

# WL ROSS & CO. LLC

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## **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, 25<sup>th</sup> Floor, New York, New York 10036*.

If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer Lisa L. Gray at (212) 652-4274 or by email at [lisa.gray@invesco.com](mailto:lisa.gray@invesco.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, 2014

## **Item 2 - Material Changes**

WL Ross & Co. LLC made one material change since its last annual update to its brochure on March 31, 2013 to reflect Lisa Gray as its Chief Compliance Officer on July 31, 2013.

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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, and Beijing, China.

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### Principal Owners

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

Invesco, Ltd. is the ultimate parent company.

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### Types of Advisory Services

WL Ross provides investment supervisory services to private equity and 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, and 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 its 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.

### **Assets Under Management**

As of December 31, 2014, WL Ross reported assets under management of approximately \$6.9 billion for 18 clients. All assets are managed on a discretionary basis.

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### **Organization of Private Funds**

WL Ross organizes its 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.

#### **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.

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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 managed 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 such as mortgage backed securities and whole loans. 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.

**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.

## **Co-Investment Capabilities**

Opportunities for select industry or geographically focused investments.

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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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### **Settled Enforcement Actions and Investigations Related to Market Timing**

On October 8, 2004, INVESCO Funds Group, Inc. ("IFG"), the former investment advisor to certain AIM Funds (known as the Invesco Funds), and Invesco Advisors, Inc. (known as Invesco Advisers, Inc. "Invesco Aim"), the AIM Fund's investment advisor and Invesco Aim Distributors, Inc. ("IADI") (now known as Invesco Distributors, Inc.) 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 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 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 and IADI, the distributor of the retail AIM Funds and a wholly owned subsidiary of Invesco Aim, breached various Federal and state securities, business and consumer protection laws. Under the terms of the settlements, IFG, Invesco Aim and IADI consented 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 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 and IADI was paid on November 8, 2004.

The entire \$325 million IFG settlement payment was made available for distribution to the shareholders of those AIM Funds that IFG formerly advised that were allegedly harmed by market timing activity, and the entire \$50 million settlement payment by Invesco Aim and IADI was made available for distribution to the shareholders of those AIM Funds advised by Invesco Aim that were allegedly harmed by market timing activity, in accordance with a methodology determined by Invesco Aim's independent distribution consultant, in consultation with Invesco Aim and the independent trustees of the AIM Funds and which was approved by the staff of the SEC on May 23, 2008.

On May 23, 2008, the Securities and Exchange Commission (SEC) posted its final approval of the plans for distributing market timing settlement proceeds to adversely impacted shareholders of the Invesco Funds, formerly AIM and Invesco Fund Shareholders. The AIM Fair Fund began distribution of settlement monies to impacted former shareholders on June 1, 2009; the last date a check was honored for payment was December 31, 2009. After receipt of SEC approval, undistributed residual amounts left in the AIM Fair Fund were deposited in the appropriate funds. Final SEC approval to formally complete the disbursement was received on November 6, 2013. The Invesco Fair Fund began distribution of settlement monies to impacted former shareholders on December 11, 2009, and the distribution of checks concluded on September 21, 2010. The last day checks were honored for payment or wires issued were October 21, 2010. The two fair funds were distributed in accordance with a methodology determined by Invesco's independent distribution consultant (IDC Plan), in consultation with Invesco and the independent trustees of the funds and approved by the staff of the SEC. Obligations pertaining to the fair funds were completed Invesco Aim and IADI were censured. Invesco Aim and IADI were ordered to cease and desist from committing or causing violations of the Advisers Act and the Investment Company

Act. Invesco Aim and/or IADI voluntarily undertook remedial actions, including maintaining a Board of Trustees that is 75% independents, designating an independent Chairman of the Board, maintaining independent legal counsel for the independent trustees holding elections of trustees at least every five years, cooperating fully with the SEC, maintaining a compliance and ethics oversight structure with an internal controls committee and ombudsman, retaining an independent compliance consultant, conducting periodic compliance reviews, and retaining an independent distribution consultant. On July 12, 2011 the SEC issued an order modifying the undertakings in the October 8, 2004 settlement order. The modifications relieved Invesco of its future obligations to continue to: (1) Undertake bi-annual third party compliance reviews, (2) Maintain an internal compliance controls committee, and (3) Conduct shareholders' meetings to elect the Board of Trustees at least every five years. All other provisions of the 2004 order remain in effect. 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 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 were borne by the AIM Funds or by Fund shareholders.

In addition, under the terms of the settlements, Invesco Aim 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.

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### **Regulatory Action Alleging Market Timing**

On August 30, 2005, the WVASC issued its Summary Order to Cease and Desist and Notice of Right to Hearing to Invesco AIM and IADI. The WVASC claims that Invesco AIM and IADI violated the West Virginia securities laws. The WVASC purports to order Invesco 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. We believe this matter is indefinitely suspended.

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

A number of civil lawsuits related to market timing, late trading and related issues were filed against (depending on the lawsuit) certain of the AIM Funds, IFG, Invesco Aim,

Invesco Ltd., certain related entities, certain of their current and former officers and/or certain unrelated third parties. All such lawsuits were 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 were filed against (depending on the lawsuit) IFG, Invesco Aim, IADI, 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. One suit alleging improper use of fair value pricing was settled and dismissed. The other was transferred to the MDL Court for pre-trial purposes. The suits alleging excessive fees were settled. The suits alleging improper charging of distribution fees on closed funds or share classes have been dismissed. The suits alleging improper mutual fund sales practices were dismissed with prejudice by the Court. The suit alleging failure of Invesco Aim 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, 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 Invesco Funds’ statements of additional information.

## **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 WL Ross that are 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 and any potential conflicts of interest or breaches of proprietary client information are monitored.

*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**

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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 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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### **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.

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 including, Invesco Advisers, Inc., and Invesco Senior Secured Management, 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.

## **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 execution;
- 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**

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All accounts are monitored by portfolio managers on a continuous basis to determine whether any adjustments to the portfolios/Funds are needed. 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**

WL Ross currently compensates a third-party *person* for *client* referrals.

### **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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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 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.

### **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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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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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.