



FORM ADV: PART 2A

Updated: March 2016

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.

Material Changes

Aquiline does not believe that there have been any material changes to the content of this brochure as published in its last annual amendment issued in March 2015; however, additional information has been added to the following sections:

- Fees and Compensation for Services Provided to the Funds;
- Co-investment Opportunities;
- Participation or Interest in Client Transactions; and
- Portfolio company investors in the Funds; Former Portfolio Companies.

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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 (each, a “Fund” and, collectively, the “Funds”) organized to invest in the global financial services sector (Aquiline Financial Services Fund L.P. and Aquiline Financial Services Fund (Offshore) L.P. (together, “Fund I”); Aquiline Financial Services Fund II L.P. (“Fund II”); and Aquiline Financial Services Fund III L.P. (“Fund III”)), and in the real estate sector (Aquiline Real Estate Fund L.P.). In providing these services to each Fund, Aquiline formulates such Fund’s investment objectives, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. Aquiline also manages investment vehicles that facilitate co-investment in one or more portfolio companies of the Funds. Investment advice is provided directly to each Fund and not individually to the investors of each Fund. Aquiline manages the assets of each Fund and co-investment vehicle in accordance with the terms of the governing documents applicable to each Fund or other partnership agreement.

Limited partnership interests in the Funds and the co-investment vehicles are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds and the co-investment vehicles are not registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Accordingly, interests in the Funds and the co-investment vehicles 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 W. Greenberg, Chairman. As of December 2015, Aquiline Holdings managed approximately \$2.7 billion on a discretionary basis.

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 each Advisory Agreement 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 in advance, with timing 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. Generally, investors in co-investment vehicles and employees and affiliates of Aquiline do not pay management fees.

The management fee for a Fund is reduced by the 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 and Expenses" below.

The management fee for any management fee period of a Fund is generally prorated 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 returns 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, up to 20 percent of the net investment returns of each Fund is 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. Generally, investors in co-investment vehicles and employees and affiliates of Aquiline do not pay a carried interest.

Expenses

In addition to management fees and carried interest, investors bear indirectly the expenses charged to the Funds. Those expenses may vary by Fund 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); expenses incurred in connection with complying with regulatory, compliance and tax filing obligations of the Funds and Aquiline under U.S. federal, state, local, non-U.S. or other laws and regulations directly related to the making, holding or disposing of portfolio investments by a Fund (whether such compliance obligations are imposed on the manager, such Fund's General Partner, their affiliates or a Fund), including, without limitation, the preparation and filing of (i) Form PF under the Advisers Act, (ii) Form 13F, Form 13H, Section 16 filings, Schedule 13D filings, Schedule 13G filings and other filings, in each case under the Securities Exchange Act of 1934, as amended, (iii) filings required under the European Union's Alternative Investment Fund Management Directive, (iv) TIC Form SLT filings, (v) any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to FATCA (as defined below) and Report of Foreign Bank and Financial Accounts, (vi) CFTC Form 4.13(a)(3), CPO-PQR, CTA PR, NFA Form PQR filings, and CRS reporting as developed by the Organization for Economic Cooperation and Development, (vii) filings under the Hart-Scott-Rodino Antitrust Improvements Act and other antitrust laws and regulations, and (viii) any other forms, schedules or other filings with governmental and self-regulatory agencies directly related to the making, holding or disposing of Portfolio Investments by the Partnership; all out-of-pocket fees, costs, and expenses incurred in developing, negotiating, structuring, trading, settling, monitoring, holding, and disposing of actual investments including, without limitation, travel (which may include commercial or private travel); all out-of-pocket costs and expenses, if any, incurred in developing, negotiating and structuring prospective or potential portfolio investments which are not ultimately made, including (a) any legal, accounting, advisory, consulting or other third-party expenses in connection therewith and any travel and accommodation expenses, (b) any break-up fees, (c) any fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed portfolio investment that is not ultimately made and (d) any deposits or down-payments of cash or other property which are forfeited in connection with a proposed portfolio investment that is not ultimately made; brokerage commissions; custodial expenses; costs of the annual investor meeting, including the pre-meeting reception for certain investors; costs incurred in complying with provisions in side letter agreements, including "most favored nations" provisions; other bank service fees, and other investment costs, fees, and expenses; interest thereon 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 taxes, penalties, fees, or other governmental charges and all expenses incurred in connection with any tax audit, investigation, settlement, or review of the Fund. "FATCA" shall mean Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code"), (including, for the avoidance of doubt, any agreements entered into pursuant to Section 1471(b)(1) of the Code), any current or future Treasury Regulations or other official administrative guidance promulgated thereunder and any intergovernmental agreements entered into in connection with the implementation thereof.

