



## **FORM ADV: PART 2A**

**Updated: March 2012**

This brochure provides information about the qualifications and business practices of Aquiline Holdings LLC ("Aquiline Holdings," and together with its affiliates, "Aquiline" or the "Firm"). If you have any questions about the contents of this brochure, please contact Ezra Berger, Chief Compliance Officer, at 212-624-9500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

## Material Changes

Aquiline's business activities and, therefore, this brochure have not changed materially since the last update of the brochure dated March 2011.

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## Advisory Business

Aquiline Holdings, a Delaware limited liability company, and its affiliates provide investment advisory services to several collective investment vehicles organized to invest in the global financial services sector, real estate, and real estate operating assets (each, a "Fund," and collectively, the "Funds"). In providing these services to each Fund, Aquiline formulates such Fund's investment objective, directs and manages the investment and reinvestment of each Fund's assets, and provides reports to investors. Investment advice is provided directly to each Fund and not individually to the limited partners of the Funds. Aquiline manages the assets of each Fund in accordance with the terms of the governing documents applicable to each Fund.

Through its affiliate Aquiline Advisors LLC, Aquiline also provides investment advisory services to separate account clients on a non-discretionary basis.

Limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Funds are not registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility requirements, either in private transactions within the United States or in offshore transactions.

Aquiline Holdings was founded in 2005 and is principally owned and controlled by Jeffrey Greenberg, Chairman. As of December 2011, Aquiline Holdings managed approximately 2,012,500,000 on a discretionary basis on behalf of five clients and approximately \$353,800,000 on a non-discretionary basis on behalf of seven clients.

## **Fees and Compensation**

### **Fees and Compensation for Services Provided to the Funds**

#### ***General***

Aquiline provides investment advisory services to each of the Funds pursuant to a separate investment advisory agreement (each, an “Advisory Agreement”). The Advisory Agreement of each Fund, along with the governing documents of the Fund, set forth in detail the fee structure relevant to each such Fund. The terms of the Advisory Agreements are generally established at the time of the formation of the applicable Fund. In general, each Advisory Agreement is only terminable once the applicable Fund is dissolved, wound up, and terminated.

#### ***Management Fees***

As compensation for investment advisory services rendered to the Funds, Aquiline is entitled to receive from each Fund an annual management fee payable either quarterly or semi-annually in advance, depending on the Fund. In general, the management fee paid by a Fund may be up to 2 percent (per annum) on capital commitments during the investment period and up to 2 percent (per annum) on invested capital thereafter. The management fee is negotiable and established at the time of final close and is generally paid by the Fund out of capital contributions called from investors or out of amounts withheld from distributions to investors. The management fee assessed for each Fund is described in further detail in each Fund’s offering and governing documents.

The management fee for a Fund is reduced by the amount of organizational costs in excess of a certain threshold paid by investors in the funds, as well as by other fees received by Aquiline as described in “Other Fees” below.

The management fee for any management fee period of a Fund is generally pro-rated for the number of days in such period, and in the case of the last management fee period, Aquiline will refund to each investor the amount of the management fee paid by such investor allocable to that portion of such period, which is subsequent to the date of the final distribution.

#### ***Carried Interest***

A portion of each Fund’s net investment profit is generally allocated to the capital account of its general partner as “carried interest.” Each general partner of a Fund is a related person of Aquiline. The manner of calculation of such carried interest is described in the offering and governing documents for each Fund and may vary Fund by Fund. Generally, however, 20 percent of the investment profits of each Fund are allocated as carried interest to such Fund’s general partner, subject to the Fund investors’ preferred return, which ranges from 8 percent to 9 percent per annum.

#### ***Expenses***

In addition to management fees and carried interest, investors bear indirectly the expenses charged to the Funds. Those expenses vary and typically include, but are not limited to, the following: organizational expenses; fees, costs, and expenses of any administrators, custodians, attorneys, accountants, and other professionals (including audit and certification fees and the costs of printing and distributing reports); all out-of-pocket fees, costs, and expenses incurred in developing, negotiating, structuring, trading, settling, monitoring, holding, and disposing of actual investments; broken deal expenses; brokerage commissions, custodial expenses, other bank service fees, and other investment costs, fees, and expenses; interest on and fees and expenses arising out of all Fund indebtedness; the costs of any litigation, directors’ and officers’ liability or other insurance, and indemnification or extraordinary expenses or liabilities relating to the affairs of the Fund; expenses of liquidating the Fund; and certain taxes, fees, or other governmental

charges and all expenses incurred in connection with any tax audit, investigation, settlement, or review of the Fund.

