



Invesco Private Capital, Inc.

**Form ADV Part 2A**  
**Firm Brochure**

**CRD#: 107584**

**SEC#: 801-45224**

This brochure provides information about the qualifications and business practices of Invesco Private Capital, Inc., a registered investment adviser located at *1166 Avenue of the Americas, New York, New York 10036*. If you have any questions about the contents of this brochure, please contact Mike Gibbons at: (212) 826-2042 or by email at [mgibbons@wlcross.com](mailto:mgibbons@wlcross.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 Invesco Private Capital, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

MARCH 31, 2012

## Item 2 - Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. The last annual update to the Form ADV Part 2 was completed on March 31, 2012.

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### Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This annual report conforms to the new guidelines.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact Mike Gibbons at: (212) 826-2042 or by email at [mgibbons@wlross.com](mailto:mgibbons@wlross.com)

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## Item 4 - Advisory Business

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### **Firm Description**

**Invesco Private Capital, Inc.**, (“IPC”) was founded in 1981.

IPC has capabilities in private capital investing, including partnership selection/monitoring and direct investments.

IPC specializes in two primary investment strategies, Fund of Funds Investing and Direct Investing described as follows:

### **Fund of Funds (“FOF”) Investing**

Our investment philosophy underlies the strategy we use to construct our fund of funds’ portfolios. We believe there is significant upside potential for those who understand the illiquid nature of the asset class and have a long-term investment horizon.

We do not believe private markets can be timed nor do we believe that the largest funds can be relied upon to deliver superior returns over consecutive cycles. For these reasons, we invest selectively over time and overweight our portfolios in smaller or niche venture capital and buyout firms.

The basic structure of our alternatives product also differentiates our investment approach. Some of our products offer investors flexible sector allocation options among venture capital, leverage buyout and international private equity firms. Our products can accommodate investors who have little or no current exposure to alternatives, as well as clients who prefer to handle a certain portion of their alternative investment commitments in-house while outsourcing specialized portions of their program to a skilled, dedicated outside manager.

By constructing our core FOF portfolios over a multi-year period, we attempt to diversify over a typical investment cycle. Our global portfolio is constructed with a mix of partnerships that vary by size, stage of investment, investment strategy, geography and industry.

When blended together, these characteristics help to mitigate overall portfolio investment risk. IPC also accepts a limited number of full discretion account assignments designed to accommodate specific investment strategies such as emerging managers or small & mid-size buyout funds.

### **Direct Investing**

Our venture capital strategy is to finance companies looking for capital across multiple industries. We primarily seek to invest in companies that already offer strong “proof of principle” and have placed working technology in the hands of initial customers, successfully completed early clinical trials or have initial proof of a working business model.

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## Principal Owners

Invesco Private Capital, Inc. is wholly-owned by Invesco Advisers, Inc., which in turn is ultimately owned by Invesco Ltd (“Invesco”).

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## Types of Advisory Services

IPC provides investment advisory services to commingled investment vehicle clients organized as Limited Partnerships (“LPs”) and Limited Liability Companies (“LLCs”). IPC also provides a continuous investment management program to third-party clients such as corporations, pension plans, high net worth individuals and other investors.

Advisory services provided to all clients are fully discretionary where IPC has the authority to make all investment decisions for its clients’ accounts and may buy or sell direct private equity offerings, stocks, bonds, or any other security, subject to any guidelines or restrictions agreed to between IPC and its investors.

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## Assets Under Management

As of **December 30, 2011**, IPC manages approximately **\$2.3 billion** in assets for **48 accounts**. All client assets are managed on a discretionary basis.

### Regulatory Assets Under Management

Recently adopted SEC rules and rule amendments require all investment advisers to report “regulatory assets under management” in Form ADV Part 1. This new terminology distinguishes the assets reported in Form ADV Part 1 from the assets under management disclosed above and elsewhere in this Brochure.

