 in accordance with the Companies (Guernsey) Law, 1994 (as amended) and the Incorporated Cell Companies Ordinance, 2006 (the "Ordinance").

The initial shares in the Fund were listed on the CISX on 28th February 2007. As at the 31 August 2007, the total number of fully paid Shares in issue was 14,088,250 and the Net Asset Value of the Fund was GBP 15,759,315. Application has been made for the Placing Shares in the Fund to be listed on the CISX and it is expected that a listing will take place on or about 20 February 2008. The first dealing day is expected to be on or about 20 February 2008. The particulars of the capital of the Fund detailed herein have not changed since the incorporation of the Fund. Likewise, no capital of the Fund is under option or agreed conditionally or unconditionally to be put under option. The Fund is not subject to any legal or arbitration proceedings.

Investment Objective

The investment objective of the Fund is to provide Shareholders over the medium to long term with capital appreciation through an economic exposure to a diverse range of investments in private finance selected by the Investment Manager.

There is no guarantee of performance and past or projected performance is not necessarily a guide to the future. Any return targets quoted are based on performance projections of the investment approach using a historical portfolio constructed by the Investment Manager with similar anticipated investment exposures.

The investment objectives and policies contained herein will not materially change for three years from the date of listing without the consent of a majority of the Shareholders.

Investment Policy

In order to obtain exposure to the private finance market the Fund may invest in a variety of instruments including but not limited to single strategy funds or fund of funds, public and private debt and equity instruments, and derivative products. These investments may or may not be regulated or listed on a stock exchange.

The Fund will seek to obtain exposure to a diverse range of investment within the Fund's investment objective. Where a more concentrated investment approach is undertaken the Investment Manager will ensure that the underlying investments themselves have a suitably diverse holding of investments. No more than 15% of the net asset value of the fund will be invested in any one investment (at the time of investment) unless the Investment Manager can demonstrate that the investment itself is suitably diversified.

Whilst it is the Investment Manager's intention to obtain exposure to a well-diversified portfolio of private finance investments across geographic and industry sectors, such exposure may be obtained indirectly through a limited number of collective and direct asset holdings.

Outline of Private Finance

Most investors are familiar with 'public finance' securities such as bonds listed on a stock exchange. Private

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



financing is generally employed where companies need to borrow but are either unable or unwilling to source financing from a bank and/or do not have the infrastructure, the credit rating or the inclination to approach the public market. The borrower may need funds to finance their business inventory, or have a temporary or seasonal need for cash while awaiting payment for goods/services already delivered. Nimble lenders in the private finance arena, who understand the prevailing business and legal environment, can advantageously offer funds to a borrower with strong collateral or asset backing. Typical collateral includes inventory (e.g. stock, equipment), real estate, accounts receivable, contract receivables (e.g. royalties) and the intrinsic value of a company.

Private finance is sometimes referred to as asset based lending, but may also include bridge financing, term lending and structured financing arrangements. Apart from the security offered by liens and collateral, active risk management in the form of rigorous cash flow and collateral monitoring is carried out. Additional safety margins (e.g. cash deposits and prudent advance rates) are also incorporated where necessary.

Hedging

The Investment Manager may undertake currency hedging.

Base Currency

The base currency of the Fund is Sterling.

Conflicts of Interest

The Investment Manager and connected parties (including, but not limited to its employees, partners, affiliates and beneficial owners) may provide investment advisory and management services to other clients (including those in which it has a material interest) in addition to the Fund. The Investment Manager and connected parties where applicable will act in a fair and equitable manner in allocating investment opportunities among the Fund, other Cells of the ICC, other investment vehicles managed by them and the accounts of their other clients, although situations may arise in which the account activities of the Investment Manager, connected parties or other clients may disadvantage the Fund. The Directors and the Investment Manager will endeavour to ensure that any conflict which does arise, will be resolved fairly.

Subject to the provisions of the Law, and provided that he has disclosed to the other Directors the nature and extent of any material interest of his, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Fund, or in which the Fund is otherwise interested.

