

FORM ADV PART 2A

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*March 31, 2011*

**Important Disclosure:**

This brochure provides information about the qualifications and business practices of Metalmark Subadvisor LLC (the “**Adviser**”), an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”). If you have any questions about the contents of this brochure, please contact us at 212-823-1900 or [vanessa.adler@metalmarksubadvisor.com](mailto:vanessa.adler@metalmarksubadvisor.com). Registration with the SEC does not imply that the Adviser or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

## **ITEM 2. MATERIAL CHANGES**

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we currently provide to our clients as required by SEC rules. This brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the brochure. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to our clients on at least an annual basis. Pursuant to new SEC rules, we will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year, which is December 31. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our brochure may be requested by contacting Vanessa Adler at 212-823-1900 or [vanessa.adler@metalmarksubadvisor.com](mailto:vanessa.adler@metalmarksubadvisor.com).

Additional information about the Adviser is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4. ADVISORY BUSINESS**

### **Our Organization**

Metalmark Subadvisor LLC (“Adviser”), a Delaware limited liability company formed in 2004, is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”).

### **Principal Owners**

The Adviser is a single member LLC the sole member of which is Metalmark Capital LLC. Metalmark Capital LLC has been the principal owner of the Adviser since its formation and is a control person of the Adviser.

### **Types of Services Offered**

The Adviser has been engaged as a subadvisor to provide investment advisory services to Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., Morgan Stanley Dean Witter Capital Partners IV, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P. and MSDW IV 892 Investors, L.P., each a Delaware limited partnership (each a “Partnership” and, together, the “Partnerships”). The services are provided by the Adviser pursuant to a delegation of authority under a Subadvisory Agreement between Adviser and the general partners of the Partnerships. The Partnerships are invested primarily in long-term private equity investments and the Adviser’s current services consist primarily of managing and disposing of investments made by the Partnerships.

The Adviser manages Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Dean Witter Capital Partners IV, L.P. and MSDW IV 892 Investors, L.P. on a discretionary basis. The Adviser serves as a non-discretionary subadvisor to provide investment recommendations and related services to Morgan Stanley Capital Investors, L.P. and Morgan Stanley Dean Witter Capital Investors IV, L.P.

Morgan Stanley Capital Partners III, L.P.; MSCP III 892 Investors, L.P.; and Morgan Stanley Capital Investors, L.P. are sometimes collectively referred to as “Fund III” and Morgan Stanley Dean Witter Capital Partners IV, L.P.; MSDW IV 892 Investors, L.P.; and Morgan Stanley Dean Witter Capital Investors IV, L.P. are sometimes collectively referred to as “Fund IV.”

The Adviser currently offers advice primarily in connection with investments in private equity or equity-related securities (including preferred equity, subordinated debt or similar securities) or debt securities. Investments in portfolio companies have been made indirectly by investing through partnerships or other entities (or by causing certain investors to invest through affiliated partnerships (or other entities)).

### **Assets Under Management**

As of December 31, 2010, Adviser manages client assets on a discretionary basis in the amount of \$504.7 million and client assets on a non-discretionary basis in the amount of \$12.6 million.

## **ITEM 5. FEES AND COMPENSATION**

### **Fees**

The Adviser does not receive any management fees for serving as the adviser to the Partnerships. The Adviser may receive transaction, monitoring and board of director fees from certain portfolio companies in which a Partnership invests.

Under the relevant partnership agreements, the general partner of each Partnership is entitled to receive a performance allocation (the “Carry Performance Allocation”) with respect to each limited partner of up to 20% of such limited partner’s profits, if any, from each Partnership investment, subject to a preferred return. The Carry Performance Allocation is calculated on an investment-by-investment basis and is not allocated until proceeds are realized from an investment.

### **Other Fees and Expenses**

The Partnerships may incur other fees and charges imposed by brokers and other third parties, such as legal fees, audit costs and bank fees.