When calculating its regulatory assets under management, IPC is required to include the value of any private fund over which it exercises continuous and regular supervisory or management services, regardless of the nature of the assets held by the fund. IPC must also include the amount of any *uncalled capital commitments* made to a private fund. The new SEC rule also requires IPC to use the market value of private fund assets or the fair value of private fund assets where market value is unavailable. This represents a change from previous filings that permitted an adviser to calculate the value of its assets under management based on whatever method the adviser used to report its assets to clients (e.g., what was in the fund documents) or used to calculate fees for investment advisory services.

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**Termination of Agreement**

IPC's separately managed account agreement allows clients to terminate on 30 days' notice. However, certain contracts with clients may have other termination provisions that are individually negotiated.

In the case of termination before expiration, subject to the terms of the partnership agreement, any unearned fee for any client account will be refunded to the client according to the terms of the agreement.

## **Item 5 - Fees and Compensation**

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**Description**

Fees are generally based on commitments, net asset value or invested capital as determined by IPC. Fees are either charged directly to and paid by the investment vehicle or billed directly to and paid by the underlying investor in the investment vehicle.

Fees are negotiable based on a variety of circumstances such as specialized guidelines, performance fees, existing accounts or relationships with IPC or its affiliates, off-shore relationships; account size, or type of client. Examples of fee arrangements are shown below.

**Direct Private Investment Fee Schedule**

U.S. investors: Minimum of 200-250 basis points on committed assets plus a 15% - 20% carried interest/performance fee. Fees may differ for non-U.S. investors and for high net worth individual investors.

**Fund of Fund Fee Schedule**

Generally, 75-100 basis points on US Venture, US LBO/Corporate Finance and International Partnerships.

Prospective investors should carefully consider fee disclosures set forth in each fund's private placement memorandum prior to investing.

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**Fee Billing**

Investment advisory fees are billed quarterly, in *arrears*, meaning that clients are invoiced *after* the three-month billing period has *ended*. IPC does not make use of side pockets to calculate any charges to clients.

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**Other Fees**

IPC does not provide custodial services. Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. Registrant does not participate in the receipt of custody fees or otherwise receive any benefit as a result of custodial services provided directly to its clients' accounts.

IPC may delegate a portion or all of its investment management responsibilities to one or more sub-advisors that may be affiliated with the company. IPC may also contract to pay solicitors to solicit clients. In both cases, the company will be responsible for the fees paid to such sub advisors or solicitors and the client's fee will *not* be increased to cover such costs.

## **Item 6 - Performance-Based Fees**

All performance based fee arrangements comply with the requirements of applicable law, including the Investment Advisers Act of 1940 and ERISA.

The existence of performance fees may create an incentive to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such performance-based arrangement.

## **Item 7 - Types of Clients**

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### **Description**

IPC generally provides investment advice to unregistered on-shore and off-shore partnerships and other entities formed for the purpose of investment. Client relationships vary in scope and length of service.

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### **Account Minimums**

The minimum account size for Separately Managed Accounts is **\$75 million** of assets under management. For commingled funds, the minimum investment is **\$5 million**. IPC has the discretion to waive account minimums.

Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

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

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### **Methods of Analysis**

Analytical methods used by IPC may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

IPC occasionally uses independent consultants as a source of research to obtain information on a particular industry, sector, etc., prior to determining whether it should commit capital to a particular private venture.



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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- *Interest-Rate Risk* - Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on certain fixed-rate debt instruments become less attractive, causing their market values to decline.
- *Market Risk* - Asset prices may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of an asset's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk* - When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk* - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk* - This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk* - These risks are associated with a particular industry or a particular company within an industry.
- *Liquidity Risk* - Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk* - Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 - Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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## Other Matters

### Affiliates of IPC – Disciplinary Information

On October 8, 2004, IFG, the former investment advisor to certain AIM Funds, and Invesco Aim Advisors, the AIM Fund's investment advisor, announced that final settlements had been reached with the Securities and Exchange Commission ("SEC"), the New York Attorney General ("NYAG"), the Colorado Attorney General ("COAG"), the Colorado Division of Securities ("CODS") and the Secretary of State of Georgia to resolve civil enforcement actions and investigations related to market timing activity and related issues in the AIM Funds, including those formerly advised by IFG. In their enforcement actions and investigations, these regulators alleged, in substance, that IFG and Invesco Aim Advisors failed to disclose in applicable Fund prospectuses for the AIM Funds that they advised and to the independent directors/trustees of such Funds that IFG and Invesco Aim Advisors had entered into certain arrangements permitting market timing of such Funds, thereby breaching their fiduciary duties to such Funds.