A Director shall be counted in the quorum at any meeting in relation to any resolution in respect of which he has declared an interest and may vote thereon.

Distribution Policy

It is the intention of the Directors to accumulate all income receipts and capital gains of the Fund for reinvestment and not to make distributions to Shareholders, although the Directors reserve the right to declare or recommend that Shareholders resolve to declare dividends should they consider it appropriate.

Risk Factors

These risk factors should be read in conjunction with the risk factors outlined in the Scheme Particulars. The investments made by the Fund may be illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Fund's assessment of their net asset value or the amount paid



ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008

for such investments by the Fund. Illiquidity may result from a number of factors including the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Fund. The nature of the Fund's investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Since the Fund will invest directly or indirectly in asset based lenders, adverse changes in the financial condition of the borrowers of such lenders or in general economic conditions may impair the ability of such borrowers to make payments on loans and therefore could result in defaults of such loans and corresponding reduced returns for the Fund. Similarly, although most of the loans of the asset-based lenders will be secured by collateral, the collateral securing a particular loan may not fully protect the lender from suffering a partial or complete loss if the borrower defaults on the loan and the lender moves to foreclose on the collateral. Reductions in the value of collateral or inaccurate valuations of collateral are examples of risks that may limit the lender's ability to recover the principal of a defaulted loan. Any difficulty that the asset based lender may have in fully recovering any loan or collateral will negatively impact the performance of the Fund.

The Fund may engage in borrowing or leverage to finance its operations. Using leverage will increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Fund's portfolio would be amplified. Interest on borrowings will be an expense of the Fund and will affect the operating results of the Fund. Also, the Fund could potentially create leverage via the use of instruments such as derivatives.

The Fund may invest directly or indirectly in the securities of issuers organized or based in offshore unregulated funds or in debt instruments issued by unrated entities that are not listed on a stock exchange and for which no readily realisable market exists. These investments may be subject to a variety of risks and other special considerations that would not normally affect securities issued in developed markets. Many emerging securities markets are not as developed or efficient as those in developed markets. Securities of some emerging issuers are less liquid and more volatile than securities of comparable developed markets.

These issuers may also be subject to less stringent financial reporting and disclosure requirements than those applicable to developed markets. As such they carry a higher degree of regulatory, legal and operational risk than when compared to equivalent onshore regulated or listed instruments.

Since foreign securities transactions are often denominated in currencies other than the currency in which the Fund is denominated, the Fund or its underlying assets may incur currency exchange costs when effecting these transactions, and the value of these securities as measured in the currency of the Fund may be adversely affected by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time. The Fund may hedge these currency positions back into the base currency of the Fund but will incur costs in doing so.

The Fund's activities will include the allocation of Fund assets to underlying funds which may invest on the basis of short-term market considerations. Their portfolio turnover rate may be significant, potentially involving substantial brokerage commissions and fees which will adversely impact the Net Asset Value of the Fund.

Managers of fund investments selected by the Investment Manager normally will be entitled to two forms of compensation: a fee based on net assets under management (typically ranging from 1% to 2% annually), plus performance compensation based on the appreciation in the value of the Fund's investment with the manager (typically ranging from 10% to 25% of net profits). While the performance compensation arrangements may call for realised or unrealised losses to be carried forward as an offset against net profits

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



in subsequent periods, managers generally are not otherwise penalised for realized losses or decreases in the value of such account. These performance compensation arrangements may create an incentive for those managers to effect transactions for the Fund's account that are particularly risky or speculative.

Similarly the Investment Manager's compensation arrangement with the Fund may create an incentive for the Investment Manager to select managers that pursue strategies that are particularly risky or speculative.

The Fund generally will have no control over the selection of the custodians or administrators of certain fund assets which also may be subject to a lesser degree of government supervision or regulation than a company based in the United Kingdom or other developed countries.