Please see Item 12 below for further discussion of the factors that the Adviser considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

A complete description of fees and expenses can be obtained in each Partnerships’ offering memorandum as well as each Partnership’s partnership agreement.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted above, the general partners of the Partnerships are entitled to a Carry Performance Allocation. The Adviser does not receive any portion of the Carry Performance Allocation; however, certain Supervised Persons of the Adviser remain members of each general partner of the Partnerships and continue to participate in such Carry Performance Allocation.

The Carry Performance Allocation is charged in accordance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Although the existence of the Carry Performance Allocation is intended to align the interests of the general partners and the principals with the interests of the limited partners, it may also create an incentive for the Adviser and the individuals who are entitled to receive a portion of such fees to manage investments in a more aggressive manner than they would otherwise have in the absence of such performance-based compensation. The Adviser has procedures to ensure that the Partnerships and the limited partners in the Partnerships are treated fairly and equally and that the Adviser meets its general fiduciary obligation to act in the best interests of its clients.

## **ITEM 7. TYPES OF CLIENTS**

Adviser provides investment advisory services to the Partnerships, which are private investment funds. Please see Item 4 above for further discussion of the Partnerships.

While the Adviser itself did not impose a minimum investment amount on the limited partners of the Partnerships, under the relevant partnership agreements, each Partnership sub-advised by the Adviser imposed a minimum of \$1 million initial investment to become a limited partner. In addition, each limited partner was required to be a “Qualified Purchaser” under the Investment Company Act of 1940, as amended.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

The investment periods for Fund III and Fund IV have been terminated and Fund III and Fund IV are not in the process of making any new investments.

The Partnerships invested principally in private equity securities of companies in which the Partnerships and its affiliate co-investors had a controlling or significant equity position. The Partnerships also invested in publicly traded equity securities, public or private debt securities, private equity securities or companies in which the Partnerships had a controlling or significant position, and other related investments, assets and instruments. The Adviser capitalized on its proprietary deal flow, in particular through identifying opportunities in newly-deregulated industries and industries that underwent significant change, such as financial services, healthcare and telecommunications. The Partnerships invested globally.

The Adviser employs fundamental research, specific industry knowledge, proprietary relationships and partnerships with management teams. The Adviser’s sources of information and investment opportunities include contacts with industry executives and established business relationships. In addition, related persons of the Adviser serve on the boards of directors of, or in advisory positions for, companies in which client assets are invested. In its research, the Adviser gathers and evaluates information from diverse sources that may include, but are not limited to, annual reports, prospectuses, filings with the SEC, company financial statements, company press releases, corporate rating services, due diligence, industry experts and analysis, professional advisors and financial newspapers and magazines.

### **Risks of Loss**

Investing involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. Different investment strategies are subject to different types and degrees of risk and you should familiarize yourself with the risks associated with the particular investment strategy you intend to invest in. Some of these risks are described in further detail in the relevant Partnerships’ offering memorandum. Interests in any Partnership may be very illiquid and investors should be able to bear the financial risks of an investment for an indefinite period of time.

- *Reliance on the General Partner.* The Partnerships are managed exclusively by the respective general partners and the Partnerships’ limited partners will not make decisions with respect to the

acquisition, management, disposition or other realization of any investment, or other decisions regarding the Fund's business and affairs.

- *Reliance on Management.* The general partners of the Partnerships monitor the performance of each investment through active participation on the boards of directors of portfolio companies and by maintaining an ongoing dialogue with each company's management team. However, it is primarily the responsibility of management to operate the company on a day-to-day basis. Although it is the intent of the Partnerships to invest in companies with strong operating management having a successful track record, there can be no assurance that the existing management team, or any new one, will be able to operate the company successfully.
- *Long-Term Investments; No Current Return.* The return of capital and the realization of gains, if any, occurs only upon the partial or complete disposition of an investment. It is expected that an investment will not generally be sold until a number of years after it is made. Prior to such time, there will generally be no current return on the investment.
- *Leverage.* To the extent that any Partnership investment is made in a company with a leveraged capital structure, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. In the event such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Partnership's equity investment in such company could be significantly reduced or even eliminated.
- *Risks of Realization of Investments.* Given the nature of the investments contemplated by the Partnerships, there is a significant risk that the Partnerships will be unable to realize their investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio company in which the investment is made, changes in national or international economic conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made. The Partnerships will typically invest in securities of a class that are not publicly traded. The Partnerships will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available.