As a result of the foregoing, the regulators alleged that IFG, Invesco Aim Advisors and Invesco Aim Distributors, Inc. ("IADI"), the distributor of the retail AIM Funds and a wholly owned subsidiary of Invesco Aim Advisors, breached various Federal and state securities, business and consumer protection laws.

Under the terms of the settlements, IFG, Invesco Aim Advisors and IADI consent to the entry of settlement orders or assurances of discontinuance, as applicable, by the regulators containing certain terms, some of which are described below, without admitting or denying any wrongdoing.

Under the terms of the settlements, IFG agreed to pay a total of \$325 million, of which \$110 million is civil penalties. The \$325 million total payment was paid in two equal installments in accordance with the terms of the settlement and the final payment was paid before December 31, 2005. Invesco Aim Advisors and IADI agreed to pay a total of \$50 million, of which \$30 million is civil penalties. The entire \$50 million payment by Invesco Aim Advisors and IADI was paid on November 8, 2004.

The entire \$325 million IFG settlement payment will be available for distribution to the shareholders of those AIM Funds that IFG formerly advised that were harmed by market timing activity, and the entire \$50 million settlement payment by Invesco Aim Advisors and IADI will be available for distribution to the shareholders of those AIM Funds advised by Invesco Aim Advisors that were harmed by market timing activity, all as to be determined by the independent distribution consultant who was appointed under the terms of the settlements. The settlement payments will be distributed in accordance with a methodology to be determined by the independent distribution consultant, in consultation with Invesco Aim Advisors and the independent trustees of the AIM Funds and acceptable to the staff of the SEC.

Under the settlements with the NYAG and COAG, Invesco Aim Advisors agreed to reduce management fees on the AIM Funds by \$15 million per year for the next five years, based upon effective fee rates and assets under management as of July 1, 2004, and not to increase certain management fees. Invesco Aim Advisors implemented such fee reductions as of January 1, 2005. IFG also paid \$1.5 million to the COAG to be used for investor education purposes and to reimburse the COAG for actual costs. Finally, IFG and Invesco Aim Advisors paid \$175,000 to the Secretary of State of Georgia to be used for investor education purposes and to reimburse the Secretary of State for actual costs.

None of the costs of the settlements will be borne by the AIM Funds or by Fund shareholders.

Under the terms of the settlements, Invesco Aim Advisors made certain governance reforms, including maintaining an internal controls committee and has retained an independent compliance consultant, a corporate ombudsman and, as stated above, an independent distribution consultant. Also, commencing in 2007 and at least once every other year thereafter, Invesco Aim Advisors will undergo a compliance review by an independent third party.

In addition, under the terms of the settlements, Invesco Aim Advisors has undertaken to cause the AIM Funds to operate in accordance with certain governance policies and practices, including retaining a full-time independent senior officer whose duties will include monitoring compliance and managing the process by which proposed management fees to be charged the AIM Funds are negotiated. The AIM Funds have engaged Mr. Russell Burk as the senior officer, and he reports directly to the Chairman of the AIM Funds Board of Trustees.

Also, commencing in 2008 and not less than every fifth calendar year thereafter, the AIM Funds will hold shareholder meetings at which their Boards of Trustees will be elected.

