

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

THE TOKARZ GROUP ADVISERS LLC

March 31, 2014

The Tokarz Group Advisers LLC
287 Bowman Ave, 2nd Floor, Purchase, NY 10577
Tel: 914-701-0310
Fax: 914-701-0315
Website: www.ttga.com

The Hyatt Center, 71 S. Wacker Drive, Suite 2760
Chicago, IL 60606
Tel: 312-380-6000
Fax: 312-380-6002

This brochure (this "Brochure") provides information about the qualifications and business practices of The Tokarz Group Advisers LLC (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at 914-701-0310. 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.

The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

The Investment Adviser is required to identify and discuss any material changes made to its Brochure since the last annual update. There are no material changes to report. If the Investment Adviser makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

ITEM 3 **TABLE OF CONTENTS**

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES	ii
ITEM 3 TABLE OF CONTENTS	iii
ITEM 4 ADVISORY BUSINESS	1
A. <u>General Description of Advisory Firm</u>	1
B. <u>Description of Advisory Services</u>	1
1. Advisory Services	1
2. Investment Strategies and Types of Investments.....	1
C. <u>Availability of Customized Services for Clients</u>	2
D. <u>Assets Under Management</u>	2
ITEM 5 FEES AND COMPENSATION	3
A. <u>Advisory Fees and Compensation</u>	3
1. MVC	3
2. PE Fund.....	3
B. <u>Payment of Fees</u>	3
C. <u>Additional Fees and Expenses</u>	4
D. <u>Additional Compensation and Conflicts of Interest</u>	5
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	6
ITEM 7 TYPES OF CLIENTS	7
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
A. <u>Methods of Analysis and Investment Strategies</u>	8
B. <u>Material, Significant or Unusual Risks Relating to Investment Strategies</u>	8
ITEM 9 DISCIPLINARY INFORMATION	15
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	16
A. <u>Broker-Dealer Registration Status</u>	16
B. <u>Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status</u>	16
C. <u>Material Conflicts of Interest Relating to Other Investment Advisers</u>	16

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	17
ITEM 12 BROKERAGE PRACTICES	18
ITEM 13 REVIEW OF ACCOUNTS.....	20
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	21
A. <u>Economic Benefits for Providing Services to Clients</u>	21
B. <u>Compensation to Non-Supervised Persons for Client Referrals</u>	21
ITEM 15 CUSTODY	22
ITEM 16 INVESTMENT DISCRETION	23
ITEM 17 VOTING CLIENT SECURITIES.....	24
ITEM 18 FINANCIAL INFORMATION	25

ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm.

The Tokarz Group Advisers LLC, a Delaware limited liability company, commenced operations in 2006 and has its principal office in Purchase, NY and offices Chicago, IL and Hingham, MA. Michael Tokarz is the principal owner of the Investment Adviser, owning more than 75% of the Investment Adviser through The Tokarz Group Advisers Inc., which is 100% owned by Mr. Tokarz.

B. Description of Advisory Services.

1. Advisory Services.

The Investment Adviser serves as the investment adviser to a registered investment company, MVC Capital, Inc. ("MVC"), a Delaware corporation that has elected, pursuant to Section 54 of the Investment Company Act of 1940 (the "1940 Act"), to be regulated as a business development company. The Investment Adviser also provides portfolio management services to a private pooled investment vehicle, MVC Private Equity Fund, L.P., the securities of which are offered to investors on a private placement basis (the "PE Fund" and collectively with MVC, the "Funds"). As used herein, the term "client" generally refers to the Funds.

This Brochure generally includes information about the Investment Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

2. Investment Strategies and Types of Investments.

In connection with its management of the Funds, the Investment Adviser primarily provides advice regarding debt investments (including senior and subordinated loans) and "private equity" investment transactions (including investments in private equity limited partnerships). MVC's investment strategy is to provide equity and debt financing to small and middle-market companies in a variety of industries while the PE Fund will focus on privately negotiated equity and equity-related investments in a wide range of companies in the lower middle-market. The Investment Adviser does not, as part of its normal business practice, offer investment advice pertaining to non-control positions in exchange-listed securities and securities traded over-the-counter. In certain instances (e.g., awaiting the deployment of capital into new portfolio investments, after the conversion of privately placed, restricted securities, or the effectiveness of a registration statement with regard to formerly restricted securities), the Funds may hold exchange-traded securities in their portfolios. In such instances, the Investment Adviser may provide advice to the Funds with regard to the disposition of exchange-listed securities or over-the-counter securities.

