

# FIVE ARROWS MANAGER (USA) LLC

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June 25, 2018

This Brochure provides information about the qualifications and business practices of FIVE ARROWS MANAGERS (USA) LLC (“Five Arrows USA” or “The Adviser”). If you have any questions about the contents of this Brochure, please contact Michael Gruppuso at [michael.gruppuso@rothschild.com](mailto:michael.gruppuso@rothschild.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.

The Adviser is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

This Brochure dated June 25, 2018, is an amendment to Five Arrows USA's initial Brochure, dated March 28, 2018. The only material change since that filing is an update to Items 1, 2 and 17 to name and provide contact information for Five Arrows USA's new CCO, Michael Gruppuso.

Five Arrows USA will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We will provide you with an updated Brochure, as needed, based on changes or new information, at any time. Currently, this Brochure may be requested by contacting Michael Gruppuso at 212-300-1978 or [michael.gruppuso@rothschild.com](mailto:michael.gruppuso@rothschild.com).

Additional information about The Adviser is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with The Adviser who are registered, or are required to be registered, as investment adviser representatives of The Adviser.

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## **Item 4 – Advisory Business**

### **Advisory Services**

#### **4. A. Advisory Firm Description**

Five Arrows Managers (USA) LLC (“Five Arrows USA” or “Adviser”) was formed in April of 2017. Five Arrows USA is directly owned by PO Participations S.A. PO Participations S.A. is a foreign adviser and is owned by Rothschild & Co. Rothschild & Co (formerly known as Paris Orleans SCA), is a global financial services organization that was founded in the 18th century by members of the Rothschild family and is still family-controlled.

#### **4.B. Types of Advisory Services**

The Adviser currently provides investment management services to a private equity fund, Five Arrows Capital Partners, L.P (the “Fund”). It is also sub-adviser to two European Private Equity Funds, Five Arrows Capital Partners (PV I) S.C.A. and Five Arrows Capital Partners (PV II) RAIF (collectively the “European Funds”). Private Funds are certain investment funds that are not generally available to the public for investment.

Five Arrows USA intends to focus Five Arrows Capital Partners, L.P.’s investments primarily in the Healthcare, Business Services, and Data Software and Technology Enabled Services sectors. The objective of the Fund is to build on the same investment strategy deployed by two European private equity funds, which were initially formed by Rothschild Merchant Banking. The European private equity funds sub-advised by Five Arrows USA will invest pro-rata in the same assets in which Five Arrows Capital Partners, L.P. invests.

The Adviser may also offer investment management services to other kinds of Private Funds. Persons reviewing this Brochure should not construe this as an offering of securities or a solicitation to purchase shares in any of the Funds described herein, which will only be made pursuant to the delivery of a private placement memorandum to eligible investors. The Fund will provide for an investment management agreement between the Client and the Adviser detailing the types of investments that may be purchased/sold, whether the Client may use leverage and to what extent, and whether short-selling is permitted.

#### **4.C. Client Investment Objectives/Restrictions**

Investments in the Fund are managed in accordance with the Fund's specific investment objective, strategy, and restrictions and are not tailored to the individualized needs of any one investor in the Fund (each, an "Investor"). Investors may not impose restrictions on investments, and therefore, should consider whether an investment in the Fund meets their investment objectives and risk tolerance prior to investing. Information about the Fund can be found in the offering documents. These will be made available to qualified current and prospective Investors only through Five Arrows USA or another authorized party.

#### **4.D. Wrap-Fee Programs**

The Adviser does not participate in, nor is it a sponsor of, any wrap fee programs.

#### **4.E. Assets Under Management as of 12/31/2017**

As of December 31, 2017, Five Arrows USA managed \$403,567,716 in client assets on a discretionary basis. This amount was calculated consistent with the method used to calculate regulatory assets under management. Five Arrows USA does not manage any client assets on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

#### **Advisory Contracts and Fees**

##### **5.A. Adviser Compensation**

The Fund pays an annual management fee to the Adviser quarterly in advance. The Adviser's fees are generally described below and detailed in the Fund's governing documents. The Fund will pay Five Arrows USA an annual management of 2% of its total committed capital through the initial closing of the fund and until the earlier of either, (1) the first date when management fees begin to accrue with respect to a competing fund, (2) the end of the investment period, or (3) the step-down date. Thereafter, such annual fee will be 2% of invested capital.

