

# Investment Adviser Brochure

MidOcean US Advisor, LP

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This Brochure provides information about the qualifications and business practices of MidOcean US Advisor, LP (“MidOcean”). If you have any questions about the contents of this Brochure, please contact us at 212-497-1400 or [dhodges@midoceanpartners.com](mailto:dhodges@midoceanpartners.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.

MidOcean is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

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## **Item 2- Material Changes**

In March, 2012, MidOcean obtained the consent of the majority of its Limited Partners to extend the Investment Period for MidOcean Partners Fund III, LP, MidOcean Partners Fund III-A, LP and MidOcean Partners III-D, LP one year until July 31, 2013. During the extension period beginning August 1, 2012 through July 31, 2013 (the "Fund Extension Period"), the Investors in Fund III will pay a management fee 2.0% per annum of each Limited Partner's Funded Commitment, reduced by the amount of distributions to the Limited Partner constituting a return of Invested Capital, the aggregate amount of the Limited Partner's contributions used to pay Advisory Fee and the amount of any write off for US federal income tax purposes PLUS 1.0% per annum on Unfunded Capital Commitments.

Following the end of the Investment Period Extension, the Fund will revert to its original fee schedule

## **Item 4 - Advisory Business**

MidOcean US Advisor, LP (the "Adviser") and its affiliates (collectively, "MidOcean") were formed in January 2003. As of December 31, 2010, the Adviser managed three funds with total commitments in excess of \$3.5 billion of which \$442.9 million were unfunded as of 12/31/2011 and the Adviser had discretionary assets under management with a net asset value of \$1,031.1 million as of 12/31/2011.

The Adviser provides investment management services to its clients, which are a series of private equity funds formed by MidOcean. Currently, the Adviser serves as the investment adviser to MidOcean Partners, LP ("Fund I"), MidOcean Partners II, LP ("Fund II") and MidOcean Partners III, L.P. and its parallel funds (MidOcean Partners III-A, L.P. and MidOcean Partners III-D, L.P.) ("Fund III") and Fund I, Fund II and Fund III each, a "Fund," and together with any future private investment funds managed by the Adviser, the "Private Investment Funds" pursuant to the terms of an advisory agreement entered into with each Fund and its general partner (the "Advisory Agreements"). In addition, the Adviser has an affiliate that is a General Partner to MidOcean Partners III-E, LP and MidOcean-Penton, LP.

The Funds are closed end funds that target investments in middle market private companies. The investment strategy for each Fund is described in the Fund's private placement memorandum and is subject to any limitations set forth in the Fund's agreement of limited partnership (each, a "Partnership Agreement"). Except for any investment restrictions contained in the Partnership Agreements, limited partners generally do not have the ability to limit the Adviser's investment authority and generally participate in a Fund's overall investment program, although certain limited partners may be excused from participating in certain investments or may be entitled to withdraw from a Fund under limited circumstances, in each case as set forth in the applicable Partnership Agreement. Pursuant to the Advisory Agreements, the Adviser is responsible for identifying investment opportunities, structuring and negotiating the terms and conditions of each

acquisition, arranging for all necessary financing and, after consummation, monitoring the progress of, and arranging for the disposition of, each portfolio company in accordance with the investment guidelines set forth in Partnership Agreements. The Adviser may engage sub-advisors and may, in its discretion, retain other professionals, including but not limited to accountants, lawyers and consultants, to assist in rendering any services. In addition, the Adviser may provide services directly to portfolio companies. The senior principals or other personnel of MidOcean may serve on the board of directors of any such portfolio company or otherwise act to influence control over the management of the Funds' portfolio companies.

MidOcean US Advisor Holdings, LLC ("Holdings"), a Delaware limited liability company, is the general partner of the Adviser. J. Edward Virtue ("Ted Virtue") and Graham Clempson directly and indirectly control 100% of the Adviser and its General Partner through their interest in Ultramar Capital, Ltd. a Cayman Islands limited corporation which owns Holdings. Mr. Virtue owns a 60% interest in Ultramar Capital Ltd. and Mr. Clempson owns the other 40%.

