

**Item 1. Cover Page**

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Part 2A of Form ADV: Firm Brochure  
March 26, 2015

**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 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**

This Brochure, dated March 26, 2015, serves as an update to Madison Dearborn Partners, LLC's Brochure dated March 28, 2014 (the "Prior Brochure"). This Brochure contains routine annual updates to the Prior Brochure, as well as certain other updates, including those regarding the advisory business, payments of fees and expenses by advisory clients and portfolio companies, risks, and conflicts of interest.

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

Madison Dearborn Partners, LLC, a registered investment adviser, is a Delaware limited liability company. For purposes of this brochure, the terms “MDP” and “Adviser” mean Madison Dearborn Partners, LLC, together (where the context permits) with its affiliates (such as the general partner entities of the Funds (as defined below)) that provide advisory services to and/or receive management fees from the Funds. Such affiliates are typically under common control with Madison Dearborn Partners, LLC and in the event they are not under such common control, they possess a substantial identity of personnel and/or equity owners with Madison Dearborn Partners, LLC.

MDP provides investment advisory services and may provide sub-advisory services to or on behalf of investment vehicles and separate accounts, which may be structured as fund 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”). Investment advice is provided to the Funds (directly or indirectly) and not individually to the investors in the Funds.

MDP’s advisory services consist of: (a) identifying and evaluating investment opportunities, (b) structuring, negotiating and consummating investments on behalf of the Funds, (c) managing and monitoring such investments, and (d) 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; business and government services; consumer; financial and transaction services; health care; and telecom, media and technology services. MDP personnel often 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 investment advisory agreements, sub-advisory agreements, or side letters with such Fund’s investors (collectively, “Governing Documents”). Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund. Once invested in a Fund, investors do not have the contractual right to impose additional restrictions on the types of securities or investments 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 130 companies. As of December 31, 2014, MDP manages a total of \$12,695,343,669 of client assets, all of which is managed on a discretionary basis.

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

### **Management Fees**

As compensation for investment advisory services rendered to the Funds, MDP typically receives a management fee (each, a “Management Fee”) from each such Fund. Management Fees paid by a Fund are borne by certain investors in such Funds, including any Funds that invest in such Fund. The Management Fee is typically calculated as a percentage of the total capital commitment of the investors through the earlier of the end of such Fund’s active investment period or the date on which MDP is entitled to receive a Management Fee from a successor fund. After such time (and after certain other events specified in the Governing Documents), the Management Fee is generally calculated based on total capital contributions (less permanent write-downs and returns of capital). Management Fees are paid quarterly in advance through a capital call made to applicable investors. Pursuant to the applicable Governing Documents, MDP can also receive its Management Fee by offsetting cash on hand (for example, from proceeds received from an investment). Upon termination of the applicable Governing Documents related to a Fund, Management Fees that have been prepaid are generally returned on a prorated basis.

The Management Fees paid by a Fund will generally be reduced by: (a) the amount of fees paid to placement agents by or on behalf of such Fund, (b) the amount of fees and expenses incurred in connection with the organization of such Fund that exceed a limit specified in such Fund’s Governing Documents, and (c) a negotiated percentage of Transaction Fees (as defined in and discussed in the following paragraphs). The precise amount of, and the manner and calculation of, the Management 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. Certain Funds and certain investors in the Funds do not pay Management Fees – please see the discussion below under “General”.

### **Transaction Fees**

In addition, MDP and its active partners may perform consulting, 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, committed investments that are not consummated (e.g., break-up fees), add-on acquisitions, investments, financings and refinancings, recapitalizations, public offerings, sales, other similar transactions, monitoring fees and director fees (all such fees, “Transaction Fees”). Generally, under the terms of the applicable Governing Documents, the definition of “Transaction Fees” is net of various out-of-pocket costs and expenses, including costs and expenses incurred by MDP in connection with consummated or unconsummated transactions (including travel expenses, such as charter/private and first class travel, and meals and entertainment expenses) or in connection with generating any such fees.

Certain portfolio companies of the Funds reimburse MDP for expenses (including travel expenses, such as charter/private and first class travel, and meals and entertainment expenses)

incurred by MDP in connection with its performance of services for such portfolio companies; such reimbursed expenses are not included in the definition of “Transaction Fees”. In addition, under the terms of the applicable Governing Documents, “Transaction Fees” do not include directors’ fees and/or director stock awards that are earned for Board services to a company at a time when the Funds no longer own an interest in such company. The fees, retainers, compensation, profits or equity interest, and other stock awards received by: (a) MDP’s advisory group members, executive partners and other similar consultants from a portfolio company or (b) the General Partner (as defined in Item 10 below), its active partners and the affiliates of the General Partner or its active partners from a portfolio company for non-investment services provided to such portfolio company by non-investment professionals (including for this purpose, all legal, accounting and tax personnel), are not included as “Transaction Fees” under the applicable Governing Documents and such persons are not required to share such compensation or amounts received with the Funds. Furthermore, MDP may (in its sole discretion), agree to pay (or cause to be paid by the applicable portfolio company) a transaction success fee (whether in the form of cash, securities or otherwise) to other third parties, such as advisers, finders, brokers, and/or investment banks. In some cases, the amount of such fees paid to such third parties has the effect of reducing the amount of any applicable Transaction Fee that would otherwise be paid to MDP. In such events, MDP is not required under the terms of the applicable Governing Documents to share such third party fees with the Funds.