- *Recourse to the Fund's Assets.* The Partnerships' assets, including any investments made by the Partnerships and any funds held by the Partnerships, are available to satisfy all liabilities and other obligations of the Partnerships. If the Partnerships become subject to a liability, parties seeking to have the liability satisfied may have recourse to the Partnerships' assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. Accordingly, limited partners could find their interests in the Fund's assets adversely affected by a liability arising out of an investment in which they did not participate.
- *Limitations on Transfer; No Market for Limited Partner Interests.* The Partnerships' limited partners will not be permitted to transfer their limited partner interests in a Partnership without the consent of the general partner of such Partnership. Furthermore, the transferability of limited partner interests in the Partnership will be subject to certain restrictions contained in the respective partnership agreement and will be affected by restrictions imposed under applicable securities laws.
- *Indemnification.* The obligation of a limited partner to fund any indemnification will survive the dissolution of the Partnerships or a limited partner's withdrawal or exclusion from the respective Partnership.

#### **ITEM 9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Adviser's advisory business or the integrity of Adviser's management. Adviser currently has no information applicable to this Item.

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain affiliates of the Adviser have formed limited partnerships and serve as the general partners of those partnerships. These general partners may also, from time to time, form a limited partnership or other entity for the purpose of making a particular investment (offered to certain strategic investors that are identified by the general partners).

The principals and other persons associated with the Adviser joined Citibank, N.A. as employees in January 2008, assigned to work within Citi Capital Advisors, a division of Citigroup Alternative Investments LLC ("CAI"), a wholly-owned, indirect subsidiary of Citigroup Inc. (Citibank, N.A. and Citigroup Inc., together with CAI, "Citigroup"). As employees, they have responsibilities with respect to other private equity funds and activities (existing and future) at CAI or Citigroup, subject to the supervision and oversight of CAI or Citigroup, as applicable. Neither Citigroup, N.A., Citigroup, Inc. nor CAI is an affiliate of the Adviser or is involved in the business or activities of the Adviser. Citigroup is a diversified global financial services company and engages in a broad spectrum of activities including: financial advisory services, investment management activities, prime brokerage, sponsoring and managing private and public investment funds (including other private equity funds), engaging in broker-dealer transactions and other activities. It is possible that Citigroup could provide such services to portfolio companies in which the Partnerships hold an interest or could be involved in a transaction involving the Partnerships.

Certain affiliates of the Adviser may manage or may act as a partner or advisor to a number of pooled investment vehicles that focus on private equity or equity-related investments. From time to time,



conflicts of interest may arise for the Adviser and the investment team in connection with their management of the Partnerships and such other vehicles, including with respect to certain transactions involving investments by one Partnership in the same portfolio company (including in respect of the timing, structuring and terms of such investments and disposition thereof) held or being considered by another Partnership or another pooled investment vehicle managed by an affiliate of the Adviser and the investment team. Where the Partnerships or other pooled investment vehicles managed by an affiliate of the Adviser hold investments in the same issuer, conflicts of interest could arise concerning timing, structuring and terms of such investments and disposition of such investments. In addition, circumstances could exist where the Partnerships and other vehicles hold different classes of securities or obligations of a portfolio company, and the portfolio company encounters financial problems. Under these circumstances, conflicts of interest may arise in connection with decisions regarding the terms of any workout.

The individual members of the investment team serve as investment professionals with respect to multiple pooled investment vehicles and are required to devote time and attention to managing such vehicles. Conflicts of interest may arise in allocating management time, services or functions among the Partnerships, on the one hand, and such pooled investment vehicles, on the other. Also, as a result of existing investments and activities, the Adviser and the investment team may from time to time acquire confidential information that they may not be able to use for the benefit of the Partnerships and which, in some cases, may restrict them from taking actions for the Partnerships.