## **Item 5 – Fees and Compensation**

In general, the Adviser receives a management fee in connection with the advisory services provided to each Fund. Each Fund's general partner or other MidOcean affiliate generally also receives carried interest. MidOcean may also receive additional compensation in connection with management and other services performed for Fund portfolio companies, and such compensation will offset in whole or in part the management fees otherwise payable to the Adviser. Investors in the Funds also bear certain expenses. The information below summarizes the compensation that MidOcean receives, but investors should also review the specific terms of the applicable Partnership Agreement. These terms are negotiated at the time that a Private Investment Fund is formed and thereafter, are not negotiable.

### *Management Fees*

The Adviser is paid an annual advisory fee (the "Advisory Fee") based upon a percentage of commitments during the Fund's Investment Period or a percentage of assets under management after the Investment Period (see applicable Partnership Agreement for the definition of Investment Period). The Fund issues capital calls on a quarterly basis to pay Advisory Fees.

For MidOcean Partners III, LP and its parallel Funds (together, "Fund III"), the Advisory Fee is calculated as follows (see the Partnership Agreement for the definitions of capitalized terms used below and not otherwise defined):

Each Limited Partner (other than affiliates of the General Partner (including the Executive Fund)) will pay to Fund III an Advisory Fee, quarterly in advance equal to two percent (2%) per annum of its Commitment during the Investment Period ending July 31, 2012. In March, 2012, the Limited Partners in Fund III approved a one-year extension of the Investment Period and a change in Advisory Fee in relation to that extension period. From August 1, 2012 through July 31, 2013, the Investors in Fund III will pay a management fee 2.0% per annum of each Limited Partner's Funded Commitment, reduced by the amount of distributions to the Limited Partner constituting a return of Invested Capital, the aggregate amount of the Limited Partner's contributions used to pay Advisory Fee and the amount of any write off for US federal income tax purposes PLUS 1.0% per annum on

Unfunded Capital Commitments. After the expiration of the Investment Period extension, each Limited Partner will pay to Fund III an Advisory Fee quarterly in advance equal to two percent (2%) per annum of the amount of the Limited Partner's funded Commitment, reduced by the amount of distributions to the Limited Partner constituting a return of invested capital, the aggregate amount of the Limited Partner's contributions used to pay the Advisory Fee and the amount of any write off for US federal income tax purposes. Fund III will pay the Advisory Fee to MidOcean or its affiliates. The Advisory Fee rate will be reduced to one and one-half percent (1.5%) per annum if a Successor Fund is formed or in certain other circumstances as provided in the Partnership Agreement.

For MidOcean Partners II, LP, the Advisory Fee is calculated as follows (see the Partnership Agreement for the definitions of capitalized terms used below and not otherwise defined):

Each Limited Partner, (other than affiliates of the General Partner (including the Special Limited Partner)) will pay to Fund II an Advisory Fee, quarterly in advance, in an amount equal to the Limited Partner's Capital Under Management as of the last day of the fiscal quarter multiplied by multiplied by three-eighths of one percent (0.375%) or 1.5% per annum.

For MidOcean Partners, LP, the Advisory Fee is calculated as follows (see the Partnership Agreement for the definitions of capitalized terms used below and not otherwise defined):

Each Limited Partner, (other than affiliates of the General Partner (including the Special Limited Partner)) will pay to the Fund an Advisory Fee, quarterly in advance, in an amount equal to the excess of (x) the greater of (A) 0.375% of the Capital Under Management of such Partner as of the last day of the immediately preceding fiscal quarter and (B) 17.5% of the aggregate annual amount paid by such Partner to fund the Advisory Fee in respect of the previous twelve month period, ending as of January 31 of each year, over (y) an amount equal to the product of (1) 18.75% of any advisory fee received by the General Partner or any GP Affiliate during the immediately preceding four fiscal quarters in connection with the formation or management of any Permitted New Fund; provided that any such Permitted New Fund has as its principal objective making equity investments in later stage buyouts in the United States and/or Europe and (2) a fraction, the numerator of which is the product of such Partner's Capital Under Management as of the last day of the immediately preceding fiscal quarter and the denominator of which is the product of the Aggregate Capital Under Management of all Partners as of the last day of the immediately preceding fiscal quarter; and provided, further, that in no event shall the Advisory Fee in respect of such Partner be less than an amount equal to 0.3125% of the product of the Capital Under Management of such Partner as of the last day of the immediately preceding fiscal quarter.

