

## **Item 1. Cover Page**

**This brochure provides information about the qualifications and business practices of Madison Dearborn Partners, LLC. If you have any questions about the contents of this brochure, please contact us at [info@mdcp.com](mailto:info@mdcp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Madison Dearborn Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Madison Dearborn Partners, LLC**

**Three First National Plaza, 70 W. Madison Street, Suite 4600  
Chicago, Illinois 60602**

**(312) 895-1000**

**[www.mdcpl.com](http://www.mdcpl.com)**

**Part 2A of Form ADV: Firm Brochure  
February 14, 2012**

**This brochure provides information about the qualifications and business practices of Madison Dearborn Partners, LLC. If you have any questions about the contents of this brochure, please contact us at [info@mdcp.com](mailto:info@mdcp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.**

**Additional information about Madison Dearborn Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser's registration with the SEC does not imply a certain level of skill or training.**

## **Item 2. Material Changes**

**Item 2 is not applicable to Madison Dearborn Partners, LLC.**

### **Item 3. Table of Contents**

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Cover Page	1
2	Material Changes	1
3	Table of Contents	2
4	Advisory Business	3
5	Fees and Compensation	3
6	Performance-Based Fees and Side-By-Side Management	5
7	Types of Clients	5
8	Methods of Analysis, Investment Strategies and Risk of Loss	6
9	Disciplinary Information	9
10	Other Financial Industry Activities and Affiliations	9
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
12	Brokerage Practices	21
13	Review of Accounts	22
14	Client Referrals and Other Compensation	23
15	Custody	23
16	Investment Discretion	23
17	Voting Client Securities	24
18	Financial Information	24
19	Requirements for State-Registered Advisers	24

#### **Item 4. Advisory Business**

For purposes of this brochure, the “MDP” means Madison Dearborn Partners, LLC, a Delaware limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). Such affiliates may or may not be under common control with Madison Dearborn Partners, LLC, but possess a substantial identity of personnel and/or equity owners with Madison Dearborn Partners, LLC. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds, or may serve as general partners of the Funds.

MDP provides investment supervisory services to investment vehicles (the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

MDP’s advisory services consist of: (i) identifying and evaluating investment opportunities, (ii) structuring, negotiating and consummating investments on behalf of the Funds, (iii) managing and monitoring such investments; and (iv) disposing of such investments. Although the primary focus of each Fund is on private equity and equity-related investments, MDP may from time to time recommend other types of investments consistent with each such Fund’s investment strategy and objectives. Investments are generally made in companies doing business in the following industry sectors: basic industries; consumer; financial services; health care; and telecom, media and technology services. From time to time, MDP personnel may serve on a portfolio company’s board of directors or otherwise act to influence control or management of portfolio companies held by the Funds.

MDP provides investment advisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund, separate advisory agreements, or side letters with such Fund’s investors (collectively, “Governing Documents”). Investment advice is provided directly to the Funds and not individually to the investors in the Funds.

Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund. Once invested in a Fund, investors cannot impose additional restrictions on the types of securities in which such Fund may invest.

Madison Dearborn Partners, LLC is owned by certain of its current principals (the “Principals”) and former principals. Since MDP’s formation in 1992, it has invested in approximately 120 companies. As of December 31, 2011, MDP manages a total of \$13,877,867,101 of client assets, all of which is managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

As compensation for investment advisory services rendered to the Funds, MDP typically receives an advisory fee (each, an “Advisory Fee”) from each such Fund. Advisory Fees paid by a Fund are borne by investors in such Funds, including any Funds that invest in such Fund. Such

Advisory Fees are typically paid quarterly in advance. Upon termination of the applicable Governing Documents related to a Fund, Advisory Fees that have been prepaid are generally returned on a prorated basis.