Transaction Fees are often substantial and are paid in cash, in securities of portfolio companies or investment vehicles (or rights thereto) or otherwise. There are also certain circumstances (such as the occurrence of an initial public offering or sale of the portfolio company) which may accelerate the payment of such fees. Since the agreements with the portfolio companies providing for such fees may have prolonged terms (or automatic renewal provisions), the effect of such acceleration may be substantial, particularly if such offering or sale occurs early in the life of a Fund’s investment in such portfolio company. MDP has and may in the future waive its rights to some or all of any such accelerated fee after taking into account various factors, including (a) in the case of an initial public offering, MDP’s assessment of how payment of such accelerated fee might affect the success of such offering and whether and the extent to which director fees will be paid to MDP active partners after such offering, (b) MDP’s assessment of the portfolio company’s financial condition and performance of a Fund’s investment in such portfolio company, (c) the amount of fees (including such accelerated fee) received by other investors in such portfolio company and (d) the effect of such accelerated fee on the equity of or management’s equity incentives in such portfolio company.

Although these Transaction Fees are in addition to the Management Fees, MDP is typically required under the terms of the applicable Governing Documents, to share such (or a percentage of 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 Management Fees and certain Fund expenses to be paid by the applicable Fund to MDP. The definition of and calculation of the amount of such Transaction Fees that are used to offset the Management Fees and Fund expenses is described in the applicable Governing Documents. MDP may elect to share a greater percentage of any such Transaction Fees with the Funds than is required under the applicable Governing Documents after taking into account various factors, including those described in the prior paragraph (and any such election does not

permanently modify the Transaction Fee amount that is required to be shared with the Funds in the future).

MDP or its active partners, on behalf of MDP, may receive stock of a portfolio company as a Transaction Fee due to their service on the board of such portfolio company. Such recipients, or MDP, with respect to stock received as a Transaction Fee, may act in their own interest with respect to these securities and may determine to sell such securities, or hold on to such securities for such time as such recipient or MDP, shall determine. The ability of such recipients or MDP, with respect to stock received as a Transaction Fee, to act in their own interest with respect to such securities creates a conflict of interest between MDP (as an adviser to the Fund) or its active partners and the Fund.

For a discussion of other material conflicts of interest created by the receipt of such Transaction Fees, please see Item 11 below.

### **Partnership Expenses**

Pursuant to the Governing Documents of the applicable Fund, each Fund will bear all fees, costs, expenses, liabilities and obligations relating to its activities, business, portfolio companies, or actual or potential investments, to the extent not borne by its portfolio companies or MDP (as described under “General Partner Expenses” below), including those attributable to:

- activities with respect to structuring, acquiring, financing, re-financing, holding, managing, dissolving, restructuring, taking public or private, selling or otherwise disposing of, as applicable, such Fund’s portfolio companies and its actual and potential investments,
- indebtedness of, or guarantees, including interest with respect thereto or of seeking to put in place any such indebtedness or guarantee,
- broker, dealer, underwriting, investment banker, finder and similar services,
- brokerage, custodial, depository, account and similar services,
- legal (including legal fees and expenses incurred in connection with regulatory proceedings or investigations relating to such Fund), accounting, auditing, administration, appraisal, valuation, consulting, tax and other professional services, including consulting fees, retainer fees and reimbursement of expenses paid to advisory group members for such services,
- reverse breakup, termination and other similar fees,
- financing, commitment, origination and similar fees and expenses,
- directors and officers, errors and omissions liability and other insurance,

- filing, title, transfer, registration and similar fees and expenses,
- printing, communications, marketing, and publicity,
- the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedules K-1, administrative or regulatory filings or reports (including Form PF and any Fund-related filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation), or other information (including an allocable portion of any licensing, maintenance, upgrade and/or implementation fees, expenses and costs of any investor administrative tools (including software and extranet tools) related to the foregoing),
- any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information,
- proceedings of the Advisory Board,
- indemnification,
- actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith,
- the Management Fee (as described above),
- any taxes, fees and other governmental charges levied against such Fund,
- the annual Limited Partner meeting and any other conference or meeting with any Limited Partner(s),
- any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments, and
- certain travel (which may include charter/private and first class travel), meals and entertainment relating to any of the foregoing and the above.

A Fund also typically bears expenses (indirectly) as a result of the reimbursement by its portfolio companies to the Adviser of expenses similar to the above, including travel, meals and entertainment (including those incurred in connection with bolt-on acquisition due diligence, plant or site visits and closing dinners). From time to time, MDP enters into an engagement (for example, with search firms, public relations firms, law firms and consultants) where the services to be provided are for the benefit of a portfolio company and such portfolio company later reimburses MDP for such expenses.

In addition to the above, each Fund will typically bear “organizational expenses” which



generally means all fees, costs, and expenses incurred in connection with the organization, funding and start-up of such Fund and its general partner, including travel, printing, legal, capital raising, accounting, regulatory compliance (including the initial compliance contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation), and any administrative or other filings. Organizational expenses above an agreed upon cap are typically borne by the Adviser through an offset to Management Fees.