Conflict of interest situations that arise in connection with the management of the Partnerships will be handled on a case by case basis. An advisory committee comprised of limited partners (the “Advisory Committee”) has been established for the Partnerships. The Advisory Committees advise on certain matters relating to the Partnerships. The approval of the Advisory Committee will be sought in connection with approvals required under the Advisers Act, including Section 206(3) thereunder, or otherwise and, if granted, such approval will be binding upon the Fund, and each limited partner thereof. In addition, transactions between the Partnerships or any portfolio company, on the one hand, and affiliate, on the other hand, will require the consent of the Advisory Committee unless the relevant Partnership general partner determines in good faith that such transaction is on terms and conditions no less favorable to the Partnerships or such portfolio company than could be obtained in arm’s-length negotiations with third parties (in which case the transaction will be required to be disclosed to the Advisory Committee at its next regularly-scheduled meeting).

With respect to personal conflicts of interest, the Adviser has adopted a code of ethics described below in Item 11.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Description of the Adviser's Code of Ethics**

The Adviser has adopted a Code of Ethics (the "Code"), pursuant to SEC rule 204A-1, for the purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability and assisting those covered by the Code to comply with the Advisers Act. The Code is applicable to all supervised persons of the firm and is available to any client or prospective client by contacting the Adviser in writing and requesting such information. Please send written requests to: Metalmark Subadvisor LLC, 1177 Avenue of the Americas, 40th Floor, New York, NY 10036 Attention: Vanessa Adler. The Code of Ethics contains policies which address the following topics:

#### Compliance with Federal Securities Laws

Supervised persons are required to comply with all applicable laws in the jurisdictions in which the Adviser does business, including the U.S. federal securities laws.

#### Standards of Business Conduct

Consistent with the fiduciary obligations owed to clients, supervised persons are required to act fairly and in the best interest of clients.

#### Conflicts of Interest

The Code addresses conflicts of interest that may arise in the course of conducting the Adviser's business and requires that all supervised persons endeavor to avoid situations that present potential or actual conflicts. Among other things, the Code prohibits certain personal business activities by supervised persons without prior approval, and provides that supervised persons should not engage in activities that might influence or appear to influence decisions made by a supervised person in business transactions involving the Adviser. In addition to various trading restrictions, personal securities transactions are reviewed and in some cases pre-cleared by the Adviser's compliance personnel.

#### Treatment of Inside Information

The Code forbids supervised persons from trading, encouraging others to trade or recommending securities or other financial instruments based on material, non-public information. A supervised person in possession of material, non-public information is not permitted to: (i) buy or sell the securities of companies with respect to which such supervised person has non-public information or (ii) communicate the information outside the Adviser except, if necessary, to any client (or any authorized agent of the client) or the general partner of any client.

#### Restrictions on Personal Investing and Related Activities

The Adviser imposes certain restrictions on personal investing and related activities designed to prevent conflicts of interest and to guard against the misuse of proprietary or confidential information. The Adviser maintains and updates a restricted list of securities. In addition, supervised persons are discouraged from engaging in personal trading on a scale that would distract such person from his or her daily responsibilities. Supervised persons are prohibited from investing in an issuer whose securities are under consideration for investment, or have been acquired by, any client of the Adviser, except, directly or indirectly, through the Partnerships.

Supervised persons are required to receive pre-approval from the Chief Compliance Officer for acquiring direct or indirect beneficial ownership of any security sold in private offerings.

The Code requires supervised persons to submit quarterly securities transactions and initial and annual holdings reports. In addition, supervised persons must direct their brokers to supply duplicate copies of all confirmations and monthly brokerage statements for all accounts maintained by the supervised person in which reportable securities are held. If duplicate copies of all confirmations and brokerage statements for all accounts maintained by the supervised person in which reportable securities are held are automatically delivered by the broker-dealer or other institution, supervised persons will not be required to deliver the quarterly securities transactions so long as these brokerage statements contain the same information and are supplied within the same 30-day period after the end of each calendar quarter.