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any

advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

C. Availability of Customized Services for Clients.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

D. Assets Under Management.

The Investment Adviser manages approximately \$765.4 million as of January 31, 2014 on a discretionary basis. As of January 31, 2014, the Investment Adviser does not manage any assets on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in MVC's most recent annual report on Form 10-K and the PE Fund's offering documents. A brief summary of such fees is provided below.

1. MVC

Under the Investment Advisory and Management Agreement between MVC and the Investment Adviser (the "Advisory Agreement"), MVC pays the Investment Adviser a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee. The base management fee is calculated at 2.0% per annum of MVC's total assets excluding cash, the value of any investment in a Third-Party Vehicle covered by a Separate Agreement (as defined in the Advisory Agreement) and the value of any investment by MVC not made in portfolio companies ("Non-Eligible Assets") but including assets purchased with borrowed funds that are not Non-Eligible Assets. The incentive fee consists of two parts: (i) one part is based on pre-incentive fee net operating income; and (ii) the other part is based on the cumulative capital gains realized on the portfolio of securities acquired after November 1, 2003.

For the 2013 fiscal year, the Investment Adviser voluntarily agreed to absorb or reimburse MVC's operating expenses, to the extent necessary to limit MVC's expense ratio (the consolidated expenses of MVC, including any amounts payable to the Investment Adviser under the base management fee, but excluding the amount of any interest and other direct borrowing costs, taxes, incentive compensation and extraordinary expenses taken as a percentage of MVC's average net assets) to 3.5%. The Investment Adviser voluntarily agreed to extend the expense cap for fiscal 2014, though it and MVC may determine to revise the present calculation methodology later in the year.

2. PE Fund

For services provided to the PE Fund under the Portfolio Management Agreement between the PE Fund and the Investment Adviser, the Investment Adviser is entitled to receive the balance of the fees and any carried interest generated by the PE Fund and not retained by the PE Fund's general partner (the "GP") and a subsidiary of MVC (the GP and a subsidiary of MVC are entitled to receive 25% of all management fees paid by the PE Fund and up to 30% of the carried interest generated by the PE Fund).

B. Payment of Fees.

Fees and compensation paid to the Investment Adviser by MVC are deducted from MVC's assets. MVC's base management fee and income incentive fee (if any) are generally deducted on a quarterly basis and the capital gains incentive fee is deducted (as applicable) on an annual basis, subject to an audit. The fees and carried interest paid to the Investment Adviser by the PE Fund are due when such fees and carried interest are paid to the GP.

