

# WL ROSS & CO. LLC

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

**CRD#: 141854**

**SEC#: 801-67779**

This brochure provides information about the qualifications and business practices of WL Ross & Co. LLC 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 us at (212) 826-2042 or by email at [mjibbons@wlross.com](mailto:mjibbons@wlross.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 WL Ross & Co. LLC 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 or when any 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 registered investment advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This Brochure was written according to the new rule 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 by telephone 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

**WL Ross & Co. LLC** ("WL Ross") was formed in April 2000.

WL Ross is one of the world's leading turnaround groups. We invest in and restructure financially distressed companies and look to create new, world-class enterprises. Our extensive knowledge, insight and longevity give us a distinct advantage when assessing and cultivating new investment opportunities, particularly in niche markets.

WL Ross maintains offices in New York City, New York, West Palm Beach, Florida, Beijing, China and Mumbai, India.

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### Principal Owners

Since October 2006, WLR Ross has been wholly-owned by Invesco Private Capital Inc., a subsidiary of Invesco Ltd. ("Invesco").

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### Types of Advisory Services

WL Ross provides investment supervisory services to private equity and hedge funds as well as to special purpose vehicles. Investment supervisory services to the various Funds are provided either directly or indirectly through limited partnerships or limited liability companies.

Advisory services provided to the Funds are fully discretionary meaning WL Ross has the authority to make all investment decisions for its clients and will buy, sell, and trade in stocks, bonds, other securities according to agreed-upon investment guidelines. WL Ross also provides advisory services for special purpose vehicles that are set up to accommodate one or more investors.

WL Ross provides advisory services by identifying and researching specific types of investments that are then packaged in the form of a special purpose vehicle and recommended to institutions or individuals who may or may not ultimately commit to the investment recommendation. For these types of investors, the special investment vehicles may be set up to accommodate one or more investors that may include WL Ross, its principals or affiliates. These types of investment opportunities generally require a higher capital commitment and many of the investments are highly concentrated.

All advisory services are subject to the terms and conditions that are negotiated at the time of investment depending on the nature of the service to be provided. WL Ross may agree to terms and conditions other than those described in this brochure, including fee arrangements that are different than the fees disclosed below, through the use of side letters.

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## **Assets Under Management**

*As of December 31, 2011, WL Ross reported assets under management of approximately **\$8.2 billion** in assets for **21** clients. All assets are managed on a discretionary basis with the exception of one account managed on a non-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, WL Ross 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. WL Ross must also include the amount of any *uncalled capital commitments* made to a private fund. The new SEC rule also requires WL Ross 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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## **Organization of Hedge Funds and Private Funds**

WL Ross organizes its hedge and private equity funds in a number of different structures depending on the fund’s investment strategy, types of investors, and tax considerations. There are three primary structures used as described below:

### **Limited Partnerships**

Most domestic funds are organized as limited partnerships to accommodate U.S. investors subject to U.S. taxation. A limited partnership has a general partner who is responsible for the overall management of the fund and numerous limited partners that are passive investors. Limited partners share in the partnership’s income, expenses, gains and losses on a pro-rata basis, but do not exercise any day-to-day management or control.

### **Limited Liability Corporations**

A domestic hedge fund may also be organized as a limited liability corporation or “LLC.” Like a limited partnership, an LLC offers limited liability, flow-through tax treatment, and managerial flexibility. Rather than having a general partner, an LLC usually has one or more “*managing members*” with limited liability, while each investor is considered to be a “member.” Taxation may differ by state or foreign jurisdiction.

### **Master-Feeder Funds**

WL Ross may also use a “master-feeder” structure to manage domestic and offshore funds with the same investment strategy more efficiently. Although many variations are possible, the most common master-feeder structure involves an offshore master fund established as a partnership or corporation in a tax-efficient jurisdiction. The master fund has multiple feeders, including domestic and offshore funds. The feeder funds seek to achieve their investment objectives by investing their assets in interests in the master fund.