In addition to the annual management fee described above, the General Partner to the Fund, which is an affiliate of Five Arrows USA, will receive a 20% carried interest distribution from the Fund. The distribution is a performance-based fee and is described in Item 6 of this Brochure. Please refer to the Fund's limited partnership agreement for a full description of the management fee paid by the Fund.

The Fund's governing documents will generally permit the Adviser to waive, rebate or reduce all or part of the management fee and/or performance fee with respect to investments made by certain investors without waiving, rebating or reducing the fees charged to other investors. Co-investors may pay reduced or limited fees to the Adviser.

Five Arrows USA receives a percentage of the management fee paid by the European Funds to its manager, PO Participations S.A. The management fee paid by the European Funds to PO Participations is 2 % of total committed capital, and Five Arrows USA receives 75% of this fee (1.5%) and PO Participations S.A. is described in Item 10 below.

## **5.B. Direct Billing of Advisory Fees**

The management fee will be deducted quarterly directly from the Fund.

## **5.C. Other Non-Advisory Fees**

Five Arrows USA's management fee is exclusive of, and in addition to, transaction fees and other related expenses such as those incurred in connection with the evaluation, acquisition, monitoring and disposal of investments, which may be incurred by the Fund.

The Fund may also incur fees, costs and expenses imposed by administrators, custodians, depositaries, attorneys, accountants, tax advisers, consultants, brokers, deal finders, agents, valuation experts, data providers, and other advisers of any operating partners, senior advisors, and other consultants and service providers of the Fund. The Fund may also incur out of pocket fees, costs and expenses incurred in developing, sourcing, bidding on, evaluating, negotiating, structuring, obtaining regulatory approvals for, purchasing trading, settling, maintaining custody of, holding maintaining custody of, holding, monitoring and disposing of actual investments. The Fund may also incur costs related to travel and accommodation costs and expenses in connection with the purchasing, monitoring, or disposition of investments – including costs or expenses incurred in connection with attending industry conferences. The Fund will pay all fees, costs and expenses incurred in connection with the Fund's legal, tax, and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including regulatory filings of the Fund, its general partner, or Five Arrows USA and its affiliates relating to the Fund and its activities, including reporting on and compliance with Form PF and any tax reporting regime, but excluding regulatory expenses of Five Arrows and any Alternative Investment Fund Manager.

The Fund will also incur fees, costs and expenses related to the organization or maintenance of any intermediate entity used to acquire, hold or dispose of any investment or otherwise facilitating the Fund's investment activities. This will include travel and accommodation expenses related to the entity, and the salary and benefits of any personnel reasonably necessary for the maintenance of the entity.

Broken deal expenses will be born by the Fund to the extent not reimbursed by an entity in which the Fund has invested or proposes to invest or other third parties. Co-investment vehicles, other than those investing alongside the fund in all portfolio investments, generally do not bear a share of broken deal expenses.

The Fund will pay expenses associate with any meeting or conference with one or more combined limited partners. Certain legal and other advisory expenses of the Investor Advisory Committee and Sponsor Limited Partner Council will also be paid by the Fund.

Five Arrows USA primarily engages in private equity transactions and does not generally purchase or sell securities through a broker dealer. Investment transactions with portfolio funds and portfolio companies do not carry commission charges; however, if Five Arrows USA trades publicly held securities within the Fund's portfolio, Five Arrows USA will seek to obtain best execution for the Fund. Item 12 describes the factors that Five Arrows USA would consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

#### **5.D. Advance Payment of Fees**

The Fund pays an annual management fee to the Adviser quarterly in advance. The management fee is adjusted for contributions and withdrawals made during the quarter. In the event of an Investor's withdrawal of all or any portion of its capital account during a quarter, any prepaid, unearned fees will be promptly refunded.