#### Reporting of Violations and Sanctions

All supervised persons are required to promptly report all violations and apparent violations of the Code to the Chief Compliance Officer.

A copy of the Code of Ethics is available to any client or prospective client upon request.

#### **Interest in Client Transactions**

As in Adviser's business generally, Adviser will consider the implications of identified actual or potential conflicts of interest arising from the activities described in this Item 11 and will act in accordance with the terms of the relevant Partnership's limited partnership agreement and Adviser's internal guidelines and procedures.

Certain related persons of the Adviser (including individual members of the investment team) may serve on the board of directors or serve in a position of management of a company in which a Partnership invests and, in such capacity, will have duties to both the shareholders of such company and to the Partnerships. In addition, they may receive stock options or other compensation from such company, and therefore, may have a financial interest in such company alongside the Partnerships, although such options and compensation are generally transferred to the Adviser (or an affiliate of the Adviser). Furthermore, the Adviser may have an incentive to recommend to clients the purchase or sale of securities in which it or its employees have a financial interest due to the prospect of receiving Carry Performance Allocations as described in Item 6 above.

It is Adviser's policy that it will not affect any principal or agency cross transactions. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of a related person, buys from or sells any security to any advisory client. An agency cross transaction is generally defined as a transaction where a person acts as investment adviser in relation to a transaction in which the investment adviser, or any person controlled or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. If a principal transaction or agency cross transaction arises, Adviser will execute such transaction with the consent of the Advisory Committee, or as otherwise permitted by the Advisers Act, including Section 206(3) thereof.

Conflict of interest situations that arise in connection with the management of the Partnerships will be handled on a case by case basis. The Advisory Committees advise on certain matters relating to the Partnerships. The approval of the Advisory Committee will be sought in connection with approvals required under the Advisers Act, including Section 206(3) thereunder, or otherwise and, if granted, such

approval will be binding upon the Fund, and each limited partner thereof. In addition, transactions between the Partnerships or any portfolio company, on the one hand, and affiliate, on the other hand, will require the consent of the Advisory Committee unless the relevant Partnership general partner determines in good faith that such transaction is on terms and conditions no less favorable to such Partnership or such portfolio company than could be obtained in arm's-length negotiations with third parties (in which case the transaction will be required to be disclosed to the Advisory Committee at its next regularly-scheduled meeting).

With respect to personal conflicts of interests the Adviser has adopted the Code as described in this Item.

## **ITEM 12. BROKERAGE PRACTICES**

### **Brokerage Selection**

The Adviser has discretion to determine, without consent of its clients (i.e., the Partnerships) or the limited partners of the Partnerships, the broker or dealer to be used (if any) and the commission rates to be paid in cases where a broker or dealer is used. The Adviser is bound under the terms of its partnership agreements to cause certain Partnerships that are part of the same complex to invest in or dispose of the same portfolio companies on a *pro rata* basis in proportion to remaining committed capital (subject to certain limited exceptions).

The Adviser considers, among other things, the following factors when selecting brokers-dealers to execute transactions for a Partnership: (i) a broker's execution capabilities with respect to the relevant type of order; (ii) the commissions charged by a broker, which may be a function of the size of the order, the price of the security, and whether the receipt of products or services is involved; and (iii) other factors suggested by the SEC for determining best execution, such as, the amount of business with each broker-dealer and the justification for directing trades to those brokers-dealers, such as the quality of research provided by the broker-dealer, the gross compensation paid to each broker-dealer and the competitiveness of commission rates and spreads, including the documentation to support such competitiveness, *i.e.*, comparison of "standard" commission rates or "minimum" transaction costs between broker-dealers offering comparable products and services.

### **Research and Other Soft Dollar Benefits**

The Adviser does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

### **Brokerage for Client Referrals**

The Adviser does not consider, in selecting broker-dealers, whether it or a related person receives client referrals from a broker-dealer or third party.

### **Directed Brokerage**

The Adviser does not recommend, request, require or permit a client to direct it to execute transactions through a specified broker-dealer.