MDP, a Fund and/or its portfolio companies will from time to time retain Special Consultants (as defined below) to provide services to a Fund and/or its portfolio company. Such service providers include: (a) former employees, officers or partners of the Adviser, (b) affiliates of the Adviser, (c) current or former employees or officers of such affiliates, (d) current or former employees or officers of portfolio companies of a Fund, and (e) third party consultants (including individual consultants, consulting firms, external executives, senior advisors, operating partners, strategic partners, executive partners and MDP advisory group members)(such persons described in clauses (a) through (e), collectively, “Special Consultants”). The services provided by these Special Consultants include (but are not limited to) investment or strategic idea generation, investment evaluation and sourcing, due diligence, value creation, evaluation of operational aspects (such as business, legal, compliance, human resources, information technology, accounting and finance) of such companies, and/or services related to the disposition of such portfolio companies. Specifically, it is common for MDP advisory group members and executive partners (who are also Special Consultants) to be retained by a Fund and/or a portfolio company to provide consulting services and/or to serve on a portfolio company’s board of directors (and as a result, such persons may receive multiple sources of compensation). Special Consultants often receive (i) a retainer, (ii) fees based on an hourly/daily/weekly or other rate, (iii) transaction fees in connection with the investment or sale of a portfolio company, (iv) profits or equity interest at the portfolio company or other incentive-based compensation, (v) expense reimbursement (including for travel, such as charter/private and first class travel, meals and entertainment) and/or (vi) board of director fees or equity awards from the applicable portfolio company (all of the fees, compensation, interest and expenses described in this paragraph are referred to as, “Consulting Fees and Expenses”). Such Consulting Fees and Expenses are generally paid by the applicable Funds and/or portfolio company. To the extent not charged as such to the applicable Funds and/or portfolio companies, the amount of Consulting Fees and Expenses may reduce Transaction Fees, which would have otherwise reduced the Management Fee. If charged to the Funds or portfolio companies, such Consulting Fees and Expenses are not subject to offset against the Management Fee.

Additionally, please see Item 6 below regarding “Carried Interest” that the 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.

### **General Partner Expenses**

To the extent provided in the Governing Documents of the Funds, MDP is responsible for paying certain ordinary overhead and administrative expenses, including salaries, rent and equipment

expenses, but not including any partnership expenses or organizational expenses (each of which is summarized above). In addition, MDP typically bears the cost (through an offset against the Management Fee) of organizational costs that exceed a negotiated cap (commonly referred to as the “excess organizational costs”) and placement fees payable to any placement agent in connection with the formation of the applicable Fund.

### **General**

The amount of Management Fees, definition of Transaction Fees, definition of Fund partnership 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. Some Funds (such as co-investment funds that are formed to invest in a particular transaction) may not pay Management Fees (and such Funds also do not share in any Transaction Fees). The Management Fees, Fund partnership expenses, and the Transaction Fees as described above are generally subject to waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors. For example, MDP and certain of its current and former principals, employees and specified advisers (such as executive partners and advisory group members) typically invest directly or indirectly in the Funds, and Management Fees with respect to such investments are usually waived. To the extent the Adviser elects to voluntarily waive or reduce Management Fees or Fund expenses, such election does not permanently modify the Adviser’s right to charge such amounts in the future.

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

With respect to each Fund other than current co-investment funds (i.e., an investment vehicle that is formed to invest in a particular transaction), 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 Documents. 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 designated “affiliated partners” under the applicable Governing Documents. “Affiliated partners” include current and former principals, employees and specified advisers (such as executive partners and advisory group members) and Carried Interest with respect to such investors is typically waived. The payment of Carried Interest by a Fund (directly or indirectly) to MDP reduces amounts that would otherwise be available for distribution to other investors in such Fund.

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 or expected to pay Carried Interest at a higher rate, or disproportionately allocate investment opportunities to such Funds. Generally, and except as otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated by (a) certain limitations on the ability of MDP to establish new investment funds with primary investment objectives, strategy and scope that are substantially similar to those of a current Fund, (b) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (c) contractual provisions and procedures setting forth investment

allocation requirements. Please also see Item 11 below regarding allocation 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 Funds.

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 “accredited investors” as that term is defined in Regulation D under the Securities Act, and/or “qualified purchasers” or “knowledgeable employees,” each as defined in the 1940 Act, and 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.

### **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: (a) invest in businesses with tangible value appreciation opportunities and (b) 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 but not limited to, whether the target company:

- Has a strong and defensible market position or a record of market innovation;
- 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 a 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 the value of its investments, and investors in the Funds must be prepared to bear the risk of loss of the value of their investments. **Prior to making a commitment to invest in a Fund, prospective investors should carefully review the applicable Governing Documents and Private Placement Memorandum of such Fund and consult with their own financial, legal and tax advisers.** 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 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. *Future and Past Performance.* The performance of the Principals' prior investments is not necessarily indicative of the Funds' future results. While MDP intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. In addition, a Fund's investments may differ from previous investments made by the Principals in a number of respects, including but not limited to, target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure, and holding period.

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 a Fund's 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 or of a particular industry may substantially affect such Funds' 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.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to bear

through its applicable Funds: (a) Management Fees during the investment period, based on the entire amount of the non-affiliated limited partners' capital commitments (i.e., not just the amount of capital contributed) and (b) other expenses as set forth in the applicable Governing Documents.

6. *Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Funds (including the Management Fees) may exceed its income, thereby requiring that the difference be paid from the Funds' capital, including without limitation, unfunded commitments.

7. *Leveraged Investments.* The Funds may make use of leverage by incurring (directly or through guarantees) or having a portfolio company incur debt to finance a portion of their investment in a given portfolio company, including in respect of companies not rated by credit agencies. 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 (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage may impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or 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 such portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the portfolio companies in which the Funds invest may have a low rating or no rating by a credit rating agency. The applicable Funds may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by the Funds will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

8. *Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to its partners and it may be difficult to liquidate such securities at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners of a Fund, many partners may decide to liquidate such holdings within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value placed on such securities pursuant to the Governing Documents (including the value used to determine the amount of Carried Interest available with respect to such investment).

9. *Reliance on the General Partner and Portfolio Company Management.* Control over the operation of the Funds will be vested with the Adviser, and the Funds' future profitability will depend largely upon the business, financial and investment acumen of the Principals and other employees of the Adviser. The loss of or reduction in service of one or more of these individuals could have an adverse effect on the Funds' ability to realize its investment objectives. Other investment activities of the Adviser (to the extent not prohibited by the Funds' Governing Documents) may require such individuals to devote substantial amounts of their time to matters unrelated to a particular Fund, including the Adviser's existing or future investment activities, which may pose conflicts of interest in the allocation of time of these individuals. Investors in the Funds generally have no right or power to take part in the management of the Funds, and, as a result, the investment performance of the Funds will depend on the actions of the Adviser. In addition, certain changes in the Adviser or circumstances relating to the Adviser may have an adverse effect on the Funds or one or more of their portfolio companies, including potential acceleration of debt facilities. Although the Adviser will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able to operate a portfolio company in accordance with the applicable Fund's objectives.