In addition, MDP, its affiliates and their respective personnel may perform management, advisory, transaction-related, financial advisory and other services (“Related Services”) for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, dead deals (e.g., break-up fees), add-on acquisitions, investments, refinancings, public offerings, sales and similar transactions as well as director fees (“Transaction Fees”). These fees may be substantial and may be paid in cash, in securities of portfolio companies or investment vehicles (or rights thereto) or otherwise. Although these Transaction Fees are in addition to the Advisory Fees, MDP may be required under the terms of the applicable Governing Documents, to share such Transaction Fees with the Funds. Such sharing is often made by MDP through offsetting the amount of such Transaction Fees that are for the benefit of the Funds, against the amount of Advisory Fees and certain Fund expenses to be paid by the applicable Fund to MDP. The calculation of the amount of such Transaction Fees that are used to offset the Advisory Fees and Fund expenses is described in the applicable Governing Documents. For a discussion of material conflicts of interest created by the receipt of such Transaction Fees, please see Item 11 below.

The Advisory Fees paid by a Fund will generally be reduced by the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, as well as by fees and expenses incurred by MDP in connection with the organization of such Fund that exceed a limit specified in such Fund’s Governing Documents.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are set forth in such Fund’s Governing Documents and/or other documentation received by each investor prior to investment in such Fund. The Advisory Fees are generally subject to waiver or reduction by MDP in its sole discretion. The amount of Advisory Fees, Fund expenses, and the amount of the offset relating to Transaction Fees as described above may differ from one Fund to another, as well as among investors in the same Fund. For example, MDP and certain of its current and former principals and employees typically invest in the Funds, and Advisory Fees with respect to such investments are usually waived.

To the extent provided in the Governing Documents of the Funds, MDP is responsible for paying certain operating expenses, including expenses on account of rent, travel, entertainment, equipment, compensation of its partners and employees (other than Carried Interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by MDP to the Funds. A portfolio company of a Fund may reimburse MDP for expenses (including without limitation travel expenses, which may include expenses for chartered or first class travel) incurred by MDP in connection with its performance of services for such portfolio company. Each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies or MDP (as set forth above), including legal, accounting, audit, investment banking, consulting, research, brokerage, finders’, custody, transfer, registration, advisory board, directors’ and officers’ insurance, interest, taxes and extraordinary

expenses (including but not limited to litigation, indemnifications costs and expenses, judgments and settlements), as well as such Fund's allocable share of expenses and fees generated in the course of evaluating and making investments which are not consummated and other similar fees and expenses.

Additionally, please see Item 6 below regarding "Carried Interest" that Funds may pay. Although MDP does not frequently utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for purposes relating to a particular Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

With respect to each Fund other than co-investment vehicles, a portion of the profits of each such Fund is distributed to its general partner as "carried interest" (the "Carried Interest") based on parameters set forth in the applicable Governing Document. Each general partner of a Fund is a related person of MDP. Carried Interest paid by a Fund is borne by investors in such Funds, other than investors who are affiliated with MDP (such as current and former principals, executive partners and employees) where Carried Interest with respect to such investors are typically waived.

The payment by some, but not all Funds, of Carried Interest may create an incentive for MDP to disproportionately allocate time, services or functions to Funds paying or expected to pay Carried Interest or Funds paying Carried Interest at a higher rate, or disproportionately allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of MDP to establish new investment funds with primary objectives substantially similar to those of a current Fund, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. Additionally, MDP periodically reviews the time and services being devoted to the Funds to ensure that the necessary resources are being allocated to each Fund. Please also see Item 12 below regarding trade aggregation, as well as Item 11 below for additional information relating to how conflicts of interests are generally addressed by MDP.

#### **Item 7. Types of Clients**

MDP currently provides investment advisory services to the Funds. Investment advice is provided directly to the Funds and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally "qualified purchasers" as defined in the 1940 Act, and may include, among others, public pension plans, corporate pension plans, endowments, sovereign wealth funds, fund of funds, and high net worth individuals.

MDP does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. MDP may in its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

The Funds seek to achieve superior returns through investments in a wide range of private equity, equity-related, and other transactions. The Funds seek to: (i) invest in industry leading businesses with tangible value appreciation opportunities and (ii) partner with management to execute a value creation plan.