The Advisory Fees will be reduced by an amount of 75% of all Offset Fees earned by any GP Affiliate during the preceding fiscal period for Fund I and 80% of such Offset Fees earned by Any GP Affiliate for Fund II and Fund III – except for Investments in Fund III done during the Fund Extension Period where the offset will be 100%. These Offset Fees include: all director fees, closing fees, investment banking fees, advisory fees, management fees, consulting fees, origination fees, monitoring fees, commitment fees, break-up fees and any other fees received by any GP Affiliate from a Portfolio Company or otherwise in connection with the activities of the Partnership (but with respect to non-cash consideration, only to the extent of the net cash proceeds thereof as and when received), in each case net of any amounts received by any GP Affiliate as a reimbursement for costs or expenses (other than Advisory Expenses) incurred by such Persons in generating such fees or in connection with any consummated or unconsummated transaction.

MidOcean reserves the right to waive all or any portion of any future installment of the Advisory Fee. Any waived portion of an Advisory Fee installment shall (i) reduce the amount of capital contributions that an affiliate of the General Partner would otherwise be required to make after the date that the waived amount would otherwise be due and (ii) correspondingly increase capital contributions of the Limited Partners.

MidOcean does not get compensated for any services to MidOcean Partners III-E, LP or MidOcean-Penton, LP.

#### *Carried Interest*

MidOcean also receives carried interest with respect to each Fund from all Limited Partners (with the exception of the General Partner and its Affiliates (including the Special Limited Partners and the Executive Fund)) equal to 20% of all realized profits in excess of a preferred return, as more fully described in the Partnership Agreements. Provided below is the waterfall associated with each Fund.

#### *Fund II and Fund III Waterfalls*

Fund II and Fund III share identical waterfalls. Net proceeds of current income from investments and proceeds from the disposition of any investment as well as distributions of securities in kind ("Investment Proceeds") tentatively will be apportioned among the Partners (including the General Partner) in accordance with their relative capital contributions in respect of such investment. The share of each distribution apportioned to the General Partner and its affiliates (including the Executive Fund) will be distributed to the General Partner and such affiliates, and the share of such distribution tentatively apportioned to a Limited Partner (other than the Special Limited Partner or another affiliate of the General Partner) shall be allocated between the Limited Partner, on the one hand, and the Special Limited Partner, on the other hand, and distributed as follows:

Limited Partners first receive 100% of realized capital and expenses including any investments that have been written off permanently. The Investors then receive 100% of proceeds until they receive a priority return. The Special Limited Partner then receives a catch up until it has received 20% of investment proceeds that are in excess of the Limited partners Realized Capital and Costs. Finally, all remaining proceeds are split 80% to the Limited Partner and 20% to the Special Limited Partner.

#### *MidOcean Partners, LP Waterfall*

Fund I's waterfall for calculating carried interest which is provided below:

Any distribution of Investment Proceeds shall be tentatively apportioned among the Partners (other than Defaulting Partners) in proportion to their Sharing Percentages with respect to the applicable Portfolio Security. Except as otherwise provided herein, the amount tentatively apportioned to the General Partner, the Special Limited Partner or any Manager Entity shall be distributed to the General Partner, the Special Limited Partner or such Manager Entity (as the case may be), and the amount tentatively apportioned to each other Limited Partner shall be divided between such Limited Partner, on the one hand, and the Special Limited Partner, on the other hand, as follows:

First, one hundred percent (100%) to the Limited Partners until the Limited Partners have received cumulative distributions of Investment Proceeds equal to the aggregate Capital Contributions plus a preferred return. Then, there is a catch up where the Special Limited Partner receives 100% of proceeds until the Special Limited Partner has received 20% of all distributions of Investment Proceeds in excess of Limited Partner Contributions. Thereafter, twenty percent (20%) to the Special Limited Partner and eighty percent (80%) to such Limited Partner. This calculation reflects the current carried interest computation as conditions to reach the 20% carried interest have been met in prior years.