10. *Projections.* Projected operating results of a portfolio company in which a Fund invests will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the Adviser in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed (including but not limited to, assumptions based on potential operational improvements, market opportunities, competitive dynamics, acquisitions, and expansion of product lines or geography). There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

11. *New Withholding Tax on Certain Non-U.S. Entities.* Legislation enacted in 2010 generally imposes, beginning July 1, 2014, a new withholding tax of 30% that will, if an investor is a non-U.S. entity, apply to such investor's share of most payments received by the Funds attributable to investments in the United States, including dividends, interest, and, beginning on

January 1, 2017, gross proceeds of a disposition of stock, unless the non-U.S. entity complies with certain conditions or an exception applies.

12. *Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which the Funds invest, including various segments of the healthcare, financial services, outsourced governmental services and telecommunications industries, are (or may become) (a) highly regulated at both the federal and state levels in the United States and internationally and (b) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare, financial services, outsourced governmental services and telecommunications industries, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest. By way of example, the healthcare and financial services industries have been, and will likely continue to be, significantly impacted by legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which the Funds invest.

13. *Growth Equity Transactions.* The Funds' strategy includes targeting growth-equity investments. 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. Growth-equity portfolio companies may 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, to achieve or maintain a competitive position, and/or to expand or develop management resources. 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.

14. *Third Party Involvement.* The Funds may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-investor or partner may at any time have economic or business interests or goals that are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objectives of the Funds. In addition, the Funds may in certain circumstances be liable for actions of its third party co-investor or partner.

15. *Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address these regulations, implement operating improvements or otherwise execute its

investment strategy or achieve its investment objectives. The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the downturn in the U.S. and global financial markets, may complicate or prevent the Funds' efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, could adversely affect the ability of the Principals, employees or other individuals associated with the Funds or the Adviser who were or may in the future be granted direct or indirect interests in the Adviser, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from the Funds and the Adviser, which could make it more difficult for the Adviser and its affiliates to incentivize, attract and retain individuals to perform services for the Funds. These same issues may also apply to officers, directors and employees of the Funds' portfolio companies if such persons receive a profits interest in such company.

16. Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (a) such Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses and the Adviser spending more time on such matters and less time to focus on such Fund's transactions; (b) such Fund and/or the Adviser may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in such Fund incurring additional costs and expenses or otherwise affect the management and operation of such Fund; (c) the Adviser may be required to make detailed information relating to such Fund and its investments available to regulators and third parties; and (d) the AIFMD may also restrict certain activities of such Fund in relation to EEA portfolio companies including, in some circumstances, such Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of commitments.

17. 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 (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under the applicable debt documents or for other reasons). There is no assurance that any Fund will make follow-on investments or that such Fund 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 (including an event of default under applicable credit documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for such Fund to increase its participation in a successful portfolio company or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company.

18. Non-U.S. Investments. The Funds may invest in portfolio companies that are organized or headquartered 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, potentially unsettled points of applicable governing law, legal and regulatory issues, the risks associated with fluctuating currency exchange rates, capital repatriation issues, 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 such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or its partners or other investors. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions, and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. 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.

19. Hedging Arrangements. The Adviser may (but is not obligated to) endeavor to manage the Funds' or any portfolio company's currency exposures, interest rate exposures or other exposures using hedging techniques where available and appropriate. The Funds may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Funds to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Funds to additional liquidity risks, if such contracts cannot be adequately settled. Certain hedging arrangements may create for the Adviser and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

20. Dilution. Investors admitted or who increase their respective capital commitments to the Funds at subsequent closings generally will participate in then-existing investments of the Funds, thereby diluting the interest of existing investors in such investments. Although any such new investor generally will be required to contribute its pro rata share of previously made capital contributions and a yield thereon, there can be no assurance that this contribution will reflect the fair value of the Funds' existing investments at the time of such contributions.

21. 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 or to hold onto an investment longer than otherwise would be the case.

22. 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 portfolio 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 (whether due to coverage amount, policy terms or otherwise) to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Funds' investment activities and portfolio companies.

23. Non-controlling Investments. The Funds may hold minority stakes in privately held companies and in some cases may have limited minority protection rights. 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. Where the Funds hold a minority stake, it may be more difficult for the Funds to liquidate its interests than it would be had the Funds owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of such Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

24. 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 (including due to the participation by MDP personnel on the portfolio company's board of directors), increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

25. In-Kind Distributions. The Funds may make distributions in-kind of its portfolio company securities to the extent permitted by the applicable Governing Documents. In the event an in-kind distribution is made, securities or other property distributed shall be valued and accounted for as provided in the applicable Governing Documents. An investor may not be able to sell such securities at a price at which such shares were valued by the Adviser in the distribution. In addition, the value used to determine the applicable Carried Interest with respect to such distribution may be higher than the value obtained by an investor in a sale of the

securities or other property received. Furthermore, securities or other property distributed in-kind may not be readily marketable or saleable and may have to be held by investors for an indefinite period of time.