Prior to making an investment, MDP conducts an extensive review, diligence and analysis of a potential transaction. This analysis includes a review of the target company and its industry in which it operates and a number of other parameters, including whether the target company:

- Has a strong and defensible market position or a record of market leadership;
- Has a significant franchise or competitive advantage;
- Has a product line serving a diversified base of customers and growing markets;
- Has a history of strong cash flow and predictable earnings and a record of withstanding industry or economy-wide downturns;
- Has talented and committed management team that (i) has a proven track record, (ii) will make a meaningful personal investment in the transaction, (iii) will be motivated by equity incentives consistent with the goals of the applicable Fund, and (iv) can work effectively with MDP;
- Has a material or immaterial amount of regulatory or other legal risks and issues; and
- Has prospects for achieving superior returns (after balancing risks) and liquidity for the Fund's investors within an approximate five-year time frame.

### **Risks**

Investing in private equity funds involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include but are not limited to, the following:

1. *Business and Market Risks.* The Funds' investment portfolios will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.
2. *Leveraged Investments.* The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of their investment in a given portfolio company. Leverage generally magnifies both the Funds' opportunities for gain and their risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in the leveraged portfolio companies in a down market. In the event a portfolio company within a Fund cannot generate adequate cash flow to meet debt service, such Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Should the credit markets be tight at the time the Fund determines that it is desirable to sell all or part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which the Funds invest may have a low rating or no rating by a credit rating agency.
3. *Investment in Junior Securities.* The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.
4. *Concentration of Investments.* The Funds will participate in a limited number of investments and may make several investments in one industry or one industry segment or within a short period of time. As a result, the Funds' investment portfolios could become highly concentrated, and the performance of a few holdings may substantially affect the aggregate return. Furthermore, to the extent that the capital raised by a Fund is less than the targeted amount, such Fund may invest in fewer portfolio companies and thus be less diversified.
5. *Lack of Sufficient Investment Opportunities.* It is possible that the Funds will never be fully invested due to the lack of indentifying sufficiently attractive investments. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, each Fund will be required to pay annual Advisory Fees during the investment period, based on the entire amount of its limited partners' capital commitments (i.e., not just the amount of capital contributed).
6. *Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company. There is no assurance that any Fund will make follow-on investments or that Funds will have sufficient funds to make all or any of such investments. Any decision by a Fund not

to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for such Fund to increase its participation in a successful operation or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company.

7. *Non-U.S. Investments.* The Funds may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, legal and regulatory issues, the risks associated with fluctuating currency exchange rates, capital repatriation, the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or its partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or its partners or other investors. Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory environments and laws; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.
8. *General Partner's Carried Interest.* The fact that the General Partner's Carried Interest is based on a percentage of net profits may create an incentive for the General Partner to cause a Fund to make riskier or more speculative investments than otherwise would be the case.
9. *Director Liability.* The Funds will often obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which they invest. Serving on the board of directors (or similar governing body) of a portfolio company exposes such Funds' representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.
10. *Non-controlling Investments.* The Funds may hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, the Funds at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.
11. *Transfer by General Partner.* To the extent the General Partner, its partners, the Principals and/or their respective affiliates commit to make an investment in the Funds, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in such Fund's Governing Documents.
12. *Public Company Holdings.* The Funds' investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies,



limitations on the ability of a Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

13. *Market Conditions.* Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' performance can be affected by deterioration in public markets and by market events, such as the recent economic recession, which can impact a company's performance as well as the public market comparable earnings multiples used to value privately held portfolio companies. Movements in foreign exchange rates may or may not adversely affect the value of investments in portfolio companies and the Funds' performance. Following the recent recession, the rate of future investment by funds has slowed and may continue to do so as the pricing of new transactions adjusts to reflect the current economic uncertainty and the lack of credit in the markets. Holding periods are also likely to be longer as the rate of realizations slows in light of the deterioration in market conditions for initial public offerings and a decline in merger and acquisitions activity. Even following a public offering, the value of publicly traded securities may be volatile and difficult to sell as a block. The impact of the credit crisis may also affect the Funds' ability to raise funding to support their investment objectives and the Funds' actual returns from realized investments.
14. *Growth Equity Transactions.* The Funds often invest in growth-equity transactions. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Many growth-equity portfolio companies will operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion or to achieve or maintain a competitive position. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

## **Item 9. Disciplinary Information**

Item 9 is not applicable to MDP.