The success of the Fund's investments will depend to some extent upon the ability of underlying investments to correctly assess the future course of price movements of stocks, bonds and other financial instruments and markets. In addition, the success or otherwise of the Fund's underlying investments will depend on the rigour of the due diligence carried out on any loan, and the quality of the underlying collateral backing the loan. There can be no assurance that these managers will accurately assess these risk factors. A failure to accurately anticipate future market/economic developments may adversely affect the ability of managers to execute trade orders at desired prices in rapidly moving markets. Also, a failure to properly assess a borrower's credit worthiness and/or to properly secure a loan may adversely affect a manager's performance.

The Fund or its underlying investments may also invest in the over-the-counter market in contracts which involve dealing with counterparties and relies on their ability to meet the terms of the contracts. In particular, the Fund or one of its underlying investments may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the managed capital to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

There can be no assurance that the trading strategies employed by funds that the Fund invests in will be successful. For example, the proprietary models used by a fund may not function as anticipated during unusual market conditions, or, a lender may find it difficult to take possession of collateral when a borrower defaults. While each fund will have a performance record reflecting its prior experience in using the strategies, this performance cannot be used to predict future profitability.

Certain of the managers in the underlying investments may engage in other forms of related and unrelated activities in addition to advising the investment of the Fund. They may also make investments in securities for their own account. Activities such as these could detract from the time a manager devotes to the affairs of the Fund investments. In addition, certain of the managers may engage affiliated entities to furnish brokerage services and others may themselves provide market-making services, including those of counterparty in stock and OTC transactions. As a result, in such instances the choice of broker, market-maker or counterparty and the level of commissions or other fees paid for such services (including the size of any mark-up imposed by a counterparty) may not have been made at arm's length.

The Investment Manager's entitlement to the performance fee may create an incentive to select managers that engage in transactions or make investments that are riskier or more speculative than would be the case in the absence of such a performance fee. The performance fee is in addition to the monthly management fee and any fees and performance based profit allocations paid on the underlying investments selected by the Investment Manager.

As of the date of these supplementary scheme particulars there is no past performance of the Investment Manager and of the Fund that can be used by potential investors to evaluate an investment in the Fund. Past performance is not necessarily an indication of future investment results.

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



SUBSCRIPTION AND REDEMPTION OF SHARES

Subscriptions

The Placing Shares will be available for subscription during the Offer Period by eligible investors at the price determined on the Placing Date.

Prospective investors should refer to the section headed Eligible Investors and "US Persons" in the Principal Particulars to establish whether or not they are eligible to invest.

Minimum Subscription

The aggregate minimum subscription for Shares in the Fund that will be accepted is £40,000 or in any case not less than the currency equivalent of Eur50,000. The Directors may vary this amount from time to time and may at their absolute discretion accept applications for a lower amount.

Application Procedure

Settlement for subscriptions for Shares in the Fund may be made by telegraphic transfer to Arch Cru Private Finance IC Limited as per the details in the relevant application form.

Applications for Shares in the Fund may be refused at the absolute discretion of the Directors. Contract notes will be sent out to investors within 15 days of the Closing Date. Any interest earned on monies sent to the Fund prior to the Closing Date will be for the account of the Fund. No interest will be paid to early investors.

Compulsory Redemption

The Directors have resolved that they may at their discretion compulsorily redeem at any time the Shares in the Fund of any investor who:-

- holds Shares directly or beneficially in breach of any law or requirement of any country, governmental or regulatory authority; or
- whose existence as a Shareholder in the Fund causes or threatens to cause the Fund to incur any liability to taxation or to suffer any pecuniary or other disadvantage in any jurisdiction which it would otherwise not have expected to incur or suffer; or
- whose existence as a Shareholder may cause the ICC or the Fund to be classified as an "investment company" under the 1940 Act.

The Directors also have the power to give not less than 21 clear days' notice in order compulsorily to redeem all Shares in issue, if at any time after the first anniversary of the date of the ICC's incorporation, the aggregate Net Asset Value of all cells of the ICC then in existence as at each Valuation Point falling within a period of three consecutive months is less than, or less than the equivalent of, Eur5 million.