#### Regulatory Action Alleging Market Timing

On April 12, 2005, the Attorney General of the State of West Virginia ("WVAG") filed civil proceedings against AIM, IFG and Invesco Aim Distributors, Inc. ("IADI"), as well as numerous unrelated mutual fund complexes and financial institutions. None of the AIM Funds has been named as a defendant in these proceedings. The WVAG complaint, filed in the Circuit Court of Marshall County, West Virginia [Civil Action No. 05-C-81], alleges, in substance, that AIM, IFG and ADI failed to disclose in the prospectuses for the AIM Funds, including those formerly advised by IFG, that they had entered into certain arrangements permitting market timing of such Funds, thereby breaching their fiduciary duties to such Funds. As a result of the foregoing, the WVAG alleged violations of W. Va. Code § 46A-1-101, et seq. (the West Virginia Consumer Credit and Protection Act).

The WVAG was seeking injunctions; civil monetary penalties; a writ of quo warrant against the defendants for their alleged improper actions; prejudgment and post-judgment interest; costs and expenses, including counsel fees; and other relief. This matter was transferred to the Federal Courts' Multi-District Litigation ("MDL") Court on October 19, 2005. On July 7, 2005, the Supreme Court of West Virginia ruled in the context of a separate lawsuit that the WVAG does not have authority under the West Virginia Consumer Credit and Protection Act to bring an action based upon conduct that is ancillary to the purchase or sale of securities. On April 14, 2006, the WVAG voluntarily dismissed this action without prejudice.

On August 30, 2005, the West Virginia Office of the State Auditor - Securities Commission ("WVASC") issued a Summary Order to Cease and Desist and Notice of Right to Hearing to AIM and IADI (Order No. 05-1318). The WVASC purports to make findings of fact that AIM and IADI entered into certain arrangements permitting market timing of the AIM Funds and failed to disclose these arrangements in the prospectuses for such Funds and conclusions of law to the effect that AIM and IADI violated the West Virginia securities laws (essentially mirroring the WVAG's allegations mention above).

The WVASC orders AIM and IADI to cease any further violations and seeks to impose monetary sanctions, including restitution to affected investors, disgorgement of fees, reimbursement of investigatory, administrative and legal costs and an "administrative assessment," to be determined by the Commissioner. Initial research indicates that these damages could be limited or capped by statute. By agreement with the WVASC, AIM's time to respond to that Order has been indefinitely suspended.

#### Private Civil Actions Pending Against IFG, Invesco Aim Advisors and Related Entities and Individuals

A number of civil lawsuits related to market timing, late trading and related issues have been filed against (depending on the lawsuit) certain of the AIM Funds, IFG, Invesco Aim Advisors, Invesco Ltd., certain related entities, certain of their current and former officers and/or certain unrelated third parties. All such lawsuits have been transferred to the United States District Court for the District of Maryland (the "MDL Court") for consolidated or coordinated pre-trial proceedings.

Other civil lawsuits have been filed against (depending on the lawsuit) IFG, Invesco Aim Advisors, ADI, certain related entities, certain of their current and former officers and/or certain of the AIM Funds and their trustees alleging the improper use of fair value pricing, excessive advisory and/or distribution fees, improper charging of distribution fees on closed funds or share classes, improper mutual fund sales practices and directed-brokerage arrangements, and failure to participate in class action lawsuits. The suits alleging excessive fees were settled.

The suits alleging improper mutual fund sales practices were dismissed with prejudice by the Court. The suits alleging improper charging of distribution fees on closed funds or share classes have been dismissed. The suit alleging improper use of fair value pricing was dismissed; however, the appellate court overturned the dismissal. This case is pending in Illinois State Court. The suit alleging failure of Invesco Aim Advisors to participate in class action lawsuits was dismissed with prejudice by the Court.

More detailed information concerning the lawsuits pending in the MDL Court, as well as all other civil lawsuits that have been served on IFG, Invesco Aim Advisors, the AIM Funds or related entities, or for which service of process has been waived as of a recent date, including the parties to the lawsuits and summaries of the various allegations and remedies sought, can be found in the Fund's statement of additional information and on Invesco Aim Advisors' Internet website under the heading "Regulatory Inquiries and Pending Litigation"(<http://www.invescoaim.com/litigationsummary.pdf>).