26. *Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

27. *Market Conditions.* The capital markets have experienced great volatility and the ability of companies (including portfolio companies of the Funds) to obtain financing for ongoing operations or expansions may be severely hampered by a tightening of the credit markets and any financial turmoil. It is unclear what the repercussions of this market turmoil may be. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally, particularly of the type experienced since 2008, may reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Funds' investments. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Fund to sell these securities when MDP believes it is most advantageous to do so, or without adversely affecting the stock price. Volatility and illiquidity in the financial sector may have a material adverse effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. Such adverse effects may include the requirement of the Funds to pay break-up, termination or other fees and expenses in the event such Funds are not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of such Funds to dispose of investments at prices that MDP believes reflect the fair value of such investments.

28. Unfunded Pension Liabilities of 80%-Owned Portfolio Companies. Court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. The Funds may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If a Fund or Funds (or other 80%-owned portfolio companies thereof) were deemed to be liable for such pension liabilities, this could have a material adverse effect on such Funds and the companies in which such Funds invest 80% or more of the equity.

29. Transaction Fee Acceleration. Agreements between the Adviser or its affiliates, on the one hand, and portfolio companies, on the other hand, may require the acceleration of future monitoring fees, professional service fees and advisory fees payable by a portfolio company at the sale or public offering of such portfolio company and an agreed upon value of such fees may be paid to the Adviser or its affiliates at such time. These fees may be substantial, particularly in the event such circumstances occur early in the life of a Fund's investment in such portfolio company. The calculation of the agreed upon value may be based on the expected hold period by an MDP Fund of its investment in such portfolio company and such estimated hold period may be longer than the actual hold period of such investment (which would result in a higher amount being paid than would have otherwise been the case without the acceleration).

30. Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, MDP will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. Valuations are subject to multiple levels of review for approval. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third party pricing information may at times not be available regarding certain of a Fund's assets. The exercise of discretion in valuation by MDP may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest.

31. Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the Funds and their affiliates may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, including those relating to the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent its liabilities, and the Funds may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Funds and ultimately, their investors. In many cases, these liabilities survive the dissolution of the applicable Funds and the investors of such Funds will remain liable for such obligations.

32. *Cybersecurity Issues.* Sensitive data (including intellectual property and personally identifiable information) of the Adviser, the Funds, their portfolio companies (collectively, “Persons”) and their respective employees, investors, clients, customers, vendors and other business partners is commonly retained in emails, servers and other computer and network systems. The secure processing, maintenance and transmission of this type of information is critical. The Adviser continues to work on developing and enhancing its cybersecurity policies and procedures, including as it relates to investor and employee information. Despite the security measures of such Persons, their information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise such Person’s networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt operations and damage the reputation of such Persons, which could adversely affect the Adviser’s business, the Funds and their portfolio companies.

### **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. Madison Dearborn Partners, LLC or a “relying adviser” (as described below) 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.

#### **Relying Advisers**

MDP Global Investors II Limited is a “relying adviser” of MDP.

#### **Other Investment Advisers**

MDP, through various Funds, controls NFP Corp. and its parent companies (collectively, “NFP”), a benefits, insurance, and wealth management business operating through over a hundred subsidiaries and affiliates in the financial industry (collectively, the “NFP Affiliates”). The NFP Affiliates are operated and managed completely separately from MDP. MDP does not have any involvement in the day-to-day investment or other business operations of these NFP entities. MDP does not control or direct the investment recommendations that an NFP Affiliate provides to its clients and all such recommendations in connection with the services provided to such clients are solely made by the applicable NFP Affiliate. MDP, the Funds and their respective portfolio companies from time to time retain or utilize the services provided by the

applicable NFP Affiliate, including insurance due diligence services or insurance agency services in connection with a potential transaction by a Fund. Please see Item 11 below for a discussion of conflicts that arise relating to the retention of an NFP Affiliate by MDP or the Funds.

## **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 and above, principals, directors, vice presidents, associates, officers (or any person performing similar functions) and employees, and certain other persons who are subject to MDP's supervision and control (such as executive partners) (collectively, "Adviser Personnel"). The Code of Ethics also applies to certain family members of Adviser Personnel (such persons together with Adviser Personnel, "Covered Persons"). 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 personal trading procedures, including certain pre-clearance and reporting obligations. These policies limit personal trading by Covered Persons in a wide range of securities. If permitted by the Code of Ethics, Covered Persons 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 related Covered Persons 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 may be subject to remedial actions in the event of a breach by such person and/or their related Covered Persons of the Code of Ethics, 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 personnel and advisers (such as executive partners and advisory group members) invest in the Funds, either through the General Partners, as direct investors in the Funds or otherwise. Management Fees and Carried Interest assessed on such investments may be waived by MDP or a Fund, as applicable. In addition, subject to the terms of the Governing Documents, certain of MDP's advisers (such as executive partners and advisory group members) 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 seller or purchaser of a limited partner’s interests in a secondary transaction) often ask different questions and request different information, MDP provides certain information to one or more prospective or current investors that it does not provide to all of the prospective or current investors.

### **Conflicts of Interest**

Subject to the terms of the Governing Documents, MDP, its related entities and their respective personnel (including the Principals) engage in a broad range of activities, including investment activities for their own account and for the account of the Funds and other investment vehicles, and providing consulting, transaction-related, investment advisory, sub-advisory, management and other services to funds and operating companies (including portfolio companies of MDP-related funds). In the ordinary course of conducting these activities, the interests of a Fund can conflict with the interests of MDP, other funds or their respective personnel and affiliates. Certain of these conflicts of interest, as well as a description of how MDP addresses such conflicts of interest, can be found below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts are disclosed throughout this brochure (including in the section called “Risk Factors”) and this brochure should be read in its entirety for other conflicts.

#### *Conflicts and Resolution of Conflicts - General*

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 considers 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:

- 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;
- 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 or MDP compliance policies and procedures;
- Many of the Funds have established an Advisory Board, consisting of representatives of investors not affiliated with MDP. The Advisory Boards may 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.