C. Additional Fees and Expenses.

Each of the Investment Adviser's clients generally bears its own expenses. The following expenses, in particular, are borne by MVC under the Advisory Agreement: (i) the cost and expenses of any independent valuation firm; (ii) expenses incurred by the Investment Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for MVC and in monitoring MVC's investments and performing due diligence on its prospective portfolio companies, provided, however, the retention by the Investment Adviser of any third party to perform such services shall require the advance approval of the board (which approval shall not be unreasonably withheld) if the fees for such services are expected to exceed \$30,000; once the third party is approved, any expenditure to such third party will not require additional approval from the board; (iii) interest payable on debt and other direct borrowing costs, if any, incurred to finance MVC's investments or to maintain its tax status; (iv) offerings of MVC's common stock and other securities; (v) investment advisory and management fees; (vi) fees and payments due under any administration agreement between MVC and its administrator; (vii) transfer agent and custodial fees; (viii) federal and state registration fees; (ix) all costs of registration and listing MVC's shares on any securities exchange; (x) federal, state and local taxes; (xi) independent directors' fees and expenses; (xii) costs of preparing and filing reports or other documents required by governmental bodies (including the SEC); (xiii) costs of any reports, proxy statements or other notices to stockholders, including printing and mailing costs; (xiv) the cost of MVC's fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; (xv) direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, independent auditors and outside legal costs; (xvi) the costs and expenses associated with the establishment of a special purpose vehicle; (xvii) the allocable portion of the cost (excluding office space) of MVC's Chief Financial Officer, Chief Compliance Officer and Secretary in an amount not to exceed \$200,000, per year, in the aggregate; (xviii) subject to a cap of \$200,000 in any fiscal year of MVC, fifty percent of the unreimbursed travel and other related (e.g., meals) out-of-pocket expenses (subject to item (ii) above) incurred by the Investment Adviser in sourcing investments for MVC; *provided that*, if the investment is sourced for multiple clients of the Investment Adviser, then MVC shall only reimburse fifty percent of its allocable pro rata portion of such expenses; and (xix) all other expenses incurred by MVC in connection with administering MVC's business (including travel and other out-of-pocket expenses (subject to item (ii) above) incurred in providing significant managerial assistance to a portfolio company).

For fiscal year 2011, the Investment Adviser agreed to waive \$150,000 of MVC's obligation to reimburse the Investment Adviser for its allocable portion of its officers' compensation. The Investment Adviser voluntarily agreed to the same officer compensation waiver for fiscal years 2012 through 2014. In addition, during fiscal 2012, the Investment Adviser voluntarily agreed to waive the income-related incentive fee payment of approximately \$2.3 million that the Company would otherwise be obligated to pay to the Investment Adviser under the Advisory Agreement as a result of the one-time \$12 million dividend received from Summit Research Labs, Inc., a former portfolio company of MVC Capital.

D. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Adviser accepts performance-based fees from both MVC and the PE Fund.

ITEM 7
TYPES OF CLIENTS

The Investment Adviser generally provides investment advice to the Funds, as described above.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies.

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

On behalf of its clients, the Investment Adviser seeks to make a broad range of private investments in a variety of industries. The investments can include common and preferred stock, other forms of equity interests and warrants or rights to acquire equity interests, senior and subordinated loans, or convertible securities. These portfolio company investments are typically illiquid and are made through privately negotiated transactions.

Prospective investments are evaluated by the investment team based upon criteria that may be modified from time to time. The criteria currently being used in determining whether to make an investment in a prospective portfolio company include, but are not limited to, the team's view of:

- Opportunity to revitalize and redirect a company's resources and strategy;
- Stable free cash flow of the business;
- Businesses with secure market niches and predictable profit margins;
- The presence or availability of highly qualified management teams;
- The line of products or services offered and their market potential;
- The presence of a sustainable competitive advantage; and
- Favorable industry and competitive dynamics.

B. Material, Significant or Unusual Risks Relating to Investment Strategies.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.

Investing in private companies involves a high degree of risk.

Our investment portfolio generally consists of loans to, and investments in, private companies. Investments in private businesses involve a high degree of business and financial risk, which can result in substantial losses and, accordingly, should be considered speculative. There is generally very little publicly available information about the companies in which we invest, and we rely significantly on the due diligence of the members of the investment team to obtain information in connection with our investment decisions.

Our investments in portfolio companies are generally illiquid.

We generally acquire our investments directly from the issuer in privately negotiated transactions. Most of the investments in our portfolio (other than cash or cash equivalents) are typically subject to restrictions on resale or otherwise have no established trading market. We may exit our investments when the portfolio company has a liquidity event, such as a sale, recapitalization or initial public offering. The illiquidity of our investments may adversely affect our ability to dispose of equity and debt securities at times when it may be otherwise advantageous for us to liquidate such investments. In addition, if we were forced to immediately liquidate some or all of the investments in the portfolio, the proceeds of such liquidation could be significantly less than the current value of such investments.

Our investments in small and middle-market privately-held companies are extremely risky and a Fund could lose its entire investment.