Publication of Net Asset Value per Share

The Net Asset Value per Share calculated as at close of business on the last Business Day of every month will be available on request from the Administrator and will be notified as soon as practicable after calculation



ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008

to the CISX and available on their website, which is www.cisx.com and the Investment Manager's website, which is www.archfunds.com.

Life of the Fund

The Fund has no planned end date.

Shareholders will not be entitled to require the Company to redeem their Shares in the Fund at any time. It is the intention of the Directors to assist in the creation of liquidity for Shareholders by appointing market-makers in respect of the Fund to seek to maintain a market for the Shares. No fee will be paid by the Fund to them in respect of their role as market makers. Any change in the appointment of any market-maker will be notified to Shareholders in the annual report of the Company.

In maintaining a market for Shares, the market-maker may realise profits or sustain losses in the amount of any differences between the prices at which it buys Shares and the prices at which it sells Shares. Any profit made by the market-maker may be retained for its absolute use and it shall not be liable to account to the Company in respect of such profits.

The Fund does not guarantee that at any particular time the market-maker will be willing to make a market in the Shares nor does it guarantee the price at which a market will be made as this will be dependant on prevailing market conditions. Shareholders seeking to dispose of their Shares have no assurance of the return of their capital investment in the Company. Accordingly, the dealing price of the Shares may not reflect exactly any changes in the net asset value per Share. Consequently there may be no liquidity whatsoever in Share dealings.

Transfer of Shares

The Company will be applying for permission for Ordinary Shares to be transferable following admission of the Ordinary Shares to the Official List by means of CREST. Settlement of transfers through CREST will permit shareholders to hold their Ordinary Shares in electronic form in a CREST account.

All transfers of shares shall be effected by transfer in writing in any usual or common form in use in the Island of Guernsey or in any other form approved by the Directors but need not be under seal, and every form of transfer shall state the full name and address of the transferor and transferee and be signed by the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof.

The Directors shall decline to recognise any transfer of Shares unless the instrument of transfer is deposited at the Registered Office or such other place as the Directors may reasonably require, accompanied by such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and the instrument of transfer relates to Shares only.

If the Directors decline to register a transfer of any share they shall, within one month after the date on which the transfer was lodged with the Fund, send to the transferee notice of the refusal.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, PROVIDED ALWAYS that such registration of transfers shall not be suspended for more than thirty days in any year.

The Directors may, by notice to a Shareholder, at any time request a Shareholder to furnish a declaration, in a form satisfactory to the Directors, as to his place of residence, citizenship or domicile and any such

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



as the Directors may reasonably require to show the right of the transferor to make the transfer; and the instrument of transfer relates to Shares only.

If the Directors decline to register a transfer of any share they shall, within one month after the date on which the transfer was lodged with the Fund, send to the transferee notice of the refusal.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, PROVIDED ALWAYS that such registration of transfers shall not be suspended for more than thirty days in any year.

The Directors may, by notice to a Shareholder, at any time request a Shareholder to furnish a declaration, in a form satisfactory to the Directors, as to his place of residence, citizenship or domicile and any such other information as may be reasonably required by the Directors to satisfy themselves that such person is qualified to hold shares in the Fund.

All instruments of transfer which shall be registered shall be retained by the Fund, but any instrument of transfer which the Directors may decline to register shall (except in any case of fraud) be returned to the person depositing the same.



ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008

FEES AND EXPENSES

Establishment Costs

All the costs and expenses associated with the organisation and the initial offering of Shares of the Fund, including the costs incurred in connection with the preparation of these Supplemental Particulars and the Fund's pro rata share of registration fees, document duty and professional fees and expenses incurred in the establishment of the Fund are not expected to exceed £7,000 and will be amortised over a five year period commencing on the launch of the Fund.