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

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### **Description**

WL Ross generally offers its services based on a standard fee schedule of asset-based, performance and one-time fixed rate fees, as described below. Fees are generally payable as incurred and based primarily on committed capital and historical cost. A more detailed description of actual fees paid by the funds is contained within each fund’s private placement memorandum.

*WL Ross does not make use of side pockets to calculate fees.*

WL Ross, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earnings capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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### **Fee Schedules**

The following are standard fees charged for services provided to the following types of clients, however performance allocation and management fees may be lower for certain funds:

#### **Private Equity Funds**

1.5% - 2% of assets under management determined by commitments.

Performance allocation: 20% assessed upon the disposition of investments subject to an 8% preferential return.

### Special Purpose Vehicles

One time fixed fee of 1% - 5% of committed capital.

### Hedge Funds

1.5% of assets under management – paid quarterly in advance

Performance allocation: 20% calculated annually.

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### **Fee Billing**

Investment management fees are billed quarterly as incurred. Fees are usually deducted from a designated client account per the client's respective agreement. Prospective clients should carefully consider fee disclosures set forth in each Fund's Private Placement Memorandum prior to investing.

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### **Other Fees**

The fees described in this section are strictly for the provision of investment management services and do not include other fees that a client account may incur, such as custody fees or fees embedded in the selection of investment opportunities for clients' accounts.

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

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### **Sharing of Capital Gains**

WL Ross makes use of a performance-based fee structure where the fee is generally a percentage of the profits earned, sometimes only after a certain minimum return has been achieved. Clients should review the pertinent fee agreement for more specifics about how this fee is charged.

Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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

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### **Description**

Our clients include public pensions, fund-of-funds, endowments and foundations, corporate pensions, sovereign wealth funds, high net worth individuals, and insurance companies.

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### **Account Minimums**

All investment strategies described in this disclosure can be accomplished through either one of our managed funds or through a separately management account. WL Ross generally requires a minimum investment of \$250 million for an account to be separately managed.

*All minimums are negotiable.*



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

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### **Methods of Analysis**

Security analysis methods used by WL Ross when reviewing investment opportunities 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.

Our analytical process initially focuses on macro-issues to find industries that are distressed or likely to become distressed. Broad-based research is performed on each of these industries and on individual companies within a given industry. Companies with the most severe operating and/or financial issues are targeted for further research by:

- 1) reviewing all publicly available financial documents and information;
- 2) having discussions with suppliers, customers, competitors and the company itself;
- 3) having conversations with other research analysts or industry experts (including financial & legal advisors);
- 4) constructing a detailed, "bottoms-up" model of financial projections;
- 5) performing various valuation methodologies (including discounted cash flows, trading comparables, transaction comparables, etc.).

Additionally, a thorough credit analysis is completed on each company. This process includes, among other things, an extensive evaluation of the company's balance sheet and capital structure, liquidity, bank agreements and covenants, bond indentures, and corporate structure (with special attention being paid to structural subordination issues). WL Ross 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 to a particular private or public investment.

In addition to sources of information identified above, WL Ross may use on-site inspections, management interviews, corporate sponsored meetings and proprietary research from various full-service brokers.

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## **Investment Strategies**

WL Ross provides discretionary investment supervisory services in the following strategies:

### **Distressed/Restructuring**

The objective of this strategy is to seek superior returns from investments in the securities of companies in bankruptcy, reorganization proceedings and in undervalued securities that have not yet entered bankruptcy. Distressed investments generally consist of both public and private equity and debt securities. WL Ross seeks to profit from inefficient markets caused by the inability of most investors to understand the complex legal and financial structures associated with distressed companies.

### **Long/Short**

This strategy seeks to achieve above-average returns by investing in the debt and establishing short positions in other debt or equity securities of public and private companies, based on WL Ross's assessment of the company's creditworthiness. The objective of short sales is to capitalize on the decline in the market value of distress related investing.

### **Corporate Governance**

The goal of this approach is to invest in undervalued public equity securities to help management realize the true value of their companies. This is accomplished by working closely with the management teams of primarily Japanese companies to help improve their skills and corporate governance strategies.

### **Leveraged Buyout**

The focus of this strategy is to target mid-market leveraged equity buyouts primarily in France, of government owned, corporate carve-outs and independent businesses.