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

### **Related General Partners**

Various limited partnerships or other entities (the "General Partners") serve as general partners of the Funds, and Principals of MDP are partners of one or more of the General Partners. MDP is the ultimate general partner of the General Partners. For a description of material conflicts of interest created by the relationship among MDP and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

## **Other Investment Advisers**

Certain Funds advised by MDP indirectly own interests in various Nuveen entities, including but not limited to Nuveen Asset Management, LLC (an investment adviser registered with the Securities and Exchange Commission; CRD no. 155584), Nuveen Fund Advisors, Inc. (an investment adviser registered with the Securities and Exchange Commission; CRD no. 104626), Nuveen Investment Advisers Inc. (an investment adviser registered with the Securities and Exchange Commission; CRD no. 123122), NWQ Investment Management Company, LLC (an investment adviser registered with the Securities and Exchange Commission; CRD no. 121876), Santa Barbara Asset Management, LLC (an investment adviser registered with the Securities and Exchange Commission; CRD no. 138123), Symphony Asset Management, LLC (an investment adviser registered with the Securities and Exchange Commission; CRD no. 110687), Tradewinds Global Investors, LLC (an investment adviser registered with the Securities and Exchange Commission; CRD no. 138476), Winslow Capital Management, Inc. (an investment adviser registered with the Securities and Exchange Commission; CRD no. 106940), Gresham Investment Management LLC (an investment adviser registered with the Securities and Exchange Commission; CRD no. 134392; a commodity pool operator and a commodity trading adviser), Nuveen Securities, LLC (a registered broker - dealer registered with the Securities and Exchange Commission) and Nuveen Commodities Asset Management, LLC (a commodity pool operator and commodity trading adviser). Such Funds advised by MDP have an indirect interest in such Nuveen entities, through such Funds' investment in the ultimate parent company of these entities, Windy City Investments Holdings, L.L.C.

MDP does not have any involvement in the day-to-day investment or other business operations of the above Nuveen entities, including with respect to such entity's investment and voting determinations on behalf of their respective clients. Such Nuveen entities exercise their own independent investment and voting discretion in accordance with their respective investment philosophy, fiduciary duties and client guidelines.

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

### **Code of Ethics**

MDP has adopted a written Code of Ethics that is applicable to all of its managing directors, directors, vice presidents, executive partners, associates, officers (or any person performing similar functions) and employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"), reminds Adviser Personnel of their obligations to comply with the federal securities laws and establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. These policies limit personal trading by Adviser Personnel and their household members in a wide range of securities. If permitted by the Code of Ethics, Adviser Personnel seeking to make a trade in certain types of securities covered by this policy require pre-clearance from MDP's Chief Compliance Officer (or a designee). Under the Code of Ethics, Adviser Personnel are required

to report every account they and their household members use for the trading in securities covered by such policy and file certain periodic reports (including reports of personal securities transactions and holdings) with MDP's Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps MDP detect and prevent potential conflicts of interest relating to investments and securities trading.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Madison Dearborn Partners, LLC, Three First National Plaza, 70 W. Madison Street, Suite 4600, Chicago, Illinois 60602, Attention: Annie Terry, Chief Compliance Officer.

### **Participation or Interest in Client Transactions**

MDP and certain of its current and former principals, executive partners, employees and other affiliates of MDP may invest in the Funds, either through the General Partners, as direct investors in the Funds or otherwise. Advisory Fees and Carried Interest assessed on such investments may be substantially reduced or waived entirely by MDP or a Fund, as applicable. In addition, subject to the terms of the Governing Documents, MDP and certain of its current and former principals, executive partners, employees and other affiliates of MDP may also invest directly or indirectly, in the investments being made by the Funds. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Due in part to the fact that potential or existing investors in a Fund (including potential investors in a co-investment vehicle or purchaser of a limited partner's interests in a secondary transaction) may ask different questions and request different information, MDP may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

MDP and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of the Funds, other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies (including portfolio companies of MDP-related funds). In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of MDP, other funds or their respective affiliates. Certain of these conflicts of interest, as well as a description of how MDP addresses such conflicts of interest, can be found below.