Investments in small and middle-market privately-held companies are subject to a number of significant risks including the following:

- Small and middle-market companies may have limited financial resources and may not be able to repay the loans we make to them. Our strategy includes providing financing to companies that typically do not have capital sources readily available to them. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the borrowers to repay their loans to us upon maturity.
- Small and middle-market companies typically have narrower product lines and smaller market shares than large companies. Because our target companies are smaller businesses, they may be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, smaller companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.
- There is generally little or no publicly available information about these privately-held companies. There is generally little or no publicly available operating and financial information about privately-held companies. As a result, we rely on our investment professionals to perform due diligence investigations of these privately-held companies, their operations and their prospects. We may not learn all of the material information we need to know regarding these companies

through our investigations. It is difficult, if not impossible, to protect a Fund from the risk of fraud, misrepresentation or poor judgment by our portfolio companies.

- Small and middle-market companies generally have less predictable operating results. We expect that our portfolio companies may have significant variations in their operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, finance expansion or maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow and other coverage tests typically imposed by their senior lenders.
- Small and middle-market businesses are more likely to be dependent on one or two persons. Typically, the success of a small or middle-market company also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us.
- Small and middle-market companies are likely to have greater exposure to economic downturns than larger companies. We expect that our portfolio companies will have fewer resources than larger businesses and an economic downturn may thus more likely have a material adverse effect on them.
- Small and middle-market companies may have limited operating histories. We may make debt or equity investments in new companies that meet our investment criteria. Portfolio companies with limited operating histories are exposed to the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.

Our borrowers may default on their payments, which may have an effect on our financial performance.

We may make long-term unsecured, subordinated loans, which may involve a higher degree of repayment risk than conventional secured loans. We primarily invest in companies that may have limited financial resources and that may be unable to obtain financing from traditional sources. In addition, numerous factors may adversely affect a portfolio company's ability to repay a loan we make to it, including the failure to meet a business plan, a downturn in its industry or operating results, or negative economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in any related collateral.

Our investments in mezzanine and other debt securities may involve significant risks.

Our investment strategy contemplates investments in mezzanine and other debt securities of privately held companies. "Mezzanine" investments typically are structured as subordinated loans (with or without warrants) that carry a fixed rate of interest. We may

also make senior secured and other types of loans or debt investments. Our debt investments are not, and typically will not be, rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade quality (rated lower than "Baa3" by Moody's or lower than "BBB-" by Standard & Poor's, commonly referred to as "junk bonds"). Loans of below investment grade quality have predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. Our debt investments in portfolio companies may thus result in a high level of risk and volatility and/or loss of principal.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and management of the company may make decisions that could decrease the value of our portfolio holdings.

We anticipate making debt and minority equity investments; therefore, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the shareholders and management of such company may take risks or otherwise act in ways that do not serve our interests. Due to the lack of liquidity in the markets for our investments in privately held companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Investments in foreign debt or equity may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy has resulted in some investments in debt or equity of foreign companies (subject to applicable limits prescribed by the 1940 Act). Investing in foreign companies can expose us to additional risks not typically associated with investing in U.S. companies. These risks include exchange rates, changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. A portion of our investments are located in countries that use the euro as their official currency. The USD/euro exchange rate, like foreign exchange rates in general, can be volatile and difficult to predict. This volatility could materially and adversely affect the value of the Company's shares.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

Some of our loans to our portfolio companies may be structured to include customary business and financial covenants placing affirmative and negative obligations on the operation of each company's business and its financial condition. However, from time to time, we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of our receiving the full amount of future

payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

Our portfolio companies may incur obligations that rank equally with, or senior to, our investments in such companies. As a result, the holders of such obligations may be entitled to payments of principal or interest prior to us, preventing us from obtaining the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization, acquisition, merger or bankruptcy of the relevant portfolio company.