In addition, in order to provide more transparency, MDP may from time to time provide information relating to conflicts of interest;

- 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
- Prior to subscribing for interests in a new Fund (except for a co-investment vehicle or alternative investment vehicle), each investor receives information (e.g., through the Form ADV and private placement memorandum) relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

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

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

- Among the applicable Funds, which include (a) sub-advised Funds, (b) 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) and (c) Funds that have been formed to facilitate investments by certain business associates and other “friends and family” of MDP or its personnel (such as an “executive fund”);
- Among the applicable Funds and alternative investment vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that arise in connection with a transaction or transactions;
- Among the applicable Funds and co-investment vehicles that are formed to invest in particular transactions entered into by an applicable Fund (the investors in such co-investment vehicles often 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, including advisers to MDP and/or the Funds, and directors, officers, employees and advisers of the applicable portfolio company or other portfolio companies of the Funds (collectively, “Third Parties”));
- Among the applicable Funds and Fund Investors who wish to make direct investments (i.e., not through a co-investment vehicle) in particular transactions entered into by an applicable Fund; and
- Among the applicable Funds and Third Parties who wish to make direct investments (i.e., not through a co-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).



The Funds are generally subject to investment allocation requirements set forth in their respective Governing Documents (collectively, “Investment Allocation Requirements”). 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 or among the Funds and other persons, 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, strategy, scope and focus (including targeted rates of return, size of transaction and size of equity investment), active investment period, partnership term, amount of capital available for investment and expenses (including desirability to use recyclable capital) and projected future capacity for investment, and diversification and portfolio risk considerations.

MDP will determine if the amount of an investment opportunity exceeds the amount MDP determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated to certain participants by contract in the applicable deal, such as consultants and advisers to MDP and/or the Funds; to board of directors, management teams, consultants or advisers of the applicable portfolio company; to strategic investors or any other co-investors determined by MDP to be in the best interest of such Funds), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds’ Governing Documents and/or MDP’s compliance policies and procedures, as summarized in the following paragraphs.

Subject to any Investment Allocation Requirements, in general, (a) no investor in a Fund has a right to participate in any co-investment opportunity, (b) decisions regarding whether and to whom to offer and the amount of any co-investment opportunities are made in the sole discretion of MDP or other participants in the transaction, (c) co-investment opportunities may be offered to some and not other Fund Investors, in the sole discretion of MDP, (d) Third Parties may be offered co-investment opportunities, in the sole discretion of MDP, and (e) Fund Investors and/or Third Parties may purchase their interests in a portfolio company at the same time as the Funds, or purchase such interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Additionally, non-binding acknowledgements of an investor’s interest in co-investment opportunities are not Investment Allocation Requirements and do not require MDP to notify such investor if there is a co-investment opportunity.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and the terms and amounts thereof, MDP considers some or all of a wide range of factors, including, but 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 (including size of commitment to the applicable Fund considering the investment);
- 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, or the applicable portfolio company;
- 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 a positive or negative impact on the viability, prospects 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 investment or 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, tax, regulatory, contractual, reporting, public relations, media or other burdens that make it less desirable for such co-investment party to participate in a potential investment opportunity;
- 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; and
- MDP's evaluation that a particular co-investment party has provided value in sourcing, establishing or developing relationships, participating in diligence and/or negotiations for such potential transaction or the financing related to such transaction or is expected to provide value to the business or operations of a portfolio company (including financing relating to such company) post-closing.

MDP's exercise of its discretion in allocating investment opportunities among various 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 discussed herein, did not exist.

In the event MDP determines to offer an investment opportunity to potential co-investors, there can be no assurance that such co-investors will invest in such opportunity or that the terms and conditions of such co-investment will be as preferable for the applicable Funds as anticipated by MDP. In connection with these co-investment processes, the applicable Funds incur expenses (which may be substantial). If these co-investors do not invest in such opportunity, a Fund may hold a greater interest in such portfolio company than was initially intended, which could make such Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect to this investment.

In addition, current and former MDP personnel and advisers (such as executive partners and advisory group members) of MDP invest indirectly or directly in the Funds (and 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 present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

As noted above, it is very common that the directors, officers, employees and/or advisers of a portfolio company co-invest in such portfolio company. The terms of such co-investment (including the amount to be co-invested) are negotiated on a case by case basis with each such persons. Separate from such co-investment, such persons also occasionally receive incentive equity awards (whether in the form of restricted stock, stock options, or otherwise), and MDP Funds typically do not receive such incentive equity awards. Although the co-investment and receipt of incentive equity awards by such persons dilute the Funds' ownership in their portfolio companies, such issuances and grants are generally made to compensate and/or motivate such persons and align their interests with those of the Funds.

In addition, a potential conflict of interest often arises 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: (a) may be asked to identify a limited number of Fund Investors or Third Parties to potentially acquire the interest being transferred and/or (b) may purchase such interests from such Fund Investor (without the consent of any other investor). 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 among Funds, Fund Investors and Third Parties of expenses and fees generated in the course of evaluating and making investments (including expenses and fees incurred in transactions 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.

As described above under “*Allocation of Investment Opportunities and Allocation of Co-Investment Opportunities*”, a Fund may sell down an interest in its portfolio companies to co-investors. Subject to the applicable Governing Documents, MDP (on behalf of the Funds) may charge (or may decide not to charge) a co-investor (such as a Fund Investor or Third Party) interest costs (including out-of-pocket interest costs) for the time period between the closing of the applicable Fund’s investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

In transactions that are not consummated, out-of-pocket expenses and fees (such as attorney fees and the fees of other professionals) are generally borne by the applicable Funds and not a potential co-investment party. This is typically the case because as of the date the transaction is no longer being pursued, the potential co-investment party has not yet agreed to participate in such transaction or agreed to pay such expenses.