Fees of the Investment Manager

The Investment Manager has agreed with the Fund that the Investment Manager shall be entitled to a periodic management fee from the Fund for its services under the Management Agreement. The Investment Manager has agreed with the Fund that its investment management fee shall initially be 1.25 per cent of the Net Asset Value of the Fund per annum payable monthly in arrears. The Investment Manager may, from time to time, at its sole discretion decide to rebate to some or all investors (or their agents, including the Directors) or to intermediaries part of or all of the investment management fee.

Performance Fee

The Fund will pay the Investment Manager a performance fee ("Performance Fee") which will be reflected in each monthly Net Asset Value calculation and will be paid at the end of each Performance Period in arrears. A "Performance Period" will be a three month period ending on the last Business Day of March, June, September and December of each year (each a "Performance Date"), except for the initial performance period which shall be from the Closing Date to the next available Performance Date.

At the end of the relevant Performance Period, the Company will pay the Investment Manager an amount per Share equal to ten percent (10%) of the amount by which the Net Asset Value of the Fund as at the last Business Day in such Performance Period exceeds the greater of (i) the highest Net Asset Value per Share of the Fund by reference to which a Performance Fee has previously been paid in respect of any previous Performance Period; or (ii) £1.00; provided, however, that the Performance Fee may only be charged to the extent it does not reduce the rate of return achieved by such Fund for such year below the Cumulative Hurdle Rate.

The "Cumulative Hurdle Rate" with respect to any Performance Period is three month Sterling LIBOR + 4%, set and accrued monthly from the final Business Day of the previous Performance Period. The Cumulative Hurdle Rate is not cumulative from one Performance Period to another. In no event shall the Investment Manager have to return any Performance Fees previously charged and paid with respect to any Shares. LIBOR for the first Performance Period shall be calculated for the period from the Closing Date to the first Performance Date.

Initial Dealing Charge & Initial Commission

An initial charge of up to two per cent (2%) of the Subscription Price is payable in respect of the Fund to the Investment Manager. This charge is payable in addition to the five per cent (5%) initial commission referred to below and is paid out of and calculated by reference to the subscription monies received net of the five per cent (5%) initial commission. For the purposes only of calculating the Net Asset Value of the Fund this two per cent (2%) charge will be amortised over a five year period commencing on the launch of the Fund. The Investment Manager may pay any part of this charge on to intermediaries as commission. An initial commission of up to five per cent (5%) of the amount subscribed by an investor for Shares may be payable

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



to an intermediary. Under the issue, each investor will receive such number of Shares as is calculated by deducting from the total amount subscribed the initial commission payable to the intermediary, and dividing the resultant amount by the Offer Price, save that any fractional Share shall be rounded down to the nearest whole share. If the investor's intermediary waives its right to receive the initial commission or if the subscription is not made through an intermediary, no deduction of the initial commission will be made and the relevant investor will receive Shares corresponding to the full amount subscribed.

Fees of the Administrator

The Administrator shall be paid a fee calculated by reference to the Net Asset Value of the Fund, payable monthly in arrears according to the following schedule:

<u>Net Asset Value Range</u>	<u>Relevant % of the Fund's NAV</u>
£0 million ≤ £50 million	0.16%
£50 million ≤ £100 million	0.13%
>£100 million	0.11%

The Administrator's fee will be subject to an annual minimum of £40,000 for all cells in the ICC, which minimum fee shall be *pro rated* by reference to the Fund's Net Asset Value.

Fees of the Auditors

The fees of the Auditors payable by the Fund is expected to be £4,000 per annum.

Fees of the Custodian

The Custodian shall be paid a fee equal to 0.075% of the Net Asset Value of the Fund, payable monthly in arrears, and subject to a minimum annual fee of £6,000.

Fees of the Directors

The fees of the Directors will be decided by the Fund in general meeting. The Directors may in addition to such remuneration grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Fund. The Directors may also fix the remuneration of any managing director. Initially the Directors fees will be set at £5,000 per annum including the cost of purchasing and maintaining insurance for or for the benefit of any persons who are or were at any time Directors, officers or employees of the ICC (including professional indemnity insurance). Robert Addison has agreed to waive his fee.