Our portfolio companies may have other obligations that rank equally with, or senior to, the securities in which we invest. By their terms, such other securities may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in the relevant portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying investors that are more senior than us, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of other securities ranking equally with securities in which we invest, we would have to share on an equal basis any distributions with other investors holding such securities in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. As a result, we may be prevented from obtaining the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore may invest a significant portion of our assets in a relatively small number of portfolio companies, which subjects us to a risk of significant loss should the performance or financial condition of one or more portfolio companies deteriorate.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of portfolio companies in a limited number of industries. As of October 31, 2013, the fair value of our largest investment, U.S. Gas & Electric, Inc. (“U.S. Gas”), comprised 26.1% of our net assets, respectively. Beyond the asset diversification requirements associated with our qualification as a RIC, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, relatively few industries may continue to be significantly represented among our investments. To the extent that we have large positions in the securities of a small number of portfolio companies, we are subject to an increased risk of significant loss should the performance or financial condition of these portfolio companies or their respective industries deteriorate. We may also be more susceptible to any single economic or regulatory occurrence as a result of holding large positions in a small number of portfolio companies.

As a result of our significant portfolio investment in U.S. Gas & Electric, Inc., we are particularly subject to the risks of that company and the energy services industry.

Given the extent of our investment in U.S. Gas, the Company is particularly subject to the risks impacting U.S. Gas and the energy service industry.

U.S. Gas's operating results may fluctuate on a seasonal or quarterly basis and with general economic conditions. Weather conditions and other natural phenomena can also have an adverse impact on earnings and cash flows. Unusually mild weather in the future could diminish U.S. Gas's results of operations and harm its financial condition. U.S. Gas enters into contracts to purchase and sell electricity and natural gas as part of its operations. With respect to such transactions, the rate of return on its capital investments is not determined through mandated rates, and its revenues and results of operations are likely to depend, in large part, upon prevailing market prices for power in its regional markets and other competitive markets. These market prices can fluctuate substantially over relatively short periods of time. Trading margins may erode as markets mature and there may be diminished opportunities for gain should volatility decline. Fuel prices may also be volatile, and the price U.S. Gas can obtain for power sales may not change at the same rate as changes in fuel costs. These factors could reduce U.S. Gas's margins and therefore diminish its revenues and results of operations.

U.S. Gas relies on a firm supply source to meet its energy management obligations for its customers. Should U.S. Gas's suppliers fail to deliver supplies of natural gas and electricity, there could be a material impact on its cash flows and statement of operations. U.S. Gas depends on natural gas pipelines and other storage and transportation facilities owned and operated by third parties to deliver natural gas to wholesale markets and to provide retail energy services to customers. If transportation or storage of natural gas is disrupted, including for reasons of force majeure, the ability of U.S. Gas to sell and deliver its services may be hindered. As a result, it may be responsible for damages incurred by its customers, such as the additional cost of acquiring alternative supply at then-current market rates. Additionally, U.S. Gas depends on transmission facilities owned and operated by unaffiliated power companies to deliver the power it sells at wholesale. If transmission is disrupted, or transmission capacity is inadequate, U.S. Gas may not be able to deliver its wholesale power.

U.S. Gas is subject to substantial regulation by federal, state and local regulatory authorities. It is required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies. U.S. Gas cannot predict the impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to it. Changes in regulations or the imposition of additional regulations could influence its operating environment and may result in substantial costs to U.S. Gas.

Our investments in private equity funds, including the PE Fund, are subject to substantial risk, including a complete loss of investment.

The PE Fund is not, and other private equity funds in which the Company may invest, will not be registered as an investment company under the 1940 Act. Therefore, with respect to its investments in such funds, the Company will not have the benefit of the protections

afforded by the 1940 Act to investors in registered investment companies, such as the limitations applicable to the use of leverage and the requirements concerning custody of assets, composition of boards of directors and approvals of investment advisory arrangements. Additionally, the interests in the PE Fund are privately placed and are not registered under the Securities Act, and the PE Fund is not a reporting company under the Securities Exchange Act of 1934 (the “Exchange Act”). Accordingly, the amount of information available to investors about the PE Fund will be limited.