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 its portfolio companies, 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.

#### *Conflicts Related to Purchases and Sales of Investments*

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 are permitted to invest in bank debt and securities of companies in which other clients hold securities, including equity securities. Conflicts arise in determining the terms of these investments, particularly where these clients 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 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 arises 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 can be perceived as 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 and in the future may make capital investments in or alongside certain Funds, raising 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.

From time to time MDP, in its discretion, has entered (and may in the future enter) into transactions with a person (who is an investor in one or more Funds or affiliated with such investor), to purchase all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, MDP considers various factors, including but not limited to, some or all of the factors listed above under *"Allocation of Investment Opportunities and Allocation of Co-Investment Opportunities"*. The sales price for such transactions will be mutually agreed to by MDP and such purchaser(s) (and perhaps by third party co-investors as well). Although MDP is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction (including but not limited to, speed and certainty of closing). There can be no assurance that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Governing Documents of the applicable Fund(s).

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

To the extent the terms of the applicable Governing Documents require multiple Funds to acquire interests in the same portfolio company (such as the case when a new Fund has been raised and there is available capital (as determined by the Adviser) to invest from the prior Fund), there are situations where the disposition of such interests are not made on a proportional basis. For example, this can happen when the "Fund life" of such prior Fund has ended (i.e., it is in the final stages of winding up). MDP has the discretion to determine that, based on its consideration of each Fund's best interests, it will liquidate such interests held by the prior Fund, prior to or on a disproportionate basis than, the liquidation of such interests held by the newer Fund.

### *Cross-Transactions*

Subject to the terms of the applicable Governing Documents, a Fund can purchase investments from another Fund or a Fund can sell investments to another Fund (including through the sale of interests held by a Fund to a co-investment Fund that is managed by MDP or its affiliates). MDP and its affiliates generally receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and are entitled to share in the investment profits of the relevant Funds. Such transactions create conflicts of interest because: (a) MDP, its affiliates and personnel typically have material investments in certain of these Funds and (b) 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 sell the interests held by one Fund to another Fund in order, for example, to earn fees or enhance the overall performance of the applicable Fund. 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) typically 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 (a) consider its respective duties to each Fund and review transactions for compliance with each Fund's Governing Documents, (b) 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 (c) obtain any required approvals (including, if applicable, Fund Advisory Board approval) 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 typically do not engage in principal transactions. However, MDP has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including the requirement that Principals disclose any economic interest held by them in a target company that is actively being reviewed by a Fund, 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 and other Investment Vehicles*

MDP manages a number of Funds that have investment objectives, strategy or scope similar to each other. Subject to the Governing Documents, MDP may in the future establish or sub-advise one or more additional funds or investment vehicles with investment objectives, scope or strategy similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds or between the Funds and any other fund or investment vehicle could give rise to conflicts of interest. See “*Allocation of Investment Opportunities and Allocation of Co-Investment Opportunities*” above. In addition, it is expected that the Principals and employees of MDP responsible for managing a particular Fund will have responsibilities with respect to other funds and investment vehicles managed by MDP or its personnel, including funds and investment vehicles that may be raised in the future, and such persons may also be involved in other activities permitted under the applicable Governing Documents. Conflicts of interest arise in allocating time, services or functions of these Principals and employees.

The Funds may enter into arrangements that require the Funds to be jointly and severally liable. Although unlikely, if one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount. The Funds will only enter into such joint and several arrangements when MDP determines it is in the best interests of the Funds and is in compliance with the terms of the applicable Governing Documents.

### *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 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. MDP would seek consent of the applicable Advisory Board for such transactions to the extent required under the applicable Governing Documents.

### *Fee Structure*

Because Management Fees are, at certain times during the life of the Funds, based upon unreturned capital contributions, this fee structure may create an incentive to deploy capital when MDP may not otherwise have done so and to forego an opportunity to liquidate an investment when MDP may otherwise have done so. Additionally, as discussed above in Item 6, the General Partners (who are affiliates of MDP) of many Funds are entitled to Carried Interest under the terms of the Governing Documents of such Funds. The existence of the Carried Interest or the potential to receive more Carried Interest with respect to particular Funds may

create an incentive for MDP to cause such Funds to make riskier or more speculative investments than they would otherwise make in the absence of performance-based compensation and to take more liquidity risk with existing investments than they would otherwise make in the absence of such 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 and its active partners may perform Related Services for, and may receive Transaction Fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Management Fees or Carried Interest paid by the Funds (directly or indirectly) to MDP. Consistent with the Funds' respective Governing Documents, MDP may incur expenses, and a portfolio company may reimburse MDP for expenses (including travel expenses, such as charter/private and first class travel, and meals and entertainment expenses) incurred by MDP in connection with its performance of services for such portfolio company. This creates 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 Transaction 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 are not immediately apparent to investors in the Funds. MDP and its affiliates will in some circumstances offset the amount of Management Fees paid by the applicable Fund against such Fund's share of such Transaction Fees from Related Services. The amount and nature of this reduction may vary from Fund to Fund and is set forth in the Governing Documents of the applicable Fund. Even if MDP has waived certain Management Fees for specified Funds or investors in such Funds (such as "affiliated partners" designated as such by MDP), such Funds may still have a right to share in Transaction Fees; however, any potential offset to the amount of Management Fees as a result of the receipt of Transaction Fees will not benefit such Funds or investors who do not pay Management Fees. In many cases with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

### *Diverse Membership of Investors*

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 often 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 and the structure of the acquisition or disposition of such investments. As a consequence, conflicts of interest 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 structuring, acquiring and disposing of 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, unless otherwise required by the Governing Documents.