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## **Investment Risks**

WL Ross intends to invest in securities and obligations of domestic and foreign companies that are experiencing significant financial or business difficulties, including distressed bank loans, trade claims, and nonperforming and underperforming commercial real estate loans. WL Ross may also invest in undervalued companies that have not filed for bankruptcy or entered reorganization proceedings, portfolios that hold financial instruments backed by real estate, as well as equity linked notes, and other securities issued upon reorganization or conversion of the distressed securities. Although such investments may result in significant returns, they involve a substantial degree of risk. Any one or all investments may be unsuccessful and therefore result in complete loss of the entire investment.

The Fund's Investments may not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that WL Ross will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action.

*Prospective clients should carefully consider investment strategy, selection and related risk disclosures set forth in each fund's Private Placement Memorandum prior to investing.*

## **Item 9 - Disciplinary Information**

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### **Legal and Disciplinary**

WL Ross and its employees have not been involved in legal or disciplinary events related to current or former investment clients.

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### **Other Matters**

#### Affiliate of WL Ross – 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**

WL Ross is affiliated with Invesco Ltd, a large global financial services firm that offers investment solutions to clients world-wide. As such, WL Ross is affiliated with many other entities (“Affiliates”) within the Invesco global structure, including broker-dealers, and registered/unregistered US and non-US investment advisers. However, none of the Affiliates have relationships or arrangements in place with the WL Ross that is material to its business other than to serve as a conduit in various jurisdictions internationally.

WL Ross may from time to time seek to use the analytical capabilities of analysts throughout the Invesco organization. There will be no compensation paid to any affiliated entity that would be passed on to WL Ross clients in connection with the provision of such analytical services.

*WL Ross'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 WL Ross.*

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

WL Ross and 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. Examples are described below. Our policies and procedures are intended to identify these and other potential conflicts and to ensure that in all instances client interests come first.

*The WL Ross Code of Ethics is available for review by clients and prospective clients upon request.*

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### **Participation or Interest in Client Transactions**

WL Ross may recommend to its clients and underlying fund investors the purchase or sale of securities or certain products in which WL Ross or a related person has or is expected to obtain a financial interest. WL Ross and/or certain related persons may serve as the controlling entity (or person) and investment adviser to limited partnerships, limited liability companies and special purpose vehicles.

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### **Personal Trading**

WL Ross has a written Code of Ethics (the "Code") and various policies related to insider trading and the use of material non-public information. 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.

All WL Ross employees, including members of the investment staff, are required to report to the compliance department all personal brokerage accounts in which they have a direct or indirect beneficial ownership interest.

WL Ross may recommend the purchase or sale of securities where WL Ross or a related person may also make a material investment, either directly or through an investment or ownership interest in a private equity or hedge fund. Related persons of WL Ross also may invest in securities it recommends to its client through co-investment arrangements.

WL Ross specializes in distressed equity and debt investing. As such, WL Ross may recommend the purchase or sale of a security in which WL Ross or its affiliates may also have a position or interest in the same security or various classes of the same security. The investors in these issuers could have different rights that may be in conflict with decisions made by WL Ross or its affiliates in the event of a default or in a workout situation. These situations could potentially raise or give the appearance of unavoidable and irreconcilable conflicts of interest. To mitigate these potential conflicts, it is a fundamental principle at WL Ross that all decisions are made in the best interest of our clients.

WL Ross is an indirect, wholly owned subsidiary of Invesco, Ltd. and is part of a global financial services organization affiliated with many US and non-US investment advisers, broker dealers and a family of mutual funds that operate out of numerous locations throughout the US, Europe and Asia. As such, conflicts of interest may occur such as selling or buying the same securities that are executed by another division or affiliated adviser on behalf of their clients in the opposite direction of recommendations to WL Ross client accounts.

These are naturally occurring, inadvertent market crosses that are not considered cross transactions by either WL Ross or under existing policies and procedures adopted by WL Ross and its affiliates.