#### **5.E. Compensation for Sale of Securities or Other Investment Products**

The Adviser and its personnel do not accept compensation for the sale of securities or other investment products. Certain affiliates of the Adviser may receive compensation related to Fund investments. These fees are disclosed in the Fund's Private Placement Memorandum and also in Item 10 of this Brochure.

## **Item 6 - Performance-Based and Side-By-Side Management**

The General Partner of the Fund, an affiliate of Five Arrows USA, may receive a 20% carried interest distribution over the life of the Fund. This distribution is a performance-based fee and is described in the Fund's Private Offering Memorandum and Limited Partnership Agreement.

Because of the performance-based fee arrangement with the General Partner affiliated with Five Arrows USA, there may be an incentive for Five Arrows USA to recommend investments which may be riskier or more speculative than those that would be recommended under a different fee arrangement. Five Arrows USA periodically reviews the Fund account to ensure the portfolio investments fall within strategy, given account restrictions and constraints (if any) set forth in the Fund's Private Offering Memorandum and Limited Partnership Agreement.

## **Item 7 – Type of Clients**

Five Arrows USA provides investment advice to a U.S. private equity fund ("the Fund"), and acts as a sub-adviser to two European private equity funds.

The minimum initial commitment to the Fund is \$5 million for individual investors (including family offices) or \$10 million for institutions. Five Arrows USA reserves the right to accept lesser amounts.

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

### **8.A. Methods of Analysis and Investment Strategies**

Five Arrows USA seeks to generate superior long-term capital appreciation typically through privately negotiated equity or equity related investments in middle market companies in North America. Portfolio investments are intended to be primarily in the Healthcare, Business Services, and Data Software and Technology Enabled Services sectors. Generally, Five Arrows USA will not allocate more than 15% of the Fund to a single portfolio company (25% for bridge investments). Five Arrows USA may invest in publicly traded equity securities.

Five Arrows USA relies on a "vintaging" process by which they've been evaluating a company for years ahead of investment. Portfolio selections are a product of research on top-down secular drivers and bottom-up operator discussions and made with a goal of creating a portfolio that is diversified by time, region and size, and that has highly uncorrelated sector trends. Equal emphasis is sought on risk management and



value creation. The deal team is responsible for identifying the target company's full value potential. The Investment Committee is responsible for evaluating the relative risk-reward trade off for each investment opportunity and the implications for the return profile for the Fund's entire portfolio. The investment process relies in large part on its large network of operating professionals and managers. Five Arrows USA typically engages 3-4 specialist operators to assist during the due diligence phase of the process.

## **8.B. Material Risks of Investment Strategies**

There can be no guarantee of success of the investment strategy employed by Five Arrows USA. The Fund's investment portfolio may be adversely affected by general economic and market conditions such as interest rates, availability of credit, inflation rates, changes in laws, and national and international political circumstances.

All investments made by the Adviser on behalf of the Fund risk the loss of capital that Investors should be prepared to bear. Five Arrows USA believes that its investment process is designed to help moderate this risk; however, there can be no guarantee or representation that the investment process will be successful, and Investors should consider the following risks:

### Management Risk

Judgements about the value and potential appreciation of an investment may be wrong and there is no guarantee that investments will perform as anticipated. The value of a single investment may be more volatile than the market and Five Arrows USA's approach in valuing an investment may fail to produce its intended result. Five Arrows USA depends on the diligence, skill, and network of operating professionals of its management for the execution of its strategies.

### Sector Focus Risk

The Fund may be more heavily invested in certain sectors, which may cause the value of its investments to be especially sensitive to factors and economic risks that specifically affect those sectors, causing the value of the Fund to fluctuate. Certain sectors in which the Fund is invested are continuously evolving and subject to rapid technological and regulatory change. The success of any business operating in these sectors is, to a large extent, dependent on its ability to acquire, develop, adopt, and exploit new and existing technologies and to distinguish its products and services from those of its competitors. The success of any business in these sectors is dependent on its ability to anticipate and adapt to regulatory change. The acquisition, development,

adoption, exploitation, and distribution of new and existing technology may take long periods of time and may require significant capital investment.

