

# 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, 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, Nancy Wang at (212) 829-7482 or by email at [nancy.wang@invesco.com](mailto:nancy.wang@invesco.com).

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 WL Ross & Co. LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Note:** The term registered investment adviser does not imply a certain level or skill or training.

June 19, 2015

## **Item 2 - Material Changes**

There were no material changes to the WL Ross & Co. LLC brochure since the last annual update on March 31, 2015.

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## Item 4 - Advisory Business

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### Firm Description

WL Ross & Co. LLC, a Delaware limited liability company ("WL Ross") was founded in 2000 and has been registered with the SEC since 2006. WL Ross is directly owned by Invesco Private Capital, Inc. and indirectly owned by Invesco Ltd. (NYSE: IVZ). WL Ross provides investment advisory services to unregistered pooled investment funds and to separately managed accounts.

WL Ross is one of the world's leading turnaround groups, with a focus on investing in and restructuring financially distressed companies with a goal to create new, world-class enterprises.

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

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### Types of Advisory Services

WL Ross provides investment advisory services to certain U.S. and non-U.S. unregistered pooled investment fund clients ("fund clients") as well as separately managed accounts. Investment advisory services may be provided either directly or indirectly through limited partnerships or limited liability companies.

Investment advisory services are generally provided to its clients on a fully discretionary basis. Where that is the case, 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 established to accommodate one or more investors. WL Ross provides investment advisory services by researching and identifying 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 purpose 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 may be highly concentrated.

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

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**Assets Under Management**

As of December 31, 2014, WL Ross managed discretionary assets under management of approximately \$5.6 billion for 21 clients.

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**Organization Private Funds**

WL Ross organizes U.S. and non-U.S. unregistered pooled investment funds in a number of different structures depending on the investment strategy, types of investors, and tax considerations. There are two primary organizational structures utilized 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 pursuant to the respective partnership agreement or investment mandate 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 on 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 client's offering materials.

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 fees generally charged for investment advisory services provided to the following types of clients, however performance allocation and management fees may be lower for certain Funds:

Private Equity Funds

0.50% - 2% of assets under management determined by commitment's cost or fair value.

Performance allocation: 10 - 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.

Separately Managed Accounts

1% of assets under management.

Performance allocation: 15% assessed upon the disposition of investments subject to a 7% preferential return.

Administration Fees

Market rates or below.

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**Fee Billing**

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

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**Other Fees**

The fees described in this section are strictly for the provision of investment advisory and administration services and do not include other fees that a client may incur, including, but not limited to, custody fees or fees incurred 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**

WL Ross provides investment advisory services to U.S. and non-U.S. unregistered collective investment funds. WL Ross views these funds to which it provides investment advisory services as its fund clients. WL Ross enters into separately managed account engagements to provide investment advisory services to a range of institutional and private clients, including but not limited to, corporate pensions, endowments, foundations, fund-of-funds, high net worth individuals, insurance companies, public pensions, and sovereign wealth funds.

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### **Account Minimums**

All investment strategies described in this disclosure can be accomplished through either one of our Funds or through a separately managed account.

*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, SEC filings, 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 advisory 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.

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

On August 30, 2005, the Attorney General of the State of West Virginia ("WVAG") 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.

## Item 10 - Other Financial Industry Activities and Affiliations

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### **Affiliations**

WL Ross is affiliated with Invesco Ltd, a global financial services firm that offers investment solutions to clients world-wide. As such, WL Ross is affiliated with many other entities within the Invesco global structure, including FINRA-registered broker-dealers as well as registered and unregistered U.S. and non-U.S. 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 liaison in various jurisdictions internationally.

WL Ross may from time to time seek to use the analytical capabilities of research 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

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 a financial interest. Examples are provided 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.

*Clients may request a copy of our Code of Ethics by writing to WL Ross & Co. LLC, 1166 Avenue of the Americas, New York, New York 10036, Attention: Chief Compliance Officer.*

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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 and various policies related to insider trading and the use of material non-public information. The Code of Ethics is

administered by the Compliance Department. Compliance is responsible for interpreting the provisions of the Code of Ethics and for adopting and implementing policies and procedures for enforcing the Code of Ethics, and for determining whether violations 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.

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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 and/or material nonpublic information ("MNPI") 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 MNPI. When employees are in possession of MNPI, they will observe the policies and procedures of the issuer, such as prohibiting company insiders from transacting in issued securities until after the public dissemination of company releases i.e. quarterly earnings. Company insiders may be limited to an open period as provided by its general counsel. This activity is also subject to the Code of Ethics.

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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**Information Barriers**

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 physically walled-off from public areas of the firm through use of physical walls with access limited by key card. 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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**Borrowing Facilities**

From time to time borrowing facilities available to certain Funds are utilized to meet the funding requirements for portfolio investments on behalf of those Funds as well as other co-investing Funds for which such facilities are not available. These are mainly short term in nature bridging capital calls and are conducted on an arms-length basis.

## **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 use of a specified 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.

### **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**

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

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**Other Compensation**

It is WL Ross' policy that if a portfolio manager, employee or a related person serves as a director on a board of directors (or in a similar capacity) of a portfolio company in which WL Ross has invested client funds, compensation is either refused or transferred to such clients' accounts for their benefit. Employees who serve on the board of directors of portfolio companies are not permitted to keep any compensation received for participation on such portfolio companies' boards. WL Ross will use such fees to offset a portion of the management fees charged to the relevant clients.

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**Item 15 - Custody**

Although WL Ross' clients' assets are held at qualified custodians and such clients receive account statements from such custodians, WL Ross may be deemed to have custody because it or an affiliated entity serves as general partner or managing member and investment manager of certain fund clients. However, all WL Ross' fund clients are subject to an annual audit the results of which are provided to investors within 120 days of the fund client's fiscal year end.

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**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 specific securities and amount to be bought or sold. Any limits on discretionary authority are included in each fund client's private placement memorandum, where applicable, and its governing documents.

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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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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 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.