### ***Other Fees***

Aquiline may charge portfolio companies, prospective portfolio companies, co-investors, or the Funds origination fees, breakup fees, consulting fees, monitoring fees, and other similar fees. Amounts ranging from 80 percent to 100 percent of all such fees that are received by Aquiline, net of any related expenses, will be applied to reduce the management fee otherwise payable by the applicable Fund except as may otherwise have been specifically provided for in the governing documents of the applicable Fund.

### **Fees and Compensation for Services Provided to Separate Account Clients**

Aquiline also provides investment advisory services on a non-discretionary basis to endowments, foundations, other non-profit entities, and select families. Client assets are managed by unaffiliated third-party investment managers recommended by Aquiline. Aquiline works with the client on all aspects of portfolio management including asset allocation, manager selection, performance monitoring, and cash flow planning. Aquiline will recommend one or more investment managers based on the client's individual needs and objectives. Aquiline provides ongoing monitoring of investment manager performance and provides reports to clients.

Third-party investment managers recommended to clients will have full investment discretion and trading authority and shall have sole responsibility for the implementation of the investment program with respect to the client's account for which investment discretion has been delegated by the client and accepted by the institutional money managers. Aquiline will not place orders for transactions in the client's account or otherwise exercise trading authority over the account at any time when the account is being managed by an investment manager.

For investment advisory services, compensation is derived as fee income based upon the percentage of assets under advisement. The compensation method is explained and agreed upon with the clients before any services are rendered. Annual compensation for Aquiline's services, which include developing an investment policy; formulating an asset allocation strategy; researching, selecting, and monitoring investment managers; and measuring and evaluating client portfolio performance, ranges up to 0.8 percent of assets under advisement. The amount of the fee is negotiated on a case-by-case basis with each client and is determined based upon a number of factors including the assets placed under advisement and the service requirements for the account.

Fees will be invoiced quarterly, in advance of rendering investment advisory services, beginning with the effective date of the investment advisory agreement (each, an "Agreement"). For that quarter, fees will be adjusted pro rata based upon the number of calendar days in the quarter that the Agreement was effective.

Either Aquiline or the client may generally terminate the Agreement upon 60 days' written notice prior to the end of each quarterly period. In some cases, the client may not be able to terminate during the initial 12-month term. The client is obligated to pay for services rendered until the termination of the Agreement. Excess fees paid, if any, would be refunded.

### **Performance-based Fees and Side-by-side Management**

Aquiline receives a carried interest for investment advisory services provided on a discretionary basis to the Funds, which is based on the performance of each Fund's investments. Separate account clients that receive non-discretionary advisory services are charged an asset-based management fee.

Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. The separate account clients that receive non-discretionary advisory services from Aquiline invest exclusively in pooled investment vehicles and other products sponsored by other investment advisers. Aquiline believes that because the types of investment opportunities recommended to the Funds that are charged performance-based fees and to separate account clients that are charged asset-based management fees are distinct, these conflicts of interest are not applicable to Aquiline.

## Types of Clients

Aquiline provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of such Fund and not individually to the limited partners of the Funds. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state, and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds of funds), trusts, estates or charitable organizations, and corporate or business entities.

Details concerning applicable investor suitability criteria are set forth in each Fund's offering documents and subscription materials. Although Aquiline has the authority to accept subscriptions for lesser amounts, the minimum capital commitment for the Funds is typically \$10 million.

Aquiline also provides investment advisory services to separate account clients such as endowments, foundations, other non-profit entities, and select families on a non-discretionary basis.

## Methods of Analysis, Investment Strategies, and Risk of Loss

### *Financial Services Sector*

Aquiline's investment strategy for the Funds that invest in the financial services sector is generally based on identifying event-driven market dislocations, long-term secular trends, ongoing business cycles, or shareholder pressures that create a catalyst for change in a business segment or company. Aquiline seeks to invest behind strong management teams who are attracted to and interested in working with an experienced partner with operational expertise. Aquiline seeks to drive portfolio company development in three key areas:

- Operational Support
  - Define strategy and create business plan
  - Develop cash flow plan
  - Recruit senior management – CEO, CFO, CIO
  - Navigate regulatory approval process
  - Assist with rating agencies
  - Perform as interim management, as needed
  - Set up reporting system
  - Provide in-house research/analysis
  - Drive compliance and risk management
  - Support acquisition integration
- Strategic Guidance
  - Constitute board
  - Recruit independent directors from relevant industry