Fees for the Listing on the CISX

The following fees are payable in connection with the application for and continuation of the admission of the Fund's Shares to the Official List of the Channel Islands Stock Exchange:

Application Fee (one off fee):	£3,300
Maintenance Fee (annual):	£1,500
Sponsor's Fee:	£2,500 first year, £1,500 subsequent years

Where the above fees are payable by the ICC as a whole, the Fund shall bear a proportion of such expense *pro rata* to the Fund's Net Asset Value.



ADDITIONAL INFORMATION

1. Incorporation and Share Capital

The Fund was incorporated with an authorised share capital of £2 divided into 2 Management Shares of £1.00 each, (the "Management Shares") both of which have been allotted and issued to the Investment Manager credited as fully paid up, and an unlimited number of participating preference shares of no par value. The Management Shares have been created in order that the Shares may have a preference over some other class of share capital.

Shares may not be issued at a price which is less than the net asset value per Share at the time of such issue unless authorised by a majority of the Shareholders or offered first on a pro-rata basis to those Shareholders.

Shares may not be converted into a different class without the approval of a majority of shareholders of that class, except where such conversion is for the consolidation of different classes.

2. Articles of Association

The following is a summary of the principal provisions of the Articles of Association of the Fund in so far as they have not been described earlier in this document, and the defined terms hereinafter are in accordance with the Articles of Association.

Variation of Class Rights and Alteration of Capital

- 1) Subject to the provisions of the Law, all or any of the special rights for the time being attached to any class of shares for the time being issued (including, for the avoidance of doubt Shares) may (unless otherwise provided by the terms of issue of the shares or these Articles) from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of such shares. To any such separate meeting all the provisions of these presents as to general meetings of the Fund shall mutatis mutandis apply, but so that the necessary quorum shall be two Shareholders holding or representing by proxy not less than ten per cent of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders of shares of the class who are present shall be a quorum), that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and that any holder of shares of the class present in person or by proxy may demand a poll. Notwithstanding the foregoing this Article shall not derogate from any power the Fund would have had if this Article were omitted.
- 2) The rights attached to the Shares shall be deemed to be varied by the creation or issue of any shares (other than Shares whether now in existence or hereafter created), ranking *pari passu* with or in priority to them as respects participation in the profits or assets of the Fund.
- 3) Subject to the preceding paragraph, the special rights attached to any class of shares having preferential rights shall (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by:-
 - a) the creation, allotment or issue of further shares ranking *pari passu* therewith; or
 - b) the creation, allotment or issue of management shares; or



ARCH cru Private Finance IC Limited Supplemental Scheme Particulars

Dated: January 2008

- c) the creation of Shares; or
 - d) if the Fund shall be wound up, by the exercise by the Liquidator of his powers.
- 4) The Fund may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.
- 5) All new shares shall be subject to the provisions of these Articles with reference to transfer, transmission and otherwise.
- 6) Subject to the provisions of Guernsey law the Fund may by Special Resolution from time to time reduce its share capital in any way, and in particular, without prejudice to the generality of the foregoing power, may:-
- a) extinguish or reduce the liability on any of its shares in respect of share capital not paid up; or
 - b) with or without extinguishing or reducing liability on any of its shares
 - i) cancel any paid-up share capital which is lost, or which is not represented by available assets; or
 - ii) pay off any paid-up capital which is in excess of the requirements of the Fund, and may, if and so far as is necessary, alter its Memorandum by reducing the amount of its capital and of its shares accordingly.
- 7) The Fund may by Ordinary Resolution from time to time alter its share capital by:-
- a) consolidating and dividing all or any of its share capital into shares of larger amount than its existing shares;
 - b) sub-dividing its shares, or any of them, into shares of smaller amount than that fixed by its Memorandum of Association so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
 - c) cancelling any shares which, at the date of the passing of the Ordinary Resolution in that behalf have not been taken, or agreed to be taken, by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- 8) The Fund may from time to time, subject to the provisions of The Companies (Purchase of own shares) Ordinance, 1998 (the "Ordinance"), purchase its own shares (including any redeemable shares) in any manner authorised by the Ordinance.