#### *Other Fee Information*

MidOcean may exempt certain investors in Private Investment Funds from payment of all or a portion of Advisory Fees and/or carried interest, including any affiliate of MidOcean and any other person designated by MidOcean. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by MidOcean and/or its affiliates, or through other Private Investment Funds which co-invest with MidOcean.

The Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Partnership Agreement, over the term of the Fund (or the relevant Private Investment Fund, as applicable) and investors generally are not permitted to withdraw or redeem interests in the Fund (or other relevant Private Investment Fund, as applicable).

Principals or other employees of MidOcean may receive a portion of the Advisory Fee, carried interest or other compensation received by MidOcean or its affiliates.

In addition to the Advisory Fee and carried interest payable to MidOcean, the Funds bear certain expenses. As set forth in the applicable Partnership Agreement, the Funds generally bear all expenses (to the extent not paid by portfolio companies) including legal, accounting, investment banking, travel, consulting, research, brokerage, finder's fees, custody, transfer, registration, insurance, advisory board, interest, taxes, extraordinary expense and other similar fees and expenses, but not MidOcean expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses.). Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

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

As disclosed above, MidOcean may receive performance fees from the Funds. Such fees are subject to the terms established in the relevant Partnership Agreement and are taken only on realized gains. MidOcean structures any performance or incentive fee arrangement to comply with Section 205(a)(1) of the Investment Advisors Act of 1940 (the "Advisers Act") and exemptions available thereunder, including the exemption set forth in Rule 205-3. Performance based fee arrangements may create an incentive for MidOcean to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

MidOcean also provides co-invest opportunities to certain Limited Partners on a one-off basis including MidOcean Partners III-E, LP. Decisions for each co-investment are made by the individual Limited Partner but may, in certain instances, be done through a vehicle controlled by the Manager. In all cases, co-investors do not pay management fees or carried interest on their co-investment.

## **Item 7 – Types of Clients**

MidOcean provides portfolio management services to the Funds. Only “qualified purchasers” (as such term is defined in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder) may invest in Funds. Fund investors may include high net worth individuals, corporate pension plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, and other U.S. and international institutions.

MidOcean generally requires a minimum investment of \$1,000,000 for its Funds, however, that minimum investment amount may be waived at MidOcean’s discretion. Each Fund has a finite fundraising period. Currently, all of the Funds are closed and are not accepting new investors.

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

MidOcean generally seeks to make control investments primarily in middle market companies in the US, including leveraged buyouts, growth capital, recapitalizations, going private transactions, corporate divestitures, restructurings, industry consolidations and special situations. MidOcean focuses on investing in companies characterized by having solid industry fundamentals and a defensible market position. MidOcean believes that strong returns are generated by investments that combine the opportunity to create value (often through growth initiatives and strategic changes to the business) with strong downside protection. Prior to making an investment, MidOcean assesses and identifies the potential for value creation, balances downside risks and then continually monitors the progress of its strategies.

If MidOcean cannot identify the potential for value creation coupled with downside protection, it will not make the investment. MidOcean seeks to partner with management when possible but will also invest in companies where it can utilize its Management Affiliates, who are senior executives in MidOcean’s target industries with significant operating expertise who help MidOcean diligence and develop strategies for target investments, to bolster existing management.

MidOcean pursues a top-down, thematic approach to its target sectors to help identify attractive investment targets. MidOcean targets companies with strong brands, defensible market positions combined with strong management teams and multiple opportunities for growth. MidOcean conducts a thorough and structured evaluation process for each potential investment. The Firm’s professionals meet weekly to discuss potential investments and provide updates on current portfolio investments. The decision to proceed with an investment requires the approval of its Managing Director and the unanimous approval of its Investment Committee.