Investment in a private equity fund involves the same types of risks associated with an investment in any operating company. However, the investments made by private equity funds will entail a high degree of risk and in most cases be highly illiquid and difficult to value since no ready market typically exists for the securities of companies held in a private equity fund's portfolio. Investing in private equity investments is intended for long-term investment by investors who can accept the risks associated with making highly speculative, primarily illiquid investments in privately negotiated transactions, and who can bear the risk of loss of their entire investment. Attractive investment opportunities in private equity may occur only periodically, if at all. Furthermore, private equity has generally been dependent on the availability of debt or equity financing to fund the acquisitions of their investments. Due to recent market conditions, however, the availability of such financing has been reduced dramatically, limiting the ability of private equity to obtain the required financing.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Conflicts of Interest Relating to Other Investment Advisers.

The Investment Adviser does not recommend or select other investment advisers for its clients.

ITEM 11

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential (unless otherwise permitted to be disclosed under a contractual arrangement or by law); and independence in the investment decision-making process must be maintained at all times. The Code also places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Investors may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document. In addition to these restrictions set forth in the Investment Adviser's Code of Ethics, the Investment Adviser imposes restrictions relating to its and its Access Persons' (as defined in the Code) use of material, non-public information ("Inside Information"). These restrictions are set forth in the Investment Adviser's written policies and procedures designed to prevent the misuse of Inside Information (the "Insider Trading Policies"), which are discussed further below. All of the Investment Adviser's Access Persons are required to certify to their compliance with the Code and the Insider Trading Policies on a periodic basis.

The Investment Adviser's Insider Trading Policies prohibit the Investment Adviser and its Access Persons from trading for the Funds or themselves, or recommend trading, in securities of a company while in possession of Inside Information about the company. The Insider Trading Policies also prohibit the Investment Adviser's Access Persons from disclosing Inside Information to any person not entitled to receive it. By reason of its various activities, the Investment Adviser may have access to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. Notwithstanding such policies and procedures, there may be certain cases where the Investment Adviser either may receive Inside Information due to its various activities on behalf of itself or the Funds or may be restricted in acting for the Funds, resulting in limited liquidity or using such information for the benefit of certain clients in specific securities. The Investment Adviser seeks to minimize those cases whenever possible, consistent with applicable law and our Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

ITEM 12

BROKERAGE PRACTICES

As discussed above, the Investment Adviser provides investment advice to its clients almost exclusively with regard to debt and private equity instruments. As such, the Investment Adviser generally does not use the services of a broker-dealer to effect transactions for the clients' portfolios. In the rare instances in which the Investment Adviser provides advice regarding transactions in exchange-listed securities or stocks traded in the over-the-counter markets (*e.g.*, when awaiting deployment of capital into portfolio investments or liquidating the Funds' positions in securities originally obtained by the Funds in a private placement that convert or otherwise become registered), the Investment Adviser will seek to obtain best execution for the Funds in selecting the broker(s) to be utilized and the commissions to be charged to the Funds. In accordance with this duty to obtain best execution for client transactions, the Investment Adviser maintains policies and procedures to review the quality of executions, which include periodic reviews by its investment professionals of the execution quality obtained for client transactions.

Soft Dollar Usage The Investment Adviser generally does not utilize the services of a broker-dealer to effect transactions on behalf of the Funds. As a matter of policy, if the Investment Adviser engages in transactions on behalf of the Funds that require orders to be placed with a broker-dealer, the Investment Adviser will not use "soft dollar" commissions to obtain brokerage or research services on behalf of the Investment Adviser or the Funds.

Allocation and Aggregation Policies and Procedures The Investment Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the allocation of investment opportunities. The following allocation of investment opportunities policy was approved by MVC's Board of Directors: the Investment Adviser will give MVC priority with respect to all investment opportunities in (i) mezzanine and debt securities and (ii) equity or other "non-debt" investments that are (a) expected to be equal to or less than the lesser of 10% of MVC's net assets or \$25.0 million, and (b) issued by U.S. companies with less than \$150.0 million in revenues during the prior twelve months. However, the PE Fund will receive a priority allocation of all new equity investments (*i.e.*, not follow-on investments in existing MVC portfolio companies) that would otherwise be Non-Diversified Investments (as defined in MVC's most recent 10-K) for MVC, which will terminate on the later of: (i) the deployment of 80% of the committed capital of the PE Fund or (ii) two years from the first closing date of the PE Fund. In addition, personal investments that fall outside of the Fund's investment focus (*i.e.*, equity and loan investments ranging between \$3 million and \$25 million each and investments in companies with annual revenues of between \$10 and \$150 million and annual EBITDA of between \$3 and \$25 million) would only require pre-clearance by the Investment Adviser's CCO and Manager. Personal investments that fall within the Fund's investment focus would require pre-clearance by the Fund's Board of Directors. In the case of investments in private companies that are proposed to be made by the Manager or the CCO personally, the approval of another senior level executive of the Investment Adviser would be required.