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

In most cases, such directors have fiduciary and other duties to their portfolio companies. At times, because of such duties or other legal reasons (e.g., information that is 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, rights not to invest in a particular type of company, information rights, disclosure rights, co-investment rights, and liquidity or transfer rights. Such side letter arrangements may create conflicts of interest among investors in a Fund because MDP, pursuant to its side letter agreements, may be required to act in a different manner than it otherwise would have in the absence of such side letter agreements.

#### *Recommendation and Retention of Service Providers*

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, executives of a portfolio company of a Fund and/or investors in 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, executives of a portfolio company of a Fund and/or investors in a Fund), (ii) an entity or person who also provides services to MDP, or (iii) an entity or person with whom 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 (including private investment opportunities that are not offered to the Funds because they do not meet the Funds' investment criteria). For example, when a Fund controls a portfolio company, MDP is in the position of requesting that a portfolio company use specific service providers (including services of other portfolio

companies). MDP has a potential conflict of interest in entering such contracts or making such recommendations as described above, because MDP or its personnel may, because of its financial, business or personal interest or relationships, have an incentive to recommend the related or other entity or person even if a different entity or 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 Principals have agreed to comply with the firm's Code of Business Conduct, pre-clear private investments and report certain gifts and entertainment. These policies help mitigate the potential conflicts of interest described in this paragraph.

MDP has in the past and may in the future 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 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.

#### *Distributions of Securities*

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, its related General Partner entities or their partners in-kind, while disposing of the limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to such limited partners. This ability creates conflicts of interest between MDP, its related General Partner entities or their partners, 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 for MDP, its related General Partner entities or their partners, because such persons would be able to keep such securities for future upside. In the event the General Partner or its partners, receive such a distribution, the General Partner and such partners may act in its own interest with respect to their share of securities and may determine to sell the distributed securities or hold on to the distributed securities for such time as they determine. The ability of the General Partner and its partners to act in their own interest with respect to such distributed shares creates a conflict of interest between the General Partner or its partners, as an adviser to the Fund, and the Fund.

#### *Other Potential Conflicts*

The same law firm and service providers (such as consultants) are often retained by MDP, the Funds, and/or their respective portfolio companies. For example, a law firm or consultant may be retained by these parties with respect to a particular transaction in which all such entities are involved or by each of them separately with respect to different matters. In addition, members of such law firms or other service providers may be investors (directly or indirectly) in a Fund or

a portfolio company and may also represent other investors in such Fund or portfolio company. The existence of and nature of such relationships raises conflicts of interest between MDP and the Funds in determining whether to engage such service providers, including the possibility that MDP may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds or their portfolio companies. In these instances, MDP uses reasonable efforts to mitigate such conflicts (for example, by requesting that the law firm or service provider enter into separate engagement letters with each party and/or separately bill each applicable entity) and uses good faith efforts to negotiate market terms for such law firm and service providers' services. In the event of a significant dispute or divergence of interest between MDP and/or its affiliates, the Funds and/or their respective portfolio companies, the parties may need to engage separate counsel. Such separate representation could increase the ultimate costs to the Funds and/or portfolio companies than otherwise would have been incurred.

Subject to the applicable Fund's Governing Documents and the policies and procedures set forth in MDP's Code of Ethics, 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: (a) that MDP has recommended to the Funds, (b) that were offered to the Funds but were determined by MDP not to be an appropriate investment for such Funds, and/or (c) that were not offered to the Funds (e.g., personal investment opportunities). In connection with the purchase or sale of such securities, time will be spent by such persons in evaluating, negotiating, monitoring and disposing of such investments. Subject to the applicable Fund's Governing Documents, time spent in connection with these other investment activities can be material (especially if an investment is made by such person), which can result in such person devoting more time and attention to such personal investments and less time and attention to the activities of the Funds, which creates a conflict of interest.

The General Partner of a Fund will appoint one or more Limited Partner representatives to such Fund's Advisory Board. Representatives of the Advisory Board may have various business and other relationships with Madison Dearborn Partners, LLC and its partners, employees and affiliates. Although these relationships can influence their decisions as members of the Advisory Board, this conflict of interest is partially mitigated by the fact that the Funds' Advisory Boards consist of several members.

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.

## **Item 12. Brokerage Practices**

As the Funds invest primarily in private equity transactions, MDP anticipates that the use of broker-dealers 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 Financial 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, ability to make trades without unduly impacting the market, 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/or providing services to MDP’s principals. MDP generally does not “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 (called the Portfolio Support Group) 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 and a quarterly performance report 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

generally receive required tax information; information concerning the Funds' portfolio companies; and Fund and portfolio company information as part of MDP's annual investors' meeting. The investors in a particular Fund may receive different reports and information than the foregoing, depending on the Governing Documents applicable to such Fund. In addition, 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 or as may be required pursuant to side letters negotiated with such investors.

#### **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, its personnel and other related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of the Funds and/or the customers or suppliers of such portfolio companies. Such discounts are similar to those provided to management or employees of such portfolio companies.

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 in such Fund 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. Management Fees received by MDP are generally offset by the amount of such placement fees paid for by the Fund (and as a result, the Adviser generally bears the costs of such placement fees). 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 by an independent public accounting firm subject to inspection by the Public Company Accounting Oversight Board, 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. Examples of investment restrictions for private equity Funds include, among others, restrictions on the amount of capital that can be invested in a particular portfolio company and the amount of capital that can be invested outside of the United States and Canada. Such restrictions may in certain cases be waived in accordance with the applicable Governing Document of a Fund with the consent of such Fund's Advisory Board, consisting of representatives of investors in such Fund who are not affiliated with the Adviser.

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 the relevant proxy log(s), 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.