### *Resolution of Conflicts*

In the case of all conflicts of interest, MDP's determination as to which factors are relevant, and the resolution of such conflicts, will be made using MDP's best judgment, but in its sole discretion. In resolving conflicts, MDP may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. On any issue involving actual conflicts of interest, subject to the terms of the applicable Governing Documents, MDP will be guided by its good faith discretion. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless MDP believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by defined procedures, restrictions or other provisions contained in the relevant offering and/or Governing Documents for the Funds;
- (3) Many of the Funds have established an advisory committee, consisting of representatives of investors not affiliated with MDP. The advisory committees periodically review transactions between the applicable Fund and MDP or its employees and affiliates and other potential conflicts of interest as provided under the Governing Documents of the applicable Funds;
- (4) Where MDP in its sole discretion deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker or other third party to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in a Fund (except for a co-investment vehicle or alternative investment vehicle), each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

### *Conflicts*

The potential material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities Among Funds and Allocation of Co-Investment Opportunities*

In connection with its investment activities, MDP may encounter situations in which it must determine how to allocate investment opportunities among various Funds and other persons, which may include, but are not limited to, the following:

- The Funds, which may include Funds organized as parallel investment entities that have been formed to invest side-by-side with one or more other Funds (either in all transactions entered into by such Fund(s) or in a limited subset of such investments);
- Any alternative investment vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions;
- Any co-investment vehicles that are formed to invest in particular transactions entered into by an applicable Fund (the investors in such co-investment vehicles may include individuals and entities that are also investors in one or more Funds (“Fund Investors”) and/or individuals and entities that are not investors in any Funds (“Third Parties”));
- Any Funds that invest side-by-side with one or more of the Funds and have been formed to facilitate investments by certain business associates and other “friends and family” of MDP or its personnel;
- Fund Investors that wish to make direct investments (i.e., not through an investment vehicle) in particular transactions entered into by an applicable Fund; and
- Third Parties that wish to make direct investments (i.e., not through an investment vehicle) in a particular transaction entered into by an applicable Fund (including Third Parties acting as “co-sponsors” with MDP with respect to a particular transaction).

In recognition of its fiduciary duties, it is the policy of MDP to treat the Funds fairly and equitably in the allocation of investment opportunities and transactions more generally.

The Funds are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements are set forth in the Governing Documents. To the extent the Investment Allocation Requirements of a Fund permit MDP to use its discretion in, or do not address the procedures for, making allocation decisions among the Funds, MDP has adopted written policies and procedures relating to the allocation of investment opportunities which permit MDP to consider some or all of a wide range of factors, including but not limited to, each Fund’s investment objectives and focus (including targeted rates of return), amount of capital available for investment and projected future capacity for investment, and diversification and portfolio risk considerations.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of MDP, (iii) co-investment opportunities may be offered to some and not other Fund Investors, in the sole discretion of MDP, and (iv) Third Parties may be offered co-investment opportunities, in the sole discretion of MDP.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors, MDP may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- MDP's evaluation of the co-investment party's level of interest in investment opportunities (including level of interest in a particular industry or type of business), and size and financial resources of the potential co-investment party;
- MDP's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Whether MDP believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide longer-term benefits to the Funds or future Funds of MDP;
- MDP's evaluation of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of such person or entity to respond promptly and/or affirmatively to potential investment opportunities previously offered by MDP;
- MDP's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the terms, structure, or cause other issues with respect to the Fund's participation in such investment opportunity);
- MDP's evaluation of whether the investment opportunity may subject the target company, the Funds or the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less desirable for such co-investment party to participate in a potential investment opportunity; and
- Any confidentiality concerns MDP may have that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity.

MDP's exercise of its discretion in allocating investment opportunities among the persons, including the Funds, Fund Investors and Third Parties, may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While MDP will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which MDP may be subject, discussed herein, did not exist.