Specific limitations on investments are set forth in the Partnership Agreements. In general, MidOcean invests in securities issued by privately held companies, although the Adviser can invest



Fund assets in exchange listed stocks, securities traded over-the-counter and securities of foreign issuers subject to any limitations in the Partnership Agreement. The Adviser may also invest on behalf of the Fund in securities that include warrants or the right to warrants at a later date due to the Manager's involvement with the portfolio company.

Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses. Investing in securities involves risk of loss that clients should be prepared to bear.

Investors should carefully consider the following risks prior to investing in any private equity fund.

### **Risks of Private Equity Investments**

The investment portfolio will primarily consist of securities issued by companies whose securities are not publicly traded. Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses.

### **Availability of Investment Opportunities**

The business of identifying and structuring private investments is competitive and involves a high degree of uncertainty. In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climates. Accordingly, there can be no assurances that any Fund will be able to identify and complete attractive investments.

### **Future and Past Performance**

The performance of prior investments made by MidOcean's investment professionals is not necessarily indicative of future results. On any given investment, loss of principal is possible.

### **Concentration of Investments**

The Funds may seek to make several investments in one industry or one industry segment. As a result, the investment portfolios could become concentrated and aggregate returns may be affected substantially by the performance of a few holdings.

### **Investments in Junior Securities**

The Funds generally invest in the most junior securities in a company's capital structure and, therefore, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment.

### **Leverage**

Investments in companies with a leveraged capital structure will be subject to increased exposure to adverse economic factors, such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of the company or its industry. If such a company is

unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the equity investment in the company could be significantly reduced or even eliminated.

### **Long-Term Investments**

The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of an investment. Most investments will not be sold or distributed for a number of years after they are made. Prior to such time, there generally will be no current return on those investments.

### **Risks of Realization of Investments; Illiquidity**

Given the nature of the investments, there is a significant risk MidOcean will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies in which the Funds have invested, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made or operate.

The investments will consist primarily of securities that are not publicly traded and may require a substantial length of time to liquidate. Securities will not be able to be sold publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. The ability to dispose of investments may be dependent, in part, on the IPO market, which fluctuates in terms of both volume of transactions as well as the types of companies that are able to access the market. In addition, in some cases MidOcean may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise be restricted from disposing of such securities. The proceeds of certain investments may be distributed to Limited Partners in kind.

### **Director Liability**

MidOcean will often receive the right to appoint a representative to serve on the board of directors of a portfolio company. The designation of directors could expose the assets of the Funds to claims by a portfolio company, its security holders and/or its creditors.

### **Non-Controlling Investments**

Some investments may be minority positions in companies in which MidOcean has no right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Advisor will rely significantly on the management teams and boards of directors of such companies, which may include representation by other investors whose interests may conflict with the interests of the Funds.

### **Limitations on Transfer; No Market For Limited Partner Interests**

Limited Partners will not be permitted to transfer or pledge their limited partner interests in the Funds without the consent of the General Partner. Furthermore, the transferability of limited partner interests in the Funds is subject to certain restrictions contained in the relevant Partnership Agreement and will be affected by restrictions imposed under applicable securities laws. In general, withdrawals by Limited Partners are not permitted. There is currently no efficient market for limited partner interests in private equity funds, and it is not expected that one will develop.

### **Regulatory Clearances And Approvals Affect Certain Investments**

Some of the companies in which the Funds invest may be subject to government regulation in the United States, Europe and/or elsewhere. The products or services of such companies are dependent upon obtaining regulatory clearances and approvals in various jurisdictions. The process of obtaining these approvals can be lengthy, expensive and uncertain, and there is no assurance that these approvals will be obtained. Failure to obtain these approvals could have a significant adverse affect on a portfolio company's performance or a Fund's ability to dispose of these investments in the portfolio company at an attractive time or price.