- Challenge management team views and plans
  - Establish best practices in corporate governance
  - Set up and chair audit, compensation, and risk committees
  - Design compensation schemes
  - Monitor closely against key metrics
  - Accelerate business plans as appropriate
- Financial Innovation
    - Create and secure tailored financing
    - Drive third-party capital raising initiatives
    - Access capital markets: IPO, secondary offering
    - Seek value-added co-investors and manage these relationships
    - Identify and evaluate add-on acquisition candidates
    - Execute M&A
    - Leverage network and make introductions

### ***Real Estate and Real Estate Operating Assets***

The principals of Aquiline emphasize traditional real estate property fundamentals when considering each investment opportunity for Funds that invest in real estate and real estate operating assets. These fundamentals typically include an analysis of location, supply and demand for real estate assets, income levels, employment and population trends, public infrastructure, and barriers to entry. The Aquiline Real Estate Fund's investment period has ended, and the Fund is currently managing its existing investments. The principal features of the real estate investment strategy are to:

- Seek to improve the valuation and enhance the current yield through aggressive leasing or rebranding and by instituting measures to improve the physical attributes or capital structure of such assets;
- Seek to capitalize on secular and cyclical trends that contribute to changes in the real estate market;
- Emphasize privately negotiated transactions in which Aquiline has a strategic or competitive advantage or operating partner with proprietary knowledge of investment opportunities; and
- Pursue value-added and opportunistic strategies including turnarounds, repositioning, and special situations when value can be created through active and creative asset management.

### ***Separate Account Clients***

In its non-discretionary investment advisory services, Aquiline works with clients to develop, implement, and oversee all aspects of portfolio management including investment policy; asset allocation and rebalancing; investment manager research, selection, and performance monitoring; portfolio performance measurement; portfolio reporting and benchmarking; and spending policies.

Asset allocation strategy is based on valuation-based assessments of market returns, risk analysis, and expected correlations among asset classes. Risk analysis weighs asset class volatility and scenario analysis (inflation, deflation, and market crises). Prospective investment managers are identified through a network of contacts and also by attending conferences and reading investment-related periodicals. In evaluating investment managers, Aquiline meets with managers, evaluates data and written material obtained from managers, performs qualitative and quantitative analyses of past performance, and conducts reference checks.

There are risks associated with the use of third-party investment managers to manage client assets, and clients could lose money over short or even long periods of time. The description below is a brief overview of different material risks that may be relevant for Aquiline's separate account clients:

**Lack of Control:** Aquiline will not have a role in the management of clients' third-party managed accounts, and it will likely not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return realized by clients will depend primarily on the choice of investments and other investment and management decisions made by third-party managers. Further, Aquiline depends on third-party managers to develop the appropriate systems and procedures to control operational risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for, or other similar disruption in operations may cause the client accounts to suffer financial losses.

**Multiple Levels of Fees:** Third-party investment managers will charge fees separate and apart from the fees charged by Aquiline. In certain cases, the investment manager may charge performance-based fees in addition to an asset-based management fee. The performance-based compensation received by an investment manager may also create an incentive for that investment manager to make investments that are riskier or more speculative than those it might have made in the absence of the performance-based allocation. Such compensation may be based on calculations of realized and unrealized gains made by the adviser without independent oversight.

### ***Aquiline Funds***

Acquiring interests in the Funds involves a number of risks. An investment in the Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that limited partners will receive a return on their capital. The description below is a brief overview of different material risks related to a Fund's investment strategy:

**General Business and Management Risk:** Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases Funds will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

**Concentration of Investments:** Other than as set forth in a Fund's governing documents, investors have no assurance as to the degree of diversification of the Fund's portfolio investments, either by geographic region or transaction type. To the extent the Fund concentrates portfolio investments in a particular issuer, security, or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. In addition, concentration in a single sector may involve risks greater than those generally associated with more diversified funds.

**Liquidity Issues:** The Funds may invest in instruments where there is to be no actively traded market. Moreover, many of the Funds' investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Funds may find it more difficult to sell such instruments when Aquiline believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Funds may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or that would adversely affect the terms obtainable upon a disposition.