Other Fees and Expenses

Aquiline may charge portfolio companies, prospective portfolio companies, co-investors, or the Funds origination fees, consulting fees, monitoring fees, directors' fees and other similar fees. Net of any related expenses, a percentage (80 percent to 100 percent in Fund I; 100 percent in Fund II and Fund III) of all such fees that are received by Aquiline will be applied to reduce the management fee otherwise payable by the applicable Fund except with respect to fees related to certain portfolio companies as specifically provided in the Fund I governing documents. In the case of monitoring fees, a percentage (80 percent to 100 percent in Fund I; 100 percent in Fund II and Fund III) of the amount of all such fees that are received by Aquiline will be applied to reduce the management fee otherwise payable by the applicable Fund. The terms of the related agreements may, in certain instances, provide for an acceleration of fees paid to Aquiline upon termination of the agreement following certain milestones, such as an initial public offering or sale and when the lump-sum termination fee may be calculated as the present value of hypothetical foregone payments in the future (which, in some cases, may extend past the term of the related fund and may be based on an assumed growth in EBITDA or other metrics used to calculate the fee) and be calculated using a discount rate as low as the risk-free rate, as determined by Aquiline. In addition, each Fund will typically pay broken deal expenses related to the operation of the Fund or co-investment vehicles, including fees, costs, and expenses directly related to the purchase, holding and sale of

investments, diligence expenses (including related travel expenses), expenses of any consultants (including industry advisors, who may include executive advisors of Aquiline ("Executive Advisors") who serve as an advisor on a particular transaction), counsel, and accountants, indemnity, or litigation expenses, custody fees, brokerage fees (if any), underwriting and syndication fees and expenses, financing and bridge financing.

Executive Advisors of Aquiline may receive a monthly fee, which is paid by Aquiline. Executive Advisors are also entitled to reimbursement for expenses incurred while providing services to Aquiline, Aquiline Funds, and Aquiline Fund portfolio companies. Executive Advisors may also serve on the boards of directors of Aquiline Fund portfolio companies and may otherwise serve directly as consultants to Aquiline Fund portfolio companies and may therefore receive directors' fees, consulting fees and other compensation in connection therewith from Aquiline Fund portfolio companies. Any fees paid to an Executive Advisor by an Aquiline Fund or Aquiline Fund portfolio company, including directors' fees, consulting or other advisory fees or equity interests, do not offset management fees.

Periodically, Aquiline employees may provide services to underlying portfolio companies. In situations when such services involve significant percentages of their time, the portfolio company will generally be charged the allocable portion of the costs of the employee's salary and benefits (which will not offset management fees paid by the Funds). In addition, stock options or other compensation granted or paid by portfolio companies to employees of Aquiline who serve in a bona fide, non-director capacity at any such portfolio company will not offset the management fees payable by the Funds. Additionally, non-employee Executive Advisors of Aquiline or its affiliates may receive compensation from portfolio companies for services provided to portfolio companies (which will not offset management fees payable by the Funds) and/or participate in investments in portfolio companies. Underlying portfolio companies may also reimburse Aquiline for its out-of-pocket expenses directly and indirectly relating to the business of the underlying portfolio company. These amounts do not reduce the management fees payable by the Funds.

Moreover, Aquiline and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds that will not be subject to the management fee offset or otherwise shared with the Funds, their investors and/or the investments. For example, airline travel or hotel stays incurred as Fund expenses typically may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Aquiline and/or such personnel (and not the Funds, their investors and/or the investments) even though the cost of the underlying service is borne by the Funds and/or the issuers.

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.

Aquiline does not manage any client accounts that do not pay performance-based compensation, with the exception of certain co-investment vehicles. To the extent that a co-investment vehicle does pay performance-based compensation, it is paid to the relevant Fund and not Aquiline.

Types of Clients

Aquiline provides investment advisory services to the Funds. Investment advice is provided directly to each Fund, subject to the direction and control of the General Partner of such Fund and not individually to the investors 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 (and does so, particularly in the case of investors who are employees of or advisors to Aquiline), the minimum capital commitment for the Funds is typically \$10 million.

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 that 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 as described below. The implementation of these measures will vary on a company-by-company basis depending, in part, upon the industry, needs and type of company.

- Operational Support
 - Define or review strategy and help create business plan
 - Develop or review cash flow plan
 - Recruit senior management as appropriate—CEO, CFO, CIO
 - Navigate regulatory approval process
 - Assist with rating agencies
 - Perform as interim management, as needed
 - Provide in-house research/analysis as needed
 - Drive compliance and risk management
 - Support acquisition integration
- Strategic Guidance
 - Constitute board
 - Serve as members of the board of directors
 - Recruit independent directors from relevant industry as required
 - Challenge management team views and plans
 - Encourage best practices in corporate governance
 - Set up and chair audit, compensation, and risk committees as needed
 - Design compensation schemes
 - Monitor against key metrics
- Financial Innovation
 - Create appropriate capital structure
 - Drive third-party capital-raising initiatives
 - Access capital markets: IPO, secondary offering
 - Seek value-added co-investors
 - Identify and evaluate add-on acquisition candidates
 - Assist in M&A execution
 - 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 its Fund that invests 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.

Aquiline Funds

Acquiring interests in the Funds involves a number of risks. An investment in the Funds is 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 investors 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, the 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 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 telecommunications systems, computer failures, and damage to computer and telecommunications 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.