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

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### **Affiliations**

IPC is affiliated with Invesco Ltd, a large global financial services firm that offers investment solutions to clients world-wide. As such, IPC is affiliated with many other entities ("Affiliates") within the Invesco global structure, including broker-dealers, registered and unregistered US and non-US investment advisers. However, none of the Affiliates have relationships or arrangements in place with IPC that are material to its business other than to serve as a conduit in various international jurisdictions that allow IPC to offer and provide investment advisory services in those jurisdictions where it would not otherwise be able to offer or provide advisory services due to specific registration and licensing requirements.

IPC's funds are distributed by Invesco Distributors, Inc. a FINRA-registered affiliated broker-dealer. Invesco advisers Inc., an affiliated registered investment adviser, provides marketing and certain administrative services to IPC.

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

IPC and its affiliates may recommend that clients buy or sell interests in the same investment products in which it or its related persons have some financial interest, including ownership. IPC and its related persons may own, buy or sell for themselves the same securities that they may have recommended to clients. Examples are described below. Our policies and procedures are intended to identify these and other potential conflicts and to assure that in all instances client interests come first. *IPC Code of Ethics is available for review by clients and prospective clients upon request.*

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**Employee Personal Investing - Code of Ethics**

IPC and its affiliates have a written Code of Ethics (the "Code") and Policy Statement on Insider Trading Prohibitions. The Code is administered by the compliance department. Compliance is responsible for interpreting the provisions of the Code, for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations of the Code or of any such rules or procedures have occurred.

Pursuant to the Code, all IPC employees, including members of the investment staff, are required to report to the compliance department the names of all personal brokerage accounts in which they have a direct or indirect beneficial ownership interest. Compliance uses an automated system in the daily monitoring of compliance with certain aspects of the Code.

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**Participation or Interest in Client Transactions**

IPC and its employees may recommend to clients that they buy or sell the same investment products in which IPC has some financial interest, including ownership, and IPC and its employees may own, buy or sell for themselves the same securities that they may have recommended to clients. IPC's policies and procedures are intended to identify these and other potential conflicts and to assure that in all instances client interests come first.

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**Registrant's Participation as General Partner in Partnerships**

IPC and its employees may provide investment advice to limited partnerships formed to invest in private securities. Invesco or related persons may be a limited partner or act as the general partner. In such cases, the general partner will also receive a portion of the profits of the partnership once a return to limited partners has been achieved.

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**Opposing Recommendations**

IPC may buy, sell or hold securities for itself or certain clients while entering into the opposite investment decision for one or more other client accounts.

Registrant will not knowingly act as a broker or cause one client to sell a security to, or purchase a security from, another client, unless it is in the client's best interest.

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**Investment of Capital**

IPC or related persons may invest their own capital in securities or investment products in which the private equity funds managed by IPC also invests in, including private equity securities and funds.

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**Recommendation Affiliated Funds**

IPC may recommend to either a fund or third-party client account the purchase of a private equity fund where IPC or a related entity serves as either the general partner or manager. In these situations, IPC will not offset or reduce its fees in proportion to the fees charged by a related fund except for WL Ross & Co. LLC funds.

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**New Fund Seed Capital**

From time to time, affiliates of IPC will provide seed capital to help fund a new private capital investment fund. In doing so, IPC may purchase securities equivalent to the amount of capital deposited for such purposes in an account in the name of the affiliate that is later transferred into the investment fund in exchange for a percent ownership in such investment fund.

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**Fire Wall Policies**

To address instances where it is in possession of material non-public information ("MNPI"), IPC has adopted policies and procedures designed to wall off certain information that govern its activities and its affiliates, Invesco Institutional (N.A.), Inc., Invesco Senior Secured Management, Inc. and WL Ross & Co. LLC. Subject to these procedures, the details of all MNPI obtained by any Invesco or Invesco Ltd. affiliate is restricted to certain designated individuals and Legal/Compliance personnel.