**Highly Competitive Market for Investment Opportunities:** The activity of identifying, completing, and realizing attractive investments is highly competitive. The Funds face competition from numerous market participants. The Funds will be competing for investments with a variety of other investment vehicles as well as individuals, financial institutions, and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that the Funds will be able to locate and complete investments that satisfy their investment objectives or that they will be able to invest fully their available capital.

**Valuation of Assets:** Most of the securities owned by the Funds are not publicly traded. All securities are valued by Aquiline pursuant to FASB ASC 820 (Fair Value Measurements and Disclosures). When estimating fair value, Aquiline will apply a methodology based on its best judgment that is appropriate in light of the nature, facts, and circumstances of the investments. Valuations are subject to multiple levels of review for approval, and ensuring that portfolio investments are fairly valued is an important focus of Aquiline.

**Financial Services Sector Risk Factors:** Financial services companies are affected by many factors including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties, and the level and volatility of trading markets. Such factors can impact customers and counterparties of financial services companies and may impact the value of financial instruments held by financial services companies. Fluctuations in interest rates, which affect the value of assets and the cost of funding liabilities, are not predictable or controllable, may vary from country to country, and may impact economic activity in various regions.

The profitability of the financial services industry may be adversely affected by a worsening of general economic conditions in domestic and international markets and by monetary, fiscal, or other policies that are adopted by various governmental authorities and international bodies. Monetary policies have had, and will continue to have, significant effects on the operations and results of some financial services companies. There can be no assurance that a particular financial services company will not experience a material adverse effect on its profitability in a changing interest rate environment. Factors such as the liquidity of the global financial markets, the level and volatility of prices of financial instruments, investor sentiment, and the availability and cost of credit may significantly affect the activity levels of customers with respect to size, number, and timing of transactions. A change in any or all of these factors could lead to a decline in the volume of transactions that financial services companies execute for their customers and, thus, lead to a decline in revenues from fees, commissions, and spreads.

The financial services industry is extremely competitive, and it is expected that competitive conditions in the industry will continue. Merger activity in the financial services industry has resulted in, and may continue to result in, larger institutions with greater financial and other resources that are capable of offering a wider array of financial products and services. The financial services industry has become considerably more concentrated as numerous financial institutions have been acquired by or merged into other institutions. Technological advances and the growth of e-commerce have made it possible for non-financial institutions to offer products and services that have been traditionally offered by financial services institutions. It is expected that cross-industry competition will continue to intensify.

The financial services industry is highly dependent on communications and information systems and is exposed to many types of operational risks including the risk of fraud by employees or other parties, record keeping errors, errors resulting from faulty computer or telecommunication systems, computer failures, and damage to computer and telecommunication systems caused by internal or external events.

Financial services companies operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination, and enforcement by regulatory authorities. Failure to comply with any of these laws, rules, or regulations, some of which are



subject to interpretation and may be subject to change, could result in a variety of adverse consequences including civil penalties, fines, suspension or expulsion, and termination of deposit insurance, which may have material adverse effects. In order to comply with banking laws, rules, and regulations, a Fund may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules, and regulations.

**Real Estate and Real Estate Operating Assets Risks:** Investments in real estate are subject to various risks including adverse changes in regional, national, or international economic conditions; adverse local market conditions (such as an oversupply of space or a reduction in demand for space); negative developments in the economy that depress travel activity; competition based on rental rates; the financial condition of tenants, buyers, and sellers of properties; changes in availability of debt financing; changes in interest, real estate tax rates, and other operating expenses; environmental laws and regulations; zoning laws and other governmental rules and fiscal policies; environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established; energy prices; changes in the relative popularity of property types and locations; contingent liabilities on disposition of assets; risks due to dependence on cash flow and risks and operating problems arising out of the presence of certain construction materials as well as acts of God; and uninsurable losses and other factors that are beyond the control of Aquiline. Certain investments could be susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which a Fund invests, the Fund may suffer a partial or total loss of capital invested in that company.

In addition, a Fund's investments will be subject to various risks that may cause fluctuations in occupancy, rental rates, operating income, and expenses or that may render the sale or financing of its properties difficult or unattractive. Upon the termination or expiration of a tenant's lease or a default by an existing tenant, there may be a period of time before a Fund will begin receiving rental payments under a replacement lease, and the Fund will continue to bear fixed expenses such as interest, real estate taxes, maintenance, and other operating expenses. In addition, declining economic conditions may impair a Fund's ability to attract replacement tenants and rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require a Fund to make capital improvements to properties which would not have otherwise been planned, causing the Fund to divert cash that would otherwise be available for distributions to investors.