In addition, a potential conflict of interest may arise in the event that a Fund Investor requests to transfer its interest in a Fund in a secondary transaction. Subject to any restrictions in the Governing Documents of the applicable Fund, MDP or its related persons may be asked to identify a limited number of Fund Investors or Third Parties to potentially acquire the interest being transferred. To the extent MDP has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, MDP may consider the factors listed above and such other factors as it may deem appropriate under the circumstances in exercising such discretion.

### *Allocation of Fees and Expenses*

*Allocation among Funds, Fund Investors and Third Parties* - The appropriate allocation between Funds, Fund Investors and Third Parties of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by MDP and its affiliates in their sole discretion, in each case using good faith and their best judgment, consistent with the Governing Documents of the Funds, as applicable.

*Allocation between Funds and the Adviser* - MDP will allocate fees and expenses to be split between the Fund and MDP (including fees and expenses incurred in the offering of the Fund, management of the Fund, and investment opportunities), in each case in accordance with the Fund's Governing Documents. To the extent not addressed in such documents or agreements, such fees and expenses will be allocated by MDP in its sole discretion, in each case using good faith and its best judgment.

In exercising its discretion to allocate investment opportunities and fees and expenses, MDP may be faced with a variety of potential conflicts of interest. Any such conflict will be resolved as required by the Fund's Governing Documents or otherwise in a fair and equitable manner as determined by MDP.

In addition, officers, employees and other personnel of MDP invest indirectly in and may be permitted to invest directly in the Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. For example, certain clients of MDP and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Decisions about what action should be taken in a troubled situation,

including whether or not to modify or waive covenants, enforce claims, whether or not to advocate or initiate a refinancing, restructuring or liquidation inside or outside of bankruptcy, and the terms of any such activities may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. The involvement of such Funds at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by MDP.

If a Fund purchases in the secondary market at a discount, debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of MDP in a portfolio company may also raise the risk of using assets of a client of MDP to support positions taken by other clients of MDP. Employees and related persons of MDP and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Subject to the terms of the applicable Governing Documents, a Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested.

#### *Cross-Transactions*

In certain cases, MDP may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. MDP and its affiliates may receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Funds. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund selling its interests may not receive the best price otherwise possible, or MDP might have an incentive to improve the performance of one Fund by selling overpriced assets to another Fund in order, for example, to earn fees or enhance the overall performance of the Fund that is selling the interests. To address these conflicts of interest, in connection with effecting such transactions, MDP will follow the Governing Documents of the



relevant Funds (e.g., the Governing Documents of certain Funds and their associated parallel fund(s) may provide for the rebalancing of investments at certain times and at a cost set forth in those documents so that these Funds' resulting ownership of investments is generally proportionate to the relative capital commitments of the Fund and such parallel fund(s)). To the extent such matters are not addressed in the Governing Documents of the Funds, MDP will (i) consider its respective duties to each Fund and reviews transactions for compliance with each Fund's operative documents, (ii) determine whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, and (iii) obtain any required approvals of the transaction's terms and conditions. MDP will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and MDP will not effect any such transaction for any Fund where MDP may be deemed to own more than 25% of the Fund, unless such transaction complies with the requirements of MDP's principal transactions policy, as described below.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with MDP's management of the Funds, MDP and its affiliates may engage in principal transactions. MDP has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents or Governing Documents relating to the Funds generally contain additional restrictions on the ability of the Funds or MDP to engage in principal transactions.

### *Management of the Funds*

MDP manages a number of Funds that may have investment objectives similar to each other. Subject to the Governing Documents, MDP may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Persons and Allocation of Co-Investment Opportunities*" above. In addition, it is expected that employees of MDP responsible for managing a particular Fund will have responsibilities with respect to other funds managed by MDP or its personnel, including funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

### *Conflicts Relating to the Adviser*

MDP generally may, in its discretion, (A) contract with any related person of MDP (including but not limited to a portfolio company of a Fund) or (B) recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) MDP or a related person of MDP (including but not limited to a portfolio company of a Fund) or (ii) an entity with which MDP or its affiliates or a member of their personnel has a relationship or from which MDP or its affiliates or their personnel otherwise derives financial or other benefit. For example, there are often situations where MDP is in the position of recommending portfolio company services to other portfolio companies. MDP may have a conflict of interest in entering such contract or making such recommendations, because MDP may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