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. Moreover, 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.

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.

Co-Investment Opportunities

Co-investment opportunities may, and typically will, be offered to some but not other or all investors, and certain persons other than investors (e.g., third parties) may be offered co-investment opportunities. All decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Aquiline and the General Partners.

In exercising their sole discretion to allocate investment opportunities among potential co-investors, Aquiline and the General Partners may consider one or more of a wide range of factors, which may include, but are not limited to, the belief and understanding of the following relative to the potential co-investment party:

- Presumed ability of the potential co-investor to participate in a timely and confidential manner and its potential to provide additional capital including at other levels of capital structure;
- Allocation of the opportunity will help establish or develop a relationship that may be beneficial to current or future Funds; and/or
- Knowledge, relationships, and/or reputation of the potential co-investor, which could be beneficial to evaluate or complete the transaction.

Aquiline has entered into side letters or other similar agreements that include special rights with respect to co-investment (including guaranteeing an investor an opportunity to participate in all co-investment opportunities and/or the right to allocations of co-investment opportunities in excess of an investor's pro rata share based on capital commitments or other priority allocations of co-investment opportunities).

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 Capital Partners GP LLC, Aquiline Real Estate Partners GP LLC, Aquiline Capital Partners GP (Offshore) Ltd., Aquiline Capital Partners II GP (Offshore) Ltd., Aquiline Capital Partners III GP (Offshore) Ltd., Aquiline Co-Invest GP Ltd., Aquiline Capital Partners II GP (AIV) L.L.C., Aquiline Co-Invest III GP Ltd., and Aquiline Capital Partners III GP (AIV) L.L.C. 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 ("Portfolio Company B/Ds"), and additional portfolio companies (or their affiliates) may apply for registration as a broker/dealer. Aquiline may periodically direct the Funds' brokerage transactions through the Portfolio Company B/Ds; however, in doing so, Aquiline is subject to its obligation to seek to obtain best execution on the Funds' transactions under prevailing market conditions. Additionally, various Aquiline personnel will generally review the appropriateness of such transactions and document the rationale for Aquiline's use of the Portfolio Company B/Ds. Aquiline does not foresee that its use of the Portfolio Company B/Ds gives rise to any material conflicts of interests since the Portfolio Company B/Ds are Fund portfolio companies. Therefore, any benefits that would accrue from the use of the Portfolio Company B/Ds would accrue to the Funds. As described in the "Client Referrals and Other Compensation" section below, Aquiline has in certain instances elected to utilize Portfolio Company B/Ds as placement agents for certain of its Funds. Also, one former Portfolio Company B/D is now owned by an investor in another Aquiline Fund and a member of Aquiline continues to serve on its board of directors.

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 arrangements, 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 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.

From time to time, certain Aquiline Fund portfolio companies that are asset management companies themselves offer investment opportunities to accredited investors, and in such instances certain employees of Aquiline or any of its affiliates may invest in such opportunities on the same market terms as available to other similarly situated accredited investors. An Aquiline Fund may also participate in such investment opportunities in the same or different terms.

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, IPOs, private placements, and private investment funds (including those managed by firms in which the Funds may be invested); requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

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

Portfolio Company Investors in the Funds; Former Portfolio Companies

One or more Fund I portfolio companies are investors in Fund II and/or Fund III. Such investors' votes are taken into account in determining the vote of the majority (or other specified percentage) in interest of the combined investors in the Fund. However, it should be noted that any director and/or employee of the General Partner and/or Aquiline who were serving on the board of directors of any such portfolio companies at the time such investment decision was made by any such portfolio company, have and will continue to recuse himself from any discussions and/or votes pertaining to such investment in Fund II, Fund III, or any subsequent Fund.

Employees of Aquiline serve and in the future are expected to continue to serve on the board of directors of one or more former portfolio companies of the Funds, in each case to the extent permitted under the governing documents of the applicable Funds.

Brokerage Practices

In the event that Aquiline 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. These criteria apply when Aquiline elects to transact through both Portfolio Company B/Ds (as described in greater detail above) as well as unaffiliated broker/dealers that also happen to be affiliates of investors (or investors) in one or more of the Funds.

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.

Client Referrals and Other Compensation

Aquiline generally causes 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 utilizes Portfolio Company B/Ds and former Portfolio Company B/Ds to serve among its placement agents. One former Portfolio Company B/D is now owned by an investor in another Aquiline Fund, and a member of Aquiline continues to serve on its board of directors. The terms of the agreements with the Portfolio Company B/Ds are no less favorable than those that have been entered into with other 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. Investors 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 investor. 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 has 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 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. If a material conflict of interest between Aquiline and its clients with respect to voting proxies is deemed to exist, the Proxy Voting Committee will convene to determine how to vote the proxy in the best interests of the applicable clients. Depending on the nature of the material conflict of interest, the Proxy Voting Committee may consult with, or refer the vote to, the Fund's Advisory Committee.

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

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.