Shares

The rights attaching to the Shares are as follows:-

ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008



Voting Rights:

Subject to any special rights or restrictions for the time being attached to any class of shares:-

- on a show of hands every Shareholder who is present shall have one vote;
- on a poll every Shareholder who is present in person or by proxy shall be entitled to one vote in respect of each whole Participating Share held by him and a further part of one vote proportionate to any fraction of a Participating Share held by him.

Dividends:

- 1) The Shareholders of the Fund may from time to time by Ordinary Resolution declare dividends payable to holders of Shares of the Fund up to an amount recommended by the Directors. The Directors may from time to time if they think fit pay interim dividends on Shares if justified by the profits of the Fund.
- 2) No dividend shall be payable in respect of the Fund except out of such funds as may be lawfully distributed as dividends.
- 3) The rate of dividend on the Shares in respect of any Annual Accounting Period of the Fund shall be calculated by the Directors and shall be arrived at by dividing the amount of income after tax attributable to the Shares of the Fund which the Directors deem advisable for distribution divided by the number of Shares entitled to the dividend.
- 4) Unless a Shareholder otherwise elects, either generally or in any particular case, dividends to which that shareholder is entitled may be applied in acquiring additional shares for that Shareholder on the Dealing Day on which dividend is paid at the Subscription Price ruling on that Dealing Day free on any preliminary charge.
- 5) The Directors may, with the sanction of an Ordinary Resolution of the holders of Shares of the Fund, satisfy any dividend or capital sum payable to holders of Shares of the Fund in whole or in part by distributing to them in specie any of the assets of the Fund provided always that no such distribution shall be made which would amount to a reduction of capital save with the consents required by Law.
- 6) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Fund until claimed. No dividend shall bear interest against the Fund. The payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the Fund a trustee in respect thereof and any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the relevant Fund.

Winding Up:

The Fund may be wound up at any time by Special Resolution.

If the Fund shall be wound up, the Liquidator shall discharge the liabilities of the Fund out of the assets comprised in the Fund and no recourse shall be had to the assets of the Fund to meet liabilities of any other Fund of the Company or liabilities of the Company itself.

The assets available for distribution among the Shareholders shall then be applied as follows:-



ARCH cru Private Finance IC Limited

Supplemental Scheme Particulars

Dated: January 2008

- in the payment to the holders of the Shares of any balance then remaining in the Fund such payment being made in proportion to the number of Shares held;
- in the payment to the holders of the Management Shares of the amounts paid up thereon.

Borrowings:

The Directors may exercise all the powers of the Fund to borrow money for the account of the Fund and hypothecate, mortgage, charge or pledge, the property, and assets or any part thereof of the Fund.

Litigation:

Since its incorporation the Fund has not been nor is it engaged in any legal or arbitration proceedings and no legal or arbitration proceedings are pending or threatened against the Fund which may have or have had a significant effect on the financial position of the Issuer.

3. Material Contracts

The following contracts have been entered into by Fund and are all dated on or around 12 October 2007:-

- 1) an investment management agreement whereby ARCH Financial Products LLP will advise on and manage the investments of the Fund;
- 2) an administration agreement whereby Bordeaux Services (Guernsey) Limited will act as administrator and secretary to the Fund; the agreement is terminable on three months' notice by either party;
- 3) a custodian agreement whereby Fortis Bank (CI) Limited will hold the investments of the Fund (limited custodian - see risk factors), ; the agreement is terminable on three months' notice by either party;
- 4) a registrars agreement whereby Anson Registrars Limited will act as the registrar; the agreement is terminable on three months' notice by either party;
- 5) a UK transfer agent agreement whereby Anson Administration (UK) Limited will provide certain UK transfer agent services; the agreement is terminable on three months' notice by either party.

The documents detailed above together with the Memorandum and Articles of Association of the Fund and the statutory records of the Fund will be available for inspection at the registered office of the Fund.