In addition, IPC and its parent have developed monitoring procedures that are designed to reasonably ensure that the receipt of MNPI by IPC does not necessarily adversely impact the investment activities of its affiliates. These procedures include the establishment of a restricted list and watch list, where securities are placed on the restricted list due to the receipt of MNPI by an IPC employee. The watch list is used to monitor investment activity of affiliated entities to reasonably ensure information does not flow to unintended individuals and affiliates. IPC will also be walled-off from the public areas of the firm through the erecting of physical walls with key card access.

The integrity of the walls will be maintained to reasonably ensure there are no information leaks by continuously monitoring IPC and employee investment transactions both on the private and public sides of the wall. Only the most senior management will sit on top of the wall and will have access to public areas ("Exempt Employee"). Exempt Employees' and accounts over which they either exercise discretion or have some other beneficial interest, personal securities transactions will be subject to a heightened level of scrutiny.

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**Allocation of Investment Opportunities**

IPC considers an account to be "eligible" for an allocation when it believes an investment is appropriate for a given account based on that account's investment criteria and guidelines.

When allocating new or secondary issues or offerings, IPC completes a pre-allocation memorandum reflecting how an investment is intended to be allocated. IPC generally allocates the securities on a pro-rata basis in proportion to each account's original order or account size. The original order or allocation is determined pro-rata based on size of all participating eligible clients' accounts unless otherwise described on the initial allocation memorandum.

#### New and Next Generation Fund Allocation Guidelines

In determining allocations among IPC clients with an investment objective of investing in "new and next generation funds," any investment opportunity that is an investment in a successor fund to a fund in which CalSTRS New and Next Generation Manager Fund, L.P. or CalSTRS New and Next Generation Manager Fund II, L.P. has made a previous commitment, any new investment opportunity in "new and next generation funds" shall not be allocated to an IPC client other than the new CalSTRS New and Next Generation Manager Fund III, L.P. until either (i) CalSTRS III has made a commitment in such successor fund equal to at least 125% of the prior commitment; or (ii) if IPC seeks to reduce the allocation of such successor fund opportunity to CalSTRS III so as to provide an allocation to other IPC clients, the limited partner of CalSTRS III has given its consent to such reduced allocation.

These allocation guidelines are disclosed in IPC's Investment Allocation Policy and in the Private Placement Memorandum for all funds eligible to participate in such investments.

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#### **Privacy Policy**

IPC recognizes the importance of respecting the privacy of its clients and is committed to safeguarding against the unauthorized disclosure of, or access to, the nonpublic personal client information we acquire. IPC collects nonpublic personal information about its clients from subscription agreements and other applications. IPC does not disclose information about current or former clients/customers, to our affiliates or to service providers or other third parties except on the limited basis permitted by law.

## **Item 12 – Brokerage Practices**

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#### **Selecting Brokerage Firms**

IPC primarily invests in private equity offerings, and only occasionally uses brokerage services. When using brokerage services, IPC's affiliate generally has the authority and responsibility to select the broker-dealer.



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**Best Execution**

IPC, through its affiliate, selects brokers based on their ability to provide best execution. In seeking best execution and negotiating commission rates, commission cost is one factor that is considered. Other factors may include price, quality, quantity, research and other services provided, reliability of the brokerage services, execution capability, a firm's financial responsibility, and the difficulty of specific transactions. An analysis is performed to determine which services best assist us in fulfilling our overall investment responsibilities to our clients. All such factors are considered when selecting brokers that we believe will deliver best execution in seeking to fulfill the long term best interests of our clients.

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**Soft Dollars**

*IPC does not currently have any third-party soft dollar arrangements.*

IPC's affiliate that places orders with brokers for the execution of public securities on behalf of IPC's clients may occasionally receive brokerage and research services from various firms, including third parties that provide research or other services in return for directing IPC client account brokerage business to them.