In addition, because certain expenses are paid by a Fund and/or its portfolio companies or, if incurred by MDP, are reimbursed by a Fund and/or its portfolio companies, MDP may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

MDP, its affiliates, and partners, members, officers, principals and employees of MDP and its affiliates may (directly or indirectly) buy or sell securities or other instruments that MDP has recommended to Funds. In addition, such entities and persons may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the applicable Fund's Governing Documents and the policies and procedures set forth in MDP's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If MDP's affiliates, partners, members, officers, principals and employees have made large capital investments in or alongside the Funds, they may have conflicting interests with respect to these investments.

### *Fee Structure*

Because Advisory Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when MDP

may not otherwise have done so. Additionally, as discussed above in Item 6, the General Partners of many Funds are entitled to Carried Interest under the terms of the Governing Documents of such Funds. Such General Partners are affiliates of MDP. The existence of the General Partners' Carried Interest may create an incentive for MDP to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

#### *Related Services*

Please see Item 5 above for a discussion of how fees for Related Services are treated.

As described in Item 5 above, MDP, its affiliates and their respective personnel may perform Related Services for, and may receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Advisory Fees or Carried Interest paid by the Funds to MDP. Additionally, a portfolio company may reimburse MDP for expenses (including without limitation travel expenses, which may include expenses for chartered and first class travel) incurred by MDP in connection with its performance of services for such portfolio company. This may create a conflict of interest between MDP and its affiliates on the one hand and the Funds and their investors on the other hand, because the amounts of these fees and reimbursements may be substantial and the Funds and their investors generally have only a specified interest in these fees. MDP determines the amount of these fees for Related Services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not be immediately apparent to investors in the Funds. MDP and its affiliates will in some circumstances offset the amount of Advisory Fees paid by the applicable Fund against such Fund's share of such fees from Related Services.

#### *Diverse Membership*

The investors in the Funds generally include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by MDP or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting investments appropriate for a Fund, MDP and its affiliates will generally consider the investment and tax objectives of the applicable Fund and the investors as a whole.

#### *Positions with Portfolio Companies*

Employees or officers of MDP often serve as directors of portfolio companies of the Funds. In those circumstances, it is customary for such professionals to receive director's fees, stock options and/or other equity compensation in connection with such services. All or a portion of

such fees are shared with the Fund to the extent provided in the applicable Governing Documents (and in many cases, such fees are offset against the Advisory Fees to be paid by the appropriate Funds). Please see the discussion above under Item 5.

As directors, such directors have fiduciary and other duties to their portfolio companies. At times, because of such duties or other legal reasons (e.g., matters that are attorney-client privileged), such directors may not be able to share confidential information concerning such portfolio company with MDP, which information could otherwise be beneficial for MDP to understand.

#### *Side Letter Agreements*

MDP may enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

#### *Other Potential Conflicts*

MDP and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, MDP and/or its affiliates, the parties may engage separate counsel in the sole discretion of MDP and its affiliates, and in litigation and other circumstances separate representation may be required.

MDP may, in its discretion, have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of MDP. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between MDP and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that MDP may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Governing Documents of certain Funds permit MDP to cause such Fund to distribute its share of securities resulting from an investment disposition by such Fund to MDP or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between MDP and the limited partners of the applicable Fund, because MDP may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case because MDP would be able to keep such securities for future upside.

The Governing Documents of certain Funds permit MDP, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between MDP or its applicable affiliate and the Fund acting as borrower.