To the extent that a Fund invests in properties requiring improvements, it will be subject to the risks normally associated with such assets and improvement activities. A Fund may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that a Fund will have funds available to correct those defects or to make those improvements. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of improvement activities once undertaken, any of which could have an adverse effect on the Fund and on the amount of funds available for distribution to investors. In addition, market conditions may change during the course of making improvements that make such improvements less attractive than at the time they were commenced.

The foregoing is not intended to serve as an exhaustive list or a comprehensive description of all risks that may arise in connection with the management and operation of a Fund. Investors should review the applicable Fund's Confidential Information Memorandum and governing documents to understand the risks and potential conflicts of interest.

## Disciplinary Information

Aquiline and its employees have not been involved in any legal or disciplinary matter that would be material to a client's evaluation of the firm's advisory business or the integrity of its management.

## Other Financial Industry Activities and Affiliations

Aquiline provides investment advisory services through the following affiliates (each, a “Related Adviser”): Aquiline Capital Partners LLC, Aquiline Real Estate Partners LLC, Aquiline Advisors LLC, Aquiline Capital Partners GP LLC, Aquiline Real Estate Partners GP LLC, Aquiline Capital Partners GP (Offshore) Ltd., Aquiline Capital Partners II GP (Offshore) Ltd., and Aquiline Co-Invest GP Ltd. All of their investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of a Related Adviser are subject to the supervision and control of Aquiline.

Several portfolio companies of the Funds that are related persons of Aquiline (or their affiliates) are registered broker-dealers, and additional portfolio companies (or their affiliates) may apply for registration as a broker-dealer. However, as Aquiline does not currently intend to employ the services of any of the foregoing broker-dealers to execute transactions for the Funds, it does not foresee that these relationships will give rise to any material conflict of interest. If Aquiline were to employ any of the foregoing broker-dealers, for such purposes, it would follow its policies and procedures to mitigate or eliminate any material conflict of interest. As described in the Client Referrals section, an Aquiline Fund has retained as placement agents divisions of a portfolio company of another Aquiline Fund.

As part of the investment advisory services that Aquiline provides to separate account clients, Aquiline recommends other investment advisers to clients based on the client’s individual needs and objectives. As several of the portfolio companies in which the Funds hold investments are engaged in the asset management business, it is possible that a portfolio company may sponsor an investment vehicle that Aquiline may recommend to its separate account clients. While Aquiline does not expect that this situation will arise, such recommendation could be viewed as a material conflict of interest because Aquiline (through its interest in the applicable Fund) would indirectly be receiving a portion of the advisory fees paid by the separate account client. Therefore, in the unlikely event that Aquiline were to recommend to a separate account client an investment adviser in which a Fund held an interest, such recommendation would be accompanied by disclosure to the separate account client of an Aquiline Fund’s ownership of the recommended investment adviser and the fact that Aquiline would indirectly benefit from the fees payable with respect to such investment opportunity.

## Participation or Interest in Client Transactions, Code of Ethics, and Personal Trading

### Participation or Interest in Client Transactions

Aquiline and/or a related person serve as the general partner, investment manager, and/or investment adviser to the Funds. Aquiline or a related entity will generally have a material investment in the Funds, often as the general partner, and as discussed in “Fees and Compensation” above, Aquiline receives a carried interest with respect to the Funds. Therefore, Aquiline may be considered to participate indirectly in transactions effected for those clients. The existence of Aquiline’s carried interest may create an incentive for Aquiline to make riskier or more speculative investments on behalf of a Fund than it would otherwise make in the absence of such performance-based arrangement, although the Aquiline team’s commitment of capital to the Funds should somewhat reduce this potential conflict of interest by alignment of interest.

Section 206(3) of the Advisers Act places restrictions on Aquiline’s ability, acting for its own account (or the account of an affiliate), to buy a security from or sell a security to a client’s account. Such transaction is known as a “principal transaction.” Section 206(3) of the Advisers Act requires an investment adviser to provide written disclosure to a client and obtain the client’s consent prior to settlement of any “principal transactions.” Aquiline will comply with the Advisers Act (and any more restrictive limitations included in a Fund’s governing documents) when engaging in principal transactions with a Fund, to the extent that any occur.