## **Trade Aggregation Practices**

Pursuant to each Partnership's partnership agreement, the Adviser will aggregate transactions in the same security for the Partnerships. The Adviser typically allocates transactions on a "pro-rata" basis across all applicable Partnerships at the average price per unit of the total transaction.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Review of Client Accounts**

The Adviser closely monitors companies in which the Partnership's invest and generally maintains an ongoing oversight position in such companies (including, in many cases, representation on the board of directors of such companies). Because the investments made by the Partnerships are generally private, illiquid and long-term in nature, the review process is not directed toward a short term decision to dispose of securities, but rather is focused on the long-term prospects of the investments. The review process involves consideration of performance, material developments and other significant matters that would reasonably have a material effect on the portfolio companies. Reviews occur periodically, and in some cases, on a weekly or monthly basis. The Adviser's managing directors lead all reviews of the Partnerships' investments.

### **Reports**

The Adviser provides quarterly unaudited financial statements and annual audited financial statements to the limited partners of the Partnerships. Investors also receive quarterly written reports which generally provide a summary of the portfolio and periodic reports regarding their capital account in the Partnership.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Adviser has no information applicable to this item.

## **ITEM 15. CUSTODY**

Adviser satisfies the requirements of Rule 206(4)-2 with respect to the Fund IV Partnerships by engaging an independent public accountant registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual financial audits of such Partnerships prepared in accordance with U.S. Generally Accepted Accounting Principles and delivering the audited financial statements directly to investors in such Partnerships within 120 days of the end of the Partnerships' fiscal year.

With respect to the Fund III Partnerships, a qualified custodian of the Fund III assets sends quarterly statements directly to an investor in a Fund III Partnership. Such investor should carefully review these statements and is urged to compare these statements to statements received from the respective Partnership.

## **ITEM 16. INVESTMENT DISCRETION**

As of December 31, 2010, the Adviser manages assets on a discretionary basis in the amount of approximately \$504.7 million. The Adviser has discretionary authority with respect to all the Partnerships except Morgan Stanley Capital Investors, L.P. and Morgan Stanley Dean Witter Capital Investors IV, L.P., both of which are partnerships in which Morgan Stanley employees invest. For all the other Partnerships with respect to which Adviser has discretionary authority, Adviser received discretionary authority from the Partnerships to select the identity and amount of securities to be bought or sold. Such delegation of authority was provided under the terms of the Subadvisory Agreement between Adviser and the general partners of the Partnerships. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the Partnership and the terms of the Subadvisory Agreement.

## **ITEM 17. VOTING CLIENT SECURITIES**

### **Description of Proxy Voting Policies and Procedures**

The Adviser acknowledges its fiduciary obligation to vote proxies on behalf of those Partnerships that have delegated to it, or for which it is deemed to have, proxy voting authority. The Adviser will vote proxies on behalf of a Partnership solely in the best interest of the relevant Partnership, consistent with the objective of maximizing long-term investment returns for that Partnership. The Adviser has established general guidelines for voting proxies. The Adviser may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a Partnership's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, the Adviser may vote in a manner that is contrary to the general guidelines if it believes that it would be in a Partnership's best interest to do so. If a proxy proposal presents a material conflict of interest between the Adviser and a Partnership, the managing directors of the Adviser will determine how to vote that proxy and whether the conflict of interest will be disclosed to the limited partners of the Partnership. The Adviser will retain all books and records relating to its proxy voting activities on behalf of client accounts in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting the Adviser in writing and requesting such information. Each client may also request, by contacting the Adviser in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant Partnership during the prior annual period. Clients can send written requests to Metalmark Subadvisor LLC, 1177 Avenue of the Americas, 40th Floor, New York, NY 10036, Attention: Vanessa Adler. Information requested will be provided in writing as soon as is practicable.

## **ITEM 18. FINANCIAL INFORMATION**

Adviser is not aware of having any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Partnerships. Adviser has not been subject to a bankruptcy petition within the last ten years.