These services include quantitative and qualitative research information and recommendations for investments, as well as analyses and reports covering a broad range of economic factors, markets and trends. IPC believes this practice is in the long term best interest of its clients; however, because the Invesco affiliated trading desk does place some transactions with brokers in recognition of the usefulness of their research or other products or services provided to other divisions, clients may pay commission rates that are higher than rates which may be charged either by another broker-dealer, or if no research was provided. On an ongoing basis, IPC's affiliate monitors and evaluates the performance and execution capabilities of the firms that provide research and brokerage services and also monitors the levels of commission costs in comparison to those commissions paid by other institutional investment managers.

In direct private equity transactions, IPC may enlist the services of certain investment banking firms to consummate the acquisition or sale of a private capital venture. When this occurs, investment banking fees are generally paid by the company we are seeking to acquire or sell out of the purchase price or sale proceeds. The information that is provided to IPC from the investment banking firm qualifies as research under Section 28 (e).

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**Order Aggregation**

The same investment decision may be made for more than one client account managed by IPC when transacting in public securities through IPC's affiliated trading desk. In these circumstances, should purchase and sell orders of the same class of security be in effect at the same time, the orders may be combined to seek best execution.

Orders partially filled will be allocated pro-rata in proportion to each account's original order or account, although exceptions may be made to avoid odd lots and de minimus allocations. Execution prices for a combined order will be averaged so that each participating account receives the average price paid or received.

## **Item 13 - Review of Accounts**

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### **Review Activity**

Lead portfolio managers and investment committees monitor accounts on a regular basis. Invesco personnel conduct a second level of review, as well. Account management may require portfolio managers and operations personnel to provide daily, monthly and quarterly reviews regarding specific client account requirements. These team members work to assure that individual accounts comply with contractual guidelines and restrictions. They monitor individual account composition and performance in comparison to models and arrange for efficient investment/liquidation when cash deposits and disbursements are made. The frequency of reviews will vary depending on the type of investment activity. Major changes in market conditions may also trigger ad hoc reviews.

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### **Client Reports**

IPC's clients receive reports at least quarterly. These reports provide performance metrics, sector classifications, yield, income, portfolio composition and value, and purchases and sales. Reporting frequency and content may be tailored to clients' particular needs.

## **Item 14 - Client Referrals and Other Compensation**

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### **Solicitors**

IPC pays fees to persons for client referrals, as permitted by Rule 206(4)-3 of the Investment Advisors Act of 1940. Such fees are paid by IPC rather than by the client. These fees typically involve paying a portion of the investment management fee to the referring party. IPC will not charge the referred client a higher fee to compensate for the fee it pays to the solicitor.

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### **Other Compensation**

It is IPC policy that if the company or a related person serves as a director on a board of directors (or in a similar capacity) of a company in which IPC has invested client funds, compensation is either refused or transferred to client accounts for their benefit. Occasionally, IPC will elect to use such fee to offset a portion of the management fees charged to the relevant clients.

## Item 15 - Custody

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### Guidelines

All assets of client accounts are held at a qualified custodian. This practice is intended to reasonably assure that custody is maintained in accordance with the requirements of Rule 206(4)-2 under the Investment Adviser's Act of 1940.

IPC serves as the general partner to various private equity partnerships and has control over disbursements from limited partnerships or comparable structures, which constitutes technical custody.

IPC delivers a copy of the annual report to each underlying limited partner or unit holder within 120 days for private equity funds and 180 days for funds of private equity funds, in accordance with custody regulations. For certain private equity partnerships that are in liquidation mode, underlying limited partners or unit holders will receive a quarterly statement from the custodian.

## Item 16 - Investment Discretion

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### Discretionary Authority for Trading

IPC accepts discretionary authority to manage investment accounts on behalf of its clients. IPC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Limits to IPC's authority and other client specifications are contained in client investment management contracts.

## Item 17 - Voting Client Securities

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### Proxy Votes

Unless the client designates otherwise, IPC votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of IPC's proxy voting policy is available upon request.

IPC strives to vote proxies in accordance with the best economic interests of its clients and to resolve any conflicts of interest exclusively in the best economic interests of clients.

## Item 18 - Financial Information

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### Financial Condition

IPC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. A balance sheet is not required to be provided because IPC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.