### **Non-United States Investments**

Certain companies will be based and will operate outside the United States. Investments in non-United States securities involve certain risks not typically associated with investing in United States securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various other currencies (b) differences between the United States and non-United States securities markets, including potential price volatility in and relative liquidity of some non-United States securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation and (d) the possible imposition of non-United States taxes on income and gains recognized with respect to such securities.

### **Consequences of Failure to Make Payment in Full**

If a Limited Partner fails to fund any installment of its capital commitment or to make any other payment to a Fund when due, the defaulting Limited Partner may be required, among other things, to forfeit a substantial portion of its capital account and rights to future profits (but not losses) that otherwise would have been allocable to the Limited Partner. The General Partner may designate a person or entity to assume the entire unpaid balance of the defaulting Limited Partner's capital commitment and succeed to all of the rights of the defaulting Limited Partner's interest. In addition, the General Partner may take other actions provided in the Partnership Agreement and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting Limited Partner.

### **Imposition of Tax Regardless of Cash Distributions**

Partners will be required to recognize for United States income tax purposes their pro rata share of

the taxable net income of the Funds, whether or not the Partner received distributions from the Fund to cover such tax liabilities. Funds may generate taxable income for a Partner even though the value of the Partner's interest has declined.

### **Indemnification**

The General Partner, the Advisory Companies and certain related persons are entitled to indemnification from the Funds, except under certain limited circumstances. Any money paid to the General Partner, the Advisory Companies or certain related persons to cover indemnification expenses will reduce amounts that would otherwise be payable to the Limited Partners.

### **Uncertain Economic and Political Environment**

The current global economic and political climate is one of uncertainty. Acts of terrorism in the United States and abroad, the threat of additional terrorist strikes, war in various strategic locations in the world and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and may cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. In addition, wholesale natural disasters can also effect the economic environment. The climate of uncertainty increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections.

### **Conflicts Among Partners**

Investment in the Funds may involve complex tax, structural and other considerations that may differ for individual investors. Furthermore, it is possible that individual Partners may have conflicting interests with regard to the nature of investments made by the Funds and the structuring and realization of such investments.

### **Conflicts of Interest**

The individual members or parties of the General Partner and the Advisory Companies may also devote time and attention to one or more permitted other funds. Currently, MidOcean manages MidOcean Partners, LP and its affiliates, MidOcean Partners II, LP and its affiliates, and MidOcean Partners III, L.P. and its affiliates and as a result, conflicts of interest may arise in allocating management time, services or functions among such entities.

It is possible that one of these Funds will invest in or have an investment in a company that is or becomes a competitor of a portfolio company of another Fund. Such investment could create a conflict between the Funds managed by the Adviser.

The Special Limited Partner (whose partners include owners and employees of the Adviser and its affiliates) will receive a carried interest in the Funds. Because the carried interest is payable only on profits, partners of the Special Limited Partner may have an interest in increasing profits on assets at the expense of a more conservative investment strategy that focuses on the return of invested capital.

## **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 MidOcean or the integrity of MidOcean's management. MidOcean has no information applicable to this Item.

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

The Adviser and/or its affiliates may provide various management and financial services to Fund portfolio companies and may receive additional compensation from these companies in connection with such services. Any such compensation will be disclosed and may be offset against future fees as required by the Partnership Agreement.

The Adviser is an affiliate of MidOcean Credit Fund Management, LP, a registered investment adviser which provides advisory services to MidOcean Credit Opportunity Fund, LP, MidOcean Credit Focus Fund, LP and MidOcean Absolute Return Credit Fund, LP and assorted other funds and accounts that focus on various credit fund strategies (together, the "Credit Funds"). The Adviser is controlled by Ted Virtue and Graham Clempson. MidOcean Credit Fund Management, LP is owned by Steven Shenfeld, Ted Virtue and Graham Clempson but is controlled by Steve Shenfeld. As provided in the Limited Partnership Agreements of Fund I, Fund II and Fund III, such funds are entitled to certain priority allocations of investment opportunities ahead of the Credit Funds, and the advisory boards of such funds are entitled to certain consultation and approval rights with respect to certain actions relating to investments in issuers in which the Credit Funds have an interest. Nevertheless, certain conflicts of interest may arise as a result of such investments. For example, MidOcean and its affiliates may cause its clients to purchase different classes of debt and/or equity of the same borrower or issuer. These and other investments may be deemed to create conflicts of interest, particularly because MidOcean and its affiliates may take certain actions for some clients with respect to one class of debt or equity that may be adverse to other clients who hold other classes of debt or equity of the same borrower or issuer. Such investments may also be deemed to create conflicts of interest with respect to one client's need for attractive investment opportunities, on the one hand, and the issuer's need for attractive debt and equity financing terms, on the other hand. In all such cases, MidOcean will seek to act in a manner it believes in good faith to be equitable to all clients under the circumstances, subject to the requirements described above.

