

# WELSH, CARSON, ANDERSON & STOWE

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NEW YORK, NEW YORK 10022-6815

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July 11, 2014

William Atwood  
Executive Director  
Illinois State Board of Investment  
180 North LaSalle Street, Suite 2015  
Chicago, IL 60601

Dear Mr. Atwood:

Below are WCAS Management Corporation's ("WCAS") responses to your letter (the "Request") dated June 10, 2014 requesting information regarding The Illinois State Board of Investment's limited partnership interest in Welsh, Carson, Anderson & Stowe XI, L.P. ("WCAS XI"). The number next to the response corresponds with the number in the Request.

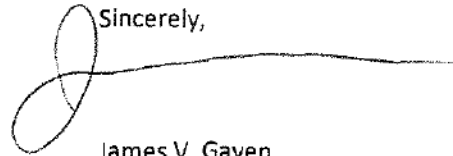
1. WCAS Management Corporation ("WCAS") is an investment adviser registered with the SEC. WCAS's registration went effective on March 22, 2012.
2. The SEC is currently conducting a presence examination of WCAS.
3. N/A
4. N/A
5. Of the "transaction fees" described in this item of the Request, the only fees that portfolio companies in WCAS XI typically pay to WCAS are director's fees and a Resources Group fee (defined below). WCAS employees may receive compensation for serving on the board of directors of a portfolio company. This compensation is turned over to WCAS and is treated as a "Creditable Fee" pursuant to Section 6 of the investment management agreement entered into between WCAS XI and WCAS (the "IMA"). 80% of all Creditable Fees benefit investors in WCAS XI in the form of a management fee offset. WCAS XI may also receive a "Resources Group Fee" as described in Section 6(a) of the IMA. Resources Group Fees are not Creditable Fees in WCAS XI.
6. Any "transaction fee", as described in this letter, charged to a portfolio company, with the exception of a WCAS XI Resource Group Fee (see Response 5), is a Creditable Fee that partially offsets the management fee.
7. Any "transaction fee", as described in this letter, charged to a portfolio company, with the exception of a WCAS XI Resource Group Fee, is a Creditable Fee that partially offsets the management fee as long as WCAS XI has not fully exited its investment in such portfolio company.

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8. Yes, provided the "transaction fee income, as described in this letter, is not a WCAS XI Resources Group Fee.
9. WCAS maintains a Resources Group that adds industry and operational expertise and the member are either employees or consultants to WCAS.
10. Please see answers 5 through 8 above.
11. Creditable Fees that partially offsets the management fee are reported in the quarterly financial statements and annual audited financial statements issued to Limited Partners.

If you have any questions or require additional assistance, please do not hesitate to contact me at (212)893-9591 or [jgaven@welshcarson.com](mailto:jgaven@welshcarson.com).

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a long horizontal stroke that tapers to the right.

James V. Gaven  
Senior Compliance Counsel



**ILLINOIS STATE BOARD OF INVESTMENT**  
180 North LaSalle Street, Suite 2015  
Chicago, Illinois 60601  
(312)793-5718

June 10, 2014

Mr. Jon Rather  
Welsh, Carson, Anderson & Stowe  
320 Park Avenue, Ste. 2500  
New York, NY 10022

Dear Mr. Rather:

I am writing to request information regarding The Illinois State Board of Investment's (the "Board's") limited partnership interest in WCAS XI. The Board is conducting a review of its private fund managers. A number of the Board's managers have recently registered as Investment Advisers under the Advisers Act pursuant to the Dodd-Frank Wall Street Reform Act, which now subjects them to SEC examinations and the annual filing of Form ADV.

Please answer the following questions.

1. Is your firm a Registered Investment Advisor with the SEC? If so, when did you register?
2. Has the SEC conducted an examination of your firm? If so, when?
3. Were there any findings, deficiencies or violations identified by the SEC in the examination? If so, describe.
4. Have you had to reimburse LPs or a fund for any fees or expenses charged to a fund, which was uncovered during the SEC examination? If so, describe.
5. Have you charged "transaction fees", such as broken deal fees, director's fees, advisory fees, structuring & origination fees, monitoring fees and exit fees, to portfolio companies? If so, describe.
6. Does all transaction fee income flow through the "management fee / transaction fee offset" to the benefit of LPs? If not, please explain.
7. To the extent that there continues to be any transaction fee income even after an investment is exited or partially exited, will that income continue to flow through the management fee / transaction fee offset to the benefit of LPs? If not, please explain.

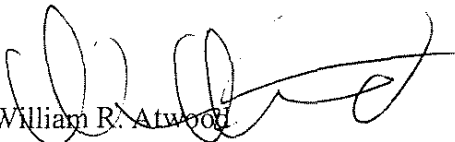
8. To the extent that transaction fee income is accelerated upon an exit (i.e. termination payment), will that income flow through the management fee / transaction fee offset to the benefit of LPs? If not, please explain.
9. Does your firm use any related party service providers such as operating partners, consultants or advisors? If so, describe.
10. Does the income earned by these related parties from portfolio companies flow through the management fee / transaction fee offset to the benefit of LPs? If not, please explain.
11. Are the transaction fees and management fee / transaction fee offsets reported to the LPs in the capital call/distribution notices and financial statements? Provide examples.

Please submit your written response by July 11, 2014.

Please contact Tim Kominiarek at 312/793-5716 or [Tim.Kominiarek@Illinois.Gov](mailto:Tim.Kominiarek@Illinois.Gov) with any questions or comments regarding this matter.

Thanks in advance for your assistance.

Sincerely,



William R. Atwood  
Executive Director