In the event that a Fund formed to facilitate the participation of co-investors in a portfolio investment being made by another Aquiline Fund has not held a closing at the time of the consummation of the portfolio investment, the Aquiline Fund that initially made the investment may transfer a portion of its interest in the portfolio company to the co-investment vehicle following the consummation of the investment. Because this transaction would be between two clients of Aquiline, it could potentially be viewed as a conflict of interest. However, the possibility of this type of transaction would be disclosed in the applicable Fund's offering documents, and a mechanic to address the potential conflict of interest would be included in the applicable Fund's governing documents. For example, the Fund's governing documents may provide that a portion of the Fund's interest in a portfolio company may be transferred to a co-investment vehicle within a specified period of time and in consideration for payment at a specified interest rate.

Because the Funds may invest in portfolio companies in the financial services sector, it is possible that an Aquiline Fund (or one of its portfolio companies) may engage in transactions with a portfolio company of another Aquiline Fund, which could be considered to give rise to potential conflicts of interest. However, Aquiline and its affiliates will not engage in any such transaction unless the terms of the transaction are on an arm's-length basis and on terms which are no less favorable to the Fund or the portfolio company than would be obtained in a transaction with an unaffiliated party.

Certain of Aquiline's related persons may invest in funds or other investment products that Aquiline recommends to its separate account clients. To address any actual or potential conflict of interest arising from such investments, Aquiline's policy is to disclose to the applicable separate account client any such actual or potential conflict of interest including any material information that may compromise Aquiline's objectivity or independence in its provision of investment advisory services.

#### **Code of Ethics and Personal Trading**

Aquiline has adopted a written Code of Ethics (the "Code") designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "Rule").

The Rule requires Aquiline to adopt a code of ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of Aquiline's employees. Aquiline's Code contains policies and procedures that ensure that all personal securities trading by Aquiline's employees is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. Aquiline prohibits personal trading on certain securities or instruments; requires pre-clearance before purchasing investments in financial services firms, an IPO, or a new issue private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

A copy of Aquiline's Code shall be provided to any client or prospective client upon request.

#### **Brokerage Practices**

Although Aquiline does not generally utilize the services of broker-dealers, in the event that it chooses to use a broker-dealer for limited purposes, Aquiline seeks to obtain the best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity, and stability of the broker-dealer; and (iv) the competitiveness of commission rates in comparison with other broker-dealers satisfying Aquiline's other selection criteria.

## **Review of Accounts**

The Funds' portfolio companies are reviewed on a continuous basis by Aquiline's investment professionals. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels.

The Funds to which Aquiline provides discretionary investment advice generally furnish each investor with written annual reports that include audited financial statements prepared in accordance with generally accepted accounting principles and written quarterly reports that include unaudited financial statements.

Separate account client portfolios are reviewed in connection with client investment committee meetings and at other times as requested by the clients.

Separate account clients are provided with monthly investment performance summaries.

## **Client Referrals and Other Compensation**

Aquiline may cause a Fund to pay placement fees to third parties for referring prospective investors to it. Any placement fees paid to third parties are then generally offset against the management fee with respect to such Fund. Aquiline Financial Services Fund II L.P. has retained two divisions of a portfolio company of Aquiline Financial Services Fund L.P. to serve among its placement agents. The terms of the agreements are no less favorable than those that have been entered into with unaffiliated placement agents.

## **Custody**

All Fund assets, other than uncertificated securities, are held in custody by unaffiliated broker-dealers or banks; however, Aquiline has access to client accounts since it or an affiliate serves as the general partner of each Fund. Limited partners will not receive statements from the custodian. Instead, the Funds are subject to an annual audit, and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the applicable Fund's fiscal year end.

## **Investment Discretion**

Pursuant to the Advisory Agreement of each Fund and subject to the control of the general partner of each such Fund, Aquiline performs the day-to-day investment operations of each Fund in accordance with the terms and conditions of the Advisory Agreement and governing documents of each such Fund.

## **Voting Client Securities**

Aquiline may be deemed to have authority for voting proxies on behalf of the Funds relating to the portfolio companies in which they invest. Aquiline's policy on proxy voting with respect to client accounts is to vote proxies consistent with its fiduciary duty to clients. Where Aquiline exercises or is deemed to be exercising voting authority over the proxy voting activities of a Fund, Aquiline shall vote client proxies in a way that it believes will maximize shareholder value. Consideration will be given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote.

Investors may request a copy of the policy and the voting records relating to proxies by contacting Aquiline.

Clients with separate accounts will retain full proxy voting authority and may contact Aquiline for advice or information about a particular proxy vote.

### **Financial Information**

Aquiline has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.