In addition, Mr. Virtue and Mr. Clempson also own a minority interest in KSA Capital Management, LLC. The Adviser has entered into agreements with KSA Capital Management, LLC ("KSA") where MidOcean will provide KSA with limited infrastructure, technology and research resources and general information such as industry research or market insight that KSA may use in making its evaluating investment opportunities. MidOcean also introduces KSA to executives and industry contacts that KSA may access to gain insight into various businesses and industries.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

MidOcean has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at MidOcean must acknowledge the terms of the Code of Ethics annually, or as amended.

MidOcean is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity. The continued success of MidOcean is dependent upon our clients' trust and we are dedicated to preserving that trust. Employees owe a duty to MidOcean, its clients and investors to act in a way that will merit the continued confidence of the public.

MidOcean will comply with all applicable laws and regulations and expects its employees and partners to conduct business in accordance with the letter, spirit and intent of all relevant laws and to refrain from any illegal, dishonest or unethical conduct. If a situation arises where it is difficult to determine the proper course of action, the matter should be discussed openly with an immediate supervisor or the Chief Operating Officer for advice and consultation.

MidOcean will provide its Code of Ethics to any client or prospective client who requests it. Requests should be sent to [dhodges@midoceanpartners.com](mailto:dhodges@midoceanpartners.com).

Through the Code of Ethics, MidOcean seeks to ensure that the personal securities transactions, activities and interests of its employees will not interfere with (i) making decisions in the interest of advisory clients or (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code requires pre-clearance of many transactions including any limited offerings or IPOs. Employee trading is monitored in order to reasonably detect and prevent violations.

Principals and employees of the Adviser and its affiliates may directly or indirectly own an interest in the funds advised by the Adviser, including Fund I, Fund II and Fund III. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as such Funds.

Fund I, Fund II, Fund III or certain co-investment vehicles may invest together with other private investment funds advised by an affiliated adviser of the Adviser in the manner set forth in the Partnership Agreement. The Adviser will determine the allocation of investment opportunities in a manner that it believes is fair and equitable to its clients consistent with the Adviser's obligations and may take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions.

## **Item 12 – Brokerage Practices**

Investors in the Funds authorize the general partner to act on behalf of the Funds. The Adviser as the manager, and MidOcean Associates, SPC as the general partner of the Funds will make all decisions related to the investment and divestment of the Funds' assets including the selection of the investments, the size of the investments, the banker or other advisor in such transactions or, in the case of securities that are traded, the broker or dealer to be used and the commissions to be paid, if any. Although trading in public securities is not a daily occurrence, at times, the Funds will hold public stocks that are unrestricted or will trade on foreign exchanges or in foreign currency as necessary. On all of its trades, MidOcean will seek to get best execution for its Funds' trades and will seek to pay market commissions. MidOcean does not receive research or other services associated with the execution of its trades, and does it use any form of soft dollars.

## **Item 13 – Review of Accounts**

As is standard for private equity funds, we provide our clients with quarterly financial statements, quarterly capital account statements and annual audited financial statements. These reports provide information about the holdings of the Funds in which the investor is a limited partner, the valuation of the holdings, amounts that have been called for investments, management fees or expenses and any obligations that are deemed to be significant. The Adviser and its administrator review the accounts, cash and status of each Fund's account periodically to confirm that they accurately reflect the Fund's activities.