#### Counterparty Risk

The Fund is exposed to the risk that third parties that may owe the Fund or its portfolio companies money, securities, or other assets will not perform their obligations. These parties include trading counterparties, clearing agents, exchanges, clearing houses, custodians, prime brokers, administrators and other financial intermediaries. These parties may default on their obligations to the Fund or its portfolio companies, due to bankruptcy, lack of liquidity, operational failure or other reasons.

#### Non-diversified Risk

Because the Fund may invest a significant portion of its assets in the securities of a limited number of issuers, the Fund may be more susceptible to a single adverse economic or political event affecting one or more of these issuers, than a portfolio with greater diversification limits.

#### Confidential or Material, Non-public Information

By reason of their responsibilities in connection with other activities of Rothschild, certain employees of the Fund's general partner or its affiliates may acquire confidential or material, non-public information or restricted from initiating transactions in certain securities. In the event any material, non-public information is disclosed to the Fund's general partner or any other person responsible for the affairs of the Fund, the Fund may be prohibited by applicable securities laws and Rothschild's internal policies from acting upon any such information. Due to these restrictions, the Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Additionally, the terms of the confidentiality or other agreements with or related to companies in which any fund of Rothschild and/or its affiliates has or has considered making an investment or which is otherwise an advisory client of Rothschild may restrict or otherwise limit the ability of the Fund and/or its portfolio companies and their affiliates to make investments in or otherwise engage in business or activities competitive with such companies.

## **8.C. Material Risks of Securities Used in Investment Strategies**

Five Arrows USA seeks to generate superior long-term capital appreciation typically through privately negotiated equity or equity related investments in middle market companies in North America. Investment in these types of securities involves risk and the complete loss of capital. Risks related to these portfolio investments are discussed below.

### Competition for Investment Opportunities

The market for private equity investment opportunities is very competitive. This competition increases the pricing for the investments, thereby possibly reducing the returns to investors. This intense competition also increases the execution risk in successfully closing a private equity investment. The Fund could incur costs (including the cost of forgone opportunities) related to failed investment processes.

### Leverage Risk

The Fund's investments are expected to include portfolio companies whose capital structures may have significant leverage. These portfolio companies may be subject to restrictive financial and operating covenants. The leverage may impair these portfolio companies' ability to finance their future operations and capital needs. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry.

### Long Term Strategy, Illiquidity

The strategy of the Fund is long-term and does not intend on making regular or frequent distributions to its investors. Given the lack of market for interest in private funds and the substantial restrictions on transfer or withdrawal of such interests, an investment in the Fund is suitable only for investors who have no need for liquidity in their investments. Moreover, there are significant risks associated with private equity investments that, by their nature, are speculative and primarily illiquid. Even if the Fund's investments prove successful, they are unlikely to produce realized return to investors for several years.

### Equity Risk

Regardless of any one company's prospects, a declining stock market may produce a decline in prices for all equity securities, which would generally also result in losses

for the Fund's holdings.

#### Private Company Risk

Companies in which the Fund invests may be in the early stages of growth, and the performance of early stage companies may be more volatile due to their limited product lines, markets or financial reserves, or their susceptibility to competitors' actions, major economic setbacks or downturns. The portfolio companies may also depend on the management talents and efforts of a small group of people and, as a result, the death, disability, resignation, or termination of one or more of those persons could have a material adverse impact on the prospective business opportunities of the company and the investments made. Additionally, some of the companies may require a significant investment of capital to support their operating, or finance the development of their products or markets, and may be highly leveraged and subject to significant debt service obligations, which could have a material adverse impact on the Fund's investment.

#### Non-U.S. Investments

The Adviser's clients may make investments in private companies domiciled outside of the United States. Investing in the debt instruments of non-U.S. issuers may involve certain considerations usually not associated with investing in U.S. companies.