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**Conflicts with the Hedge Fund**

The mission of the Hedge Fund is to take long positions in debt instruments and short positions in either junior debt or equity securities in issues of doubtful creditworthiness. The Hedge Fund will invest in similar securities to those in which the Funds invest, but because it can hedge, it will generally take long positions at an earlier point in time and potentially at higher prices. In general, if the Hedge Fund and the Funds hold the same security, they will exit at the same time and will sell on a pro-rata basis. If the Hedge Fund and the Funds invest in the same security at the same time, they will do so on a pro-rata basis to their available cash at the time of the investment. The Hedge Fund will not short any security that the Funds are long and the Funds will not purchase any security that the Hedge Fund is short.

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**Allocation of Investment Opportunities**

WL Ross serves as the manager to multiple Funds. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition or disposition of investments by the Funds. WL Ross has adopted a comprehensive Allocation Policy to address these procedures.



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**Material Non-Public Information**

By reason of their responsibilities in connection with other activities of WL Ross, certain employees may acquire confidential or material nonpublic information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate transactions that they otherwise might have initiated and may not be able to sell an Investment that they otherwise might have sold.

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**Non-Public Information**

In addition to the conflicts described above, WL Ross, as a manager of distressed equity and debt Funds, has employees that may be in possession of material non-public information ("MNPI") of public companies. When employees are in possession of MNPI of a public company, they will observe the policies and procedures of the public issuer, such as allowing insiders of the company to purchase or sell company issued securities only after the company releases its quarterly earnings and the company is determined to be in an open period as determined by its general counsel. This activity is also subject to the WL Ross Code of Ethics procedures previously described.

Possession of MNPI may restrict WL Ross from purchasing or selling securities for its clients. WL Ross may also restrict certain securities due to personal relationships that certain WL Ross employees may have with non-WL Ross employees who either sit on the board of a public company or have shared MNPI of a public issuer with a WL Ross employee.

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**Fire Wall Procedures**

To address instances where WL Ross is in possession of MNPI, WL Ross has adopted policies and procedures designed to wall off certain information that govern the activities of WL Ross and its affiliates, Invesco Advisers, Inc., Invesco Senior Secured Management, Inc., and Invesco Private Capital, Inc. Subject to these procedures, the details of all MNPI obtained by WL Ross is restricted to certain designated individuals and Legal/Compliance personnel.

WL Ross and its parent have developed monitoring procedures that are designed to reasonably ensure that the receipt of MNPI by WL Ross does not adversely impact the investment activities of its affiliates. These procedures include the establishment of a restricted list and watch list, where securities placed on the restricted list govern WL Ross's and its employees' trading activity. The watch list is used to monitor investment activity of affiliated entities to reasonably ensure information does not flow to unintended individuals and affiliates. WL Ross is 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 by continuously monitoring WL Ross 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.

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**Privacy Policy**

WL Ross recognizes the importance of respecting the privacy of our clients and is committed to safeguarding against the unauthorized disclosure of any nonpublic personal client information that we acquire. WL Ross collects nonpublic personal information about its clients from subscription agreements or other forms they complete and from their transactions with us or our affiliates. WL Ross does not disclose information about its current or former clients, to our affiliates, 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**

WL Ross has discretion to select brokers and dealers on behalf of its clients' accounts and negotiates commission rates to implement its investment recommendations, except in those circumstances where the client has directed WL Ross to use a particular broker.

Currently, WL Ross does not manage any accounts where the client directs us to use a certain broker to execute its transactions.

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**Best Execution**

Generally, when selecting brokers on behalf of its clients' accounts, WL Ross considers the following factors:

- Price;
- Size of order;
- Integrity of broker-dealer and ability to maintain confidentiality;
- Ability to enter into and handle difficult transactions in less liquid markets;
- Willingness to create liquidity by committing capital;
- Speed of execution on competing markets;
- Ability to understand trading characteristics of the security;
- Ability to achieve best executions;
- Operational efficiency; and
- Value of any research and analyses provided.

WL Ross always seeks to obtain best net results based on one or more of the factors described above. After due consideration is paid to all factors at the time of execution, it may be in the client's best interest to pay a higher commission, spread or other compensation in order to receive best execution.