As part of its ongoing management oversight, the Adviser oversees the performance of the Funds' investments and interacts with each company on a regular basis to evaluate the company's performance against projections and budgets. In addition to reviewing board materials, the Adviser will review periodic financials and sales reports as appropriate to monitor the company's performance against expectations and to determine if strategic initiatives, including integrations, scheduled cost saves, new product launches, etc. are proceeding in accordance with expectations and projections.

In addition, prior to an investment being made, the Adviser also confirms that any investment would be in compliance with the investment limitations set forth in the appropriate Limited Partnership Agreement.

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

MidOcean has four employees who are responsible for marketing and investor relations. As such, MidOcean will determine overall compensation for these professionals based upon success in identifying potential investors. However, it is important to note that the Adviser provides management services to closed end funds. As such, we only market during specific windows with an offering document for a specific product.

The Adviser has entered into agreements with placement agents in the past and may do so in the future. Currently, MidOcean is not in fundraising and have no such relationships.

If the Adviser were to enter into such a relationship, the placement agent would be vetted and the arrangement would be fully disclosed to any potential limited partners that the individual or firm approached.

## **Item 15 – Custody**

For MidOcean Partners, LP, institutional investors (i.e., investors other than individuals, family trusts and other family investment vehicles) receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. The Fund's non-institutional investors have authorized one institutional investor to receive the statements directly from the Fund's custodian on their behalf. MidOcean also posts copies of its custody statements on its limited partner reporting website for all limited partners to review. MidOcean urges investors to carefully review such statements and compare such official custodial records to the account statements that MidOcean provides to them. MidOcean's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. In addition, MidOcean US Advisor, LP is subject to an annual surprise examination in compliance with 206(4)-2 in respect of this client.

For MidOcean Partners II, LP and MidOcean Partners III, LP and its parallel funds, MidOcean provides limited partners with Fund audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the relevant Fund's fiscal year end. As such, MidOcean is deemed to comply with rule 206(4)-2.

All of MidOcean's custody accounts are maintained by Deutsche Bank with Pershing, on behalf of DB Alex Brown providing custody service for MidOcean Partners, LP (and its underlying partnerships) and MidOcean Partners II, LP and MidOcean Partners III, LP and its parallel funds and Deutsche Bank Trust Company Americas provides custody services for MidOcean Partners III, LP and parallel funds.

## **Item 16 – Investment Discretion**

As discussed, the Adviser has discretionary authority to manage investments on behalf of each Fund. The Adviser assumes this discretionary authority pursuant to the Advisory Agreements.

In general, limited partners cannot place limits on the Adviser's authority, although the Adviser is subject to any limitations on investments set forth in the applicable Partnership Agreement. In addition, the Partnership Agreements allow the Adviser or the Fund's general partner to enter into "side letter" arrangements with certain limited partners whereby such limited partner may have the right to opt out of certain investments for legal, tax, regulatory or similar reasons.



## **Item 17 – Voting Client Securities**

As required by Rule 206(4)-6 under the Advisers Act, the Adviser has adopted Proxy Voting Policies and Procedures (the “Proxy Policy”) that are reasonably designed to ensure that the Adviser votes proxies in the best interests of clients and that address how the Adviser resolves material conflicts of interest that may arise between the Adviser’s interests and the interests of the Funds. The CCO is responsible for overseeing the Adviser’s compliance with the Proxy Policy.

The Adviser generally believes its interests are aligned with those of its clients through the principals’ beneficial ownership interests in Fund I, Fund II and Fund III and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the relevant fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a fund’s advisory board may approve the Adviser’s vote in a particular solicitation. The Adviser does not consider service on portfolio company boards by Adviser personnel or the Adviser’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a client.

If you would like a copy of the Adviser’s Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio companies, please contact Meredith Wiedeman at (646) 264-5162, and the Proxy Policy and/or information will be provided to you free of charge.

## **Item 18 – Financial Information**

MidOcean does not require the prepayment of fees more than six months in advance. In addition, MidOcean 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.