#### Limited Valuation Data

The Fund will be invested in comparatively small companies with no readily available market for their securities. Five Arrows USA will be dependent upon the portfolio company being sold, refinanced, reorganized or having a public offering to achieve liquidity for the Fund's investment. The possibility that a portfolio company will not be able to adequately commercialize its technologies, products, or business concepts presents significant risk.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of them or the integrity of their management. Five Arrows USA has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

The Adviser's officers, directors and employees may be asked to serve as directors, advisors or in other forms of participation in other companies or organizations. Since such commitments can involve substantial responsibilities and potential conflicts of interest or the appearance of such conflicts, executive officers of the Adviser and other of the Adviser's employees will seek prior approval from the CCO of the Adviser before accepting such positions and must update the Adviser's CCO of any changes to such outside appointments.

### **10.A. Registered Representatives**

The Adviser's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer or registered representatives of a broker-dealer.

### **10.B. No Other Registrations**

The Adviser's management persons are not registered, nor do any management persons have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

### **10.C. Material Relationships or Arrangements**

Five Arrows USA is owned and controlled by PO Participations S.A. PO Participations S.A. is a Luxembourg based investment adviser and manager of several private equity funds, two of which are registered in Europe and sub-advised by Five Arrows USA. PO Participations S.A. is ultimately controlled by Rothschild & Co. Rothschild & Co, (formerly known as Paris Orleans SCA) is a global financial services organization that was founded in the 18<sup>th</sup> century by members of the Rothschild family and is still family-controlled. Rothschild & Co provides M&A, strategy and financing advice, as well as investment and wealth management solutions to large institutions, families, individuals and governments, worldwide.

In April of 2017, Five Arrows USA entered into several agreements with Diamond Castle Holdings, LLC ("Diamond Castle"). Diamond Castle is a registered investment adviser and manager to private equity funds. As part of the arrangement, Five Arrows USA and Diamond Castle will share services such as office space while Diamond Castle continues to provide advisory services to its clients. Each adviser will maintain its

own information systems, compliance committee, books and records, and client information. Certain investment and support personnel are employees of both Diamond Castle and Five Arrows USA and, as such, are required to devote such time as is reasonably required to conduct the investment and other activities of each adviser.

Rothschild Asset Management (“RAM”) is a registered investment adviser affiliated with the Adviser. RAM is a wholly-owned subsidiary of Rothschild North America Inc. and whose ultimate ownership lies with Rothschild & Co.

The Adviser is also affiliated with Rothschild Inc. which is a wholly-owned subsidiary of Rothschild North America Inc. Rothschild Inc. is a broker/dealer registered with FINRA and the SEC which concentrates on investment banking activities. Rothschild Inc. does not trade or hold customer or proprietary accounts. The Adviser does not execute any client account transactions through Rothschild Inc.

Five Arrows USA is also affiliated with Five Arrows Managers North America, LLC, which is involved in the management of collateralized debt obligations. Five Arrows USA shares certain administrative service provided by Rothschild Inc. including Human Resources (including payroll processing), corporate accounting and IT assistance among other services with Five Arrows Managers North America, LLC. These employees of Five Arrows Managers North America, LLC will not have access to portfolio information of the Adviser and will not be considered Access Persons of the Adviser.

Five Arrows USA will maintain policies and procedures which will seek to mitigate any potential conflicts of interest between itself and its affiliates including Rothschild, Inc., Rothschild Asset Management (RAM) and Five Arrows Managers North America, LLC. Information barriers have been put in place to prevent the dissemination of material non-public information between the Adviser and these affiliates.

In addition, Five Arrows USA is affiliated with Five Arrows Managers, LLP. Five Arrows sometime operates under the same branding as Five Arrows Managers, LLP. Five Arrows Managers LLP was formerly known as Elgin Capital LLP. Five Arrows USA was formerly known as Elgin Capital LLP. Five Arrows USA is also affiliated with N.M. Rothschild & Sons Limited (“NMR”). Both of these two entities are located in the UK. Five Arrows Managers LLP is an independent investment adviser registered under the Investment Adviser’s Act of 1940, as amended. Both of these entities are also regulated by a foreign financial authority located in the UK. Five Arrows

Managers LLP and NMR operate in Europe and specialize in the management of senior secured loans and related credit instruments on behalf of third-party clients.