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**Soft Dollars**

*WL Ross does not currently have any soft dollar arrangements.*

There are no client accounts used to generate soft dollar credits and WL Ross does not use clients' commissions as compensation to anyone in connection with the sale of any of its products. However, WL Ross may execute with certain brokers or dealers that have provided research. This may cause clients to pay a higher commission than it could have otherwise obtained had another broker been selected. WL Ross does not make binding commitments as to the level of brokerage commissions it will allocate to a broker nor will it commit to pay cash if an informal target is not met.

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**Order Aggregation & Allocation of Investment Opportunities**

WL Ross seeks to combine orders to buy and sell the same security on behalf of multiple client accounts. All clients' accounts will be treated fairly and equitably so that no one client account receives preferential treatment over another. WL Ross will not allocate or reallocate any order to enhance the performance of one account over another account, nor favor any account in which a portfolio manager, trader or other related person has any vested interest.

When selling an existing investment that WL Ross believes is no longer fundamentally sound, all clients' accounts will normally participate at the same time in the same block order.

In situations of a sale where WL Ross is not selling an entire position across all accounts, WL Ross first determines the total amount to sell for all accounts based on total funds exposure. The sale allocations are made on a pro-rata basis according to each funds' percent ownership in the security.

When purchasing private equity securities, all purchases are allocated pro-rata among the participating funds, subject to such discretionary factors as: investment cash availability, subscription commitments available for draw down and fund guidelines and restrictions. In limited instances, an investment may be held by one fund then re-allocated to other participating eligible Funds. Such re-allocation is consistent with the initial allocation determination and does not reflect a change in allocation post-investment. In all instances, re-allocation is done at original cost basis.

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

All accounts are monitored by portfolio managers on a continuous basis to determine whether any adjustments to the portfolios/Funds are needed. For the hedge fund, the analysts, portfolio manager and traders meet daily. During the daily meeting, reports are reviewed to evaluate and discuss current and new positions, as well as any hedge exposure. New investments are reviewed to ensure compliance with offering memorandum, including limits on geographic regions and position size.

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

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### **Client Referrals**

Currently, WL Ross does not pay any third-party person(s) for client referrals.

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### **Director's Fees**

Certain WL Ross employees are members of the Board of Directors for securities held in client portfolios. Any directors' fees or compensation received in connection with board membership are considered when calculating the management fees of the fund or special purpose vehicle.

## **Item 15 - Custody**

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### **Custody Procedures**

WL Ross or related persons serve as general partners and managing members of investment partnerships and limited liability companies, respectively. As such WL Ross is deemed to have technical custody. However, all clients' assets are held at qualified custodians and all investment partnerships, limited liability companies and special purpose vehicles are subject to an annual audit that is provided to clients within 120 days after fiscal year end.

## **Item 16 - Investment Discretion**

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### **Discretionary Authority for Trading**

WL Ross has discretionary authority to manage client accounts. As such, WL Ross 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.

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**Delegation Authority**

Unless specifically prohibited by a client or investment advisory agreement, WL Ross may:

1. Delegate any of its discretionary investment advisory to any affiliate without further notification to or consent of clients.
2. Employ any affiliate to perform any administrative services without further notification to or consent of clients.

WL Ross will act in good faith and with due diligence in the selection, use and monitoring of such affiliates and will remain responsible for its obligations to its clients and for all actions of any such affiliates to the same extent as it is responsible for its own actions.

## **Item 17 - Voting Client Securities**

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**Proxy Votes**

Unless the client designates otherwise, WL Ross votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. All proxies will be voted in a manner considered by WL Ross to be in the best interest of its clients without regard to any resulting benefit or detriment to WL Ross, its employees, or its affiliates.

WL Ross may choose not to vote proxies on behalf of its clients in circumstances where WL Ross believes that the resolution would not have a material impact on its investment. WL Ross endeavors to vote all proxies of which it becomes aware prior to the vote deadline date.

## **Item 18 - Financial Information**

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**Financial Condition**

WL Ross 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 WL Ross 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.