The Governing Documents of certain Funds permit MDP to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. MDP may elect to withhold certain information to such limited partners for reasons relating to MDP's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which MDP and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

## **Item 12. Brokerage Practices**

As the Funds invest primarily in private equity transactions, MDP anticipates that the use of broker-deals for trading in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, etc.). However, to meet its fiduciary duties to the Funds, MDP has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Funds, MDP or an affiliate has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, MDP will seek "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services as described below. "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances described below. After taking into account such circumstances, MDP may not necessarily pay the lowest commission.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, MDP's applicable investment team and/or the Chief Accounting Officer will take into account all factors that they deem relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the amount of the commission or discount, the size and structure of the transaction (e.g., underwritten offering), the nature of the market for the security, speed of execution, experience with and knowledge of issuer, the reputation, experience and financial stability of the broker or dealer, legal requirements (e.g., market-maker status for certain Rule 144 trades), and the quality of service rendered by the broker or dealer in other transactions. MDP does not have a duty or obligation to seek in advance, competitive bidding for the most favorable commission rate applicable to a particular transaction or to select any

broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of broker fees.

To the extent consistent with achieving best execution, MDP may also consider other business a particular broker or dealer may have done with MDP, such as identifying investment opportunities, performing investment banking services and providing services to MDP’s principals. MDP may “pay up” (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer’s brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided MDP determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to MDP in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds’ accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. MDP will only make securities transactions that it in good faith believes are in the best interest of the Fund. A conflict of interest exists when a broker-dealer provides such research services, however, as MDP will have an incentive to favor such broker-dealer over others that may charge lower commissions. MDP generally does not make use of “soft dollars” at the current time.

### **Aggregation of Trades**

MDP and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. MDP and its affiliates may combine orders on behalf of Funds with orders for other funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, MDP and its affiliates generally aggregates trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon MDP’s procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly MDP’s review of them is not directed toward a short-term decision to dispose of securities. However, MDP closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies, including in most cases,

through representation on the Board of Directors of such companies. In addition, MDP and its designees often will constitute a majority of the board of directors of companies financed by the Funds, since many of the Funds' investments are control investments. After MDP consummates a transaction, the Principals, on an ongoing basis, closely monitor the progress of portfolio companies in the implementation of their business strategies and their performance. In addition, MDP has established a separate committee designated to monitoring portfolio company performance, which provides an additional level of review of each portfolio company on a periodic basis.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of such Fund, as well as quarterly performance reports within 45 days after the end of each of the first three fiscal quarters of each fiscal year. In addition, investors in the Funds also receive written materials as part of MDP's annual investors' meeting. MDP may from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as it deems appropriate.

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

For details regarding economic benefits provided to MDP by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, MDP and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of Funds.

While not a client solicitation arrangement, MDP may from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Advisory Fees received by MDP are generally offset by the amount of such fees paid for by the Fund. Please see above discussion under Item 5.

### **Item 15. Custody**

To the extent assets of a Fund are held by one or more custodial banks and such Fund is not subject to an annual audit, such custodial banks send account statements to investors in such Fund. Such investors should compare the account statement received from the custodial bank to account statements MDP delivers to investors.

### **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents or offering documents of the applicable Fund.

Co-investment vehicles and alternative investment vehicles are generally established in order to invest alongside or in the place of one or more Funds in a particular investment opportunity or opportunities, and MDP typically has limited discretion to invest the assets of the co-investment vehicles or alternative investment vehicles independent of the limitations as set forth in the Governing Documents of the co-investment vehicle or alternative investment vehicle and applicable Fund.

#### **Item 17. Voting Client Securities**

MDP has established written policies and procedures setting forth the principles and procedures by which MDP votes or gives consent with respect to securities owned by the Funds (“Votes”). The guiding principle by which MDP casts all Votes is to vote in the best interests of each Fund. The Funds generally cannot direct MDP’s Vote.

MDP will typically hold one or more seats on the board of directors of a portfolio company owned by a Fund. Subject to the principles set forth above and applicable Governing Documents, MDP, on behalf of the Funds, will typically vote in accordance with the recommendation of MDP’s board designee(s). In all other cases, but subject to applicable Governing Documents, voting decisions initially are referred to the appropriate investment professional for a voting decision. MDP’s CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. MDP’s CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Madison Dearborn Partners, LLC, Three First National Plaza, 70 W. Madison Street, Suite 4600, Chicago, Illinois 60602, Attention: Annie Terry, Chief Compliance Officer.

#### **Item 18. Financial Information**

Item 18 is not applicable to MDP.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to MDP.