A senior officer of Five Arrows Managers LLP serves both as a Director of The Adviser as well as the business head of RCM. Senior advisors, operating partners and other consultants and service providers of the Fund and Five Arrows USA may receive fees from Investments or the Fund. These fees will not be credited against the management fee. These “financial advisory fees” are fees in connection with (i) the provision by Five Arrows USA and its affiliates of investment banking, underwriting, financial, strategic, M&A advisory, restructuring advisory, brokerage, other advisory, due diligence, deal identification, assistance with negotiation or other advice or services with respect to Investments or otherwise; (ii) fees earned by Five Arrows USA and its affiliates in connection with capital raising or acting as a placement agent or broker for Portfolio Companies; and (iii) any other fees that are not expressly specified as Directors’ Fees, Other Fees, or Break-Up Fees or as otherwise provided in the Partnership Agreement, in each case to the extent received by Rothschild or an affiliate thereof, as set forth in the Partnership Agreement (and not by the General Partner of the Fund investment team). These fees will be no less favorable to the Fund than would be obtained in a transaction with a comparable unaffiliated party.

The Adviser has procedures in place which seek to mitigate any potential conflicts of interest between itself and its affiliates. These procedures are laid out in the Adviser’s Compliance Manual.

## **Item 11 – Code of Ethics**

### **Item 11.A. – Code of Ethics**

Five Arrows USA has adopted a Code of Ethics (the “Code”) pursuant to Advisers Act Rule 204A-1. A basic principle of the Code is that the Fund, and the collective interests of the Fund, are always placed first. The Code includes standards of business conduct requiring Access Persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. Five Arrows USA considers all of its employees Access Persons. The Code also requires that all Access Persons comply with ethical restraints relating to client accounts. These restraints include restrictions on gifts. They also include provisions intended to prevent violations of insider trading laws. Investors or prospective investors in the Fund may obtain a copy of the Code by contacting Five Arrows USA at (212) 300-1999.

## **11.B. Recommendations of Securities and Material Financial Interests**

The Adviser does not expect to engage in any principal trades in the future. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Five Arrows USA does not engage in principal transactions, cross trading, or agency cross transactions.

Five Arrows USA may recommend to the Fund purchasing an asset from an existing private fund that may be affiliated with Rothschild.

Five Arrows USA may offer to certain Investors, including funds affiliated with Rothschild, the opportunity to co-invest alongside the Fund and/or co-invest in the portfolio companies in which the Fund invests. These Investors may have the opportunity to invest alongside the Fund at a reduced or limited fee.

## **11.C. Personal Trading**

Five Arrows USA has adopted a Code of Ethics to ensure that personal investing activities by its employees are consistent with Five Arrows USA's fiduciary duty to its client. To avoid potential conflicts that could be created by personal trading among Five Arrows USA employees, the Code of Ethics restricts the purchase and sale by its employees for their own accounts of any covered security within a specified time before or after the execution of a transaction in any such security for the Fund. All employees are required to pre-clear with the CCO or his designee any personal securities transaction in specified securities, including IPOs and limited offerings.

All employees are required to submit quarterly personal securities transactions and annual holdings reports for review by the CCO. Employees are also required to have copies of all brokerage statements sent to the CCO or his designee at least quarterly. The CCO or his designee will maintain documentation of personal securities transactions, including any violations that occur and their resulting actions.

Access Persons of the Adviser generally do not invest in securities that are held by the Fund. Access Persons must seek pre-clearance from the CCO prior to executing any transaction in a security held by the Fund.



## **Item 12 – Brokerage Practices**

### **12.A. Selection of Broker/Dealers**

Five Arrows USA primarily engages in private equity transactions and does not generally purchase or sell securities through a broker dealer. Investment transactions with portfolio companies do not carry commission charges; however, if Five Arrows USA trades publicly-held securities within a Fund portfolio, Five Arrows USA will seek to obtain best execution for the Fund.

The best net price, giving effect to brokerage commissions, spreads and other costs, are generally important factors in this decision, but several other judgmental factors are also deemed relevant. Five Arrows USA recognizes that different broker dealers may have different execution capabilities with respect to different types of securities.