Although not currently expected, in the rare instances in which the Investment Adviser is placing orders for exchange-listed securities or securities traded in the over-the-

counter markets, the Investment Adviser may aggregate orders, subject to the Investment Adviser's duty to obtain best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for the Investment Adviser generally arise when more than one Fund and/or account is capable of purchasing or selling a particular security at the same time, and is currently unlikely to occur based on the investment strategies of the Funds. The Investment Adviser is not required to aggregate trades, but it must disclose its policies and procedures, including, if applicable, the consequences of not aggregating trades. The Investment Adviser may aggregate client orders when doing so is expected to result in a better overall price for client trades. When an aggregated order is only partially filled, the Investment Adviser will allocate the investment opportunity or the partially filled order on a fair and equitable basis.

Trade Errors As mentioned above, the Investment Adviser generally does not utilize the services of a broker-dealer to effect transactions on behalf of the Funds. Should any trade error(s) occur in the rare instances in which the Investment Adviser effects a transaction on behalf of the Funds using a broker-dealer, it is the Investment Adviser's policy that all such trade errors will be resolved in favor of the Fund with the Investment Adviser making the Fund (and any other clients, if applicable) whole for any loss or loss incurred as a result of the trade error(s).

ITEM 13

REVIEW OF ACCOUNTS

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the investment professionals and senior executives of the Investment Adviser.

Investors in MVC receive an annual report, which documents the performance of MVC and includes MVC's audited financial statements. MVC is subject to the information and periodic reporting requirements of the Exchange Act and will file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such periodic reports, proxy statements and other information are available for inspection and copying at the SEC's public reference room, from the SEC's website at <http://www.sec.gov> and from MVC's website at <http://www.mvccapital.com/sec.cfm>.

The PE Fund distributes annual audited financial statements to investors within 120 days of its fiscal year end.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

ITEM 15 CUSTODY

The Investment Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM 16
INVESTMENT DISCRETION

The Investment Adviser serves as the management company with discretionary trading authority to MVC and to the PE Fund, subject to the GP's oversight. The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. The Investment Adviser entered into the Advisory Agreement with MVC, pursuant to which the Investment Adviser was granted discretionary trading authority with respect to MVC's portfolio. The Investment Adviser entered into the Advisory Agreement with MVC and the Portfolio Management Agreement with the PE Fund, pursuant to which the Investment Adviser provides portfolio management services to the PE Fund, subject to the GP's oversight.

ITEM 17
VOTING CLIENT SECURITIES

Because the Investment Adviser will primarily invest the Funds' assets in private equity and debt instruments and the Investment Adviser generally will not invest Fund assets in registered securities, it is anticipated that the Investment Adviser generally will not receive proxy voting proposals on behalf of a Fund. In the rare instance where the Fund's portfolio contains registered securities and the Investment Adviser receives a proxy voting proposal with regard to such securities, the Investment Adviser's general policy is to vote such proxy proposals in a manner that serves the best interests of the Fund and, in the future, all other clients, as determined by the Investment Adviser in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, the Investment Adviser may refrain from voting proxies where the Investment Adviser believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Fund. Further, with regard to amendments, consents or resolutions relating to interests in private investment funds held in the Fund's portfolio, the Investment Adviser will follow the general policy above of seeking to serve the best interests of its clients with respect to proxy voting proposals in connection with registered securities.

ITEM 18
FINANCIAL INFORMATION

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.