#### Research and Other Soft Dollar Benefits

The Adviser does not receive research from brokers in return for generating commissions for such brokers (“soft dollars”).

### **12.B. Aggregation of Orders/Trade Allocation**

Five Arrows USA currently only manages the Fund and consequently does not aggregate or allocate trades among clients. The European Funds receive a pro-rata allocation in investments made by the Fund.

## **Item 13 – Review of Accounts**

### **13.A. Frequency and Nature of Review**

FACP GP, LP (an affiliate of Five Arrows USA) has ultimate authority for all investment decisions made on behalf of the Fund. The Valuation Committee, which consists of the portfolio managers and chief financial officer, review the Fund portfolios quarterly to ensure compliance with Fund investment objectives. Quarterly reports are provided to Fund investors.

### **13.B. Factors That May Trigger an Account Review Outside of Regular Review**

In addition to the quarterly review described above, Five Arrows USA may also review the portfolios of the Fund on an as-needed basis depending on requests by

Fund Investors.

### **13.C. Content and Frequency of Reports**

Investors in the Fund receive reports from the Fund pursuant to the terms of the Fund's Private Placement Offering and as otherwise described in the Fund's offering documents.

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

The Adviser does not currently have an arrangement with any third-parties to pay a fee for Client referrals as permitted by Section 206(4)-3 under the Advisers Act of 1940, as amended and subject to the requirements of that Rule to the extent applicable. These fees typically involve payment by the Adviser of a portion of its investment management fee and/or performance fee.

Five Arrows USA compensates placement agents based upon the amount of interests committed to by investors that the placement agent introduces to the Adviser. Compensation for placement agents will vary but will generally be between one and two percent of committed capital. This conflict is disclosed in the Fund's Private Placement Memorandum.

### **Item 15 – Custody**

Five Arrows USA is deemed to have custody over client assets since it serves as manager to the Fund and an affiliated entity serves as a general partner to the Fund.

Because the Fund is invested in private companies that do not have certificated securities, in most cases, most of the Fund's assets are not held by a qualified custodian. Accordingly, Five Arrows USA: (1) distributes audited financial statements prepared in accordance with generally accepted accounting principals ("GAAP") to all limited partners (or members or other beneficial owners) ("Owners") on an annual basis within 120 days of the fiscal year end of the Fund (or such longer period(s) as are permitted by the SEC for certain qualifying private funds); (2) prepared by an independent public accountant that is registered with the Public Company Accounting Oversight Board; and (3) upon liquidation of the Fund, Five Arrows USA distributes to the investors in the Fund audited financial statements prepared in accordance with GAAP promptly after the completion of the audit.

## **Item 16 – Investment Discretion**

Five Arrows USA is granted discretionary investment authority of the Fund and is authorized to make investment decisions in accordance with each Fund's specified investment objectives and restrictions without consultation or consent before a transaction. Five Arrows USA assumed discretion over the Fund upon execution of the Limited Partnership Agreement.

## **Item 17 – Voting Client Procedures**

Although the Adviser's client has very limited exposure to public equity investments, it has developed proxy voting guidelines, which it will use to vote proxies, if any, for securities held in the Fund. As part of its policies and procedures, Five Arrows USA will exercise proxy voting authority when such authority is provided for in the Fund's limited partnership agreement. It is Five Arrows USA's policy to vote proxies on behalf of the Fund in accordance with its proxy voting policies and procedures. When Five Arrows USA determines it will vote a proxy on the Fund's behalf, it will do so for the exclusive benefit, and in the best economic interest, of the Fund and its Investors, as determine by Five Arrows USA in good faith.

Any investor in the Fund may obtain a copy of the complete proxy voting policy as well as information regarding how its shares were voted by contacting Michael Gruppuso at 212-300-1978.

## **Item 18 – Financial Information**

### **18.A. Advance Payment of Fees**

The Adviser does not require the advance payment of fees.

### **18.B. Financial Condition**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

### **18.C. Bankruptcy Proceedings**

The Adviser has not been the subject of a bankruptcy proceeding.