

Item 1. Cover

PNC Mezzanine Management Corp.

Form ADV, Part 2A

March 30, 2015

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Pittsburgh, Pennsylvania 15222-2707

412.762.7035

This Brochure provides information about the qualifications and business practices of PNC Mezzanine Management Corp. If you have any questions about the contents of this Brochure, please contact us at 412.762.7035. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about PNC Mezzanine Management Corp. also is available on the SEC’s website at www.adviserinfo.sec.gov.

PNC Mezzanine Management Corp. may refer to itself as a “registered investment adviser.” You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Item 2. Material Changes

Not applicable.

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

- ***an offer or agreement to provide advisory services to any person***
- ***an offer to sell interests (or a solicitation of an offer to purchase interests) in any PNC Mezzanine Fund (as defined below)***
- ***a complete discussion of the features, risks or conflicts associated with any PNC Mezzanine Fund***

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), PNC Mezzanine Management Corp. (“PNC Mezzanine Management” or the “Firm”) provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a PNC Mezzanine Fund, together with other relevant offering materials, such as the PNC Mezzanine Fund’s private placement memorandum (“PPM”), prior to, or in connection with, such persons’ investment in the PNC Mezzanine Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of PNC Mezzanine Management, persons who receive this Brochure (whether or not from PNC Mezzanine Management) should be aware that it is designed solely to provide information about PNC Mezzanine Management as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant offering materials. More complete information about each PNC Mezzanine Fund is included in relevant offering materials, certain of which may be provided to current and eligible prospective investors only by PNC Mezzanine Management. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant offering materials shall govern and control.

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Item 4. Advisory Business

The Firm

PNC Mezzanine Management Corp. is a wholly owned subsidiary of The PNC Financial Services Group, Inc. (“PNC”), a publicly traded company. The Firm was founded in 2005 and registered as an Investment Adviser with the SEC in 2012. As of December 31, 2014, the Firm had approximately \$192,487,706.00 of assets under management on a discretionary basis.

Advisory Services

PNC Mezzanine Management was formed to advise pooled investment vehicles (each a “PNC Mezzanine Fund” or “Fund”) excepted from the definition of an “investment company” under the Investment Company Act of 1940, as amended (“Investment Company Act”) and for which an affiliate of PNC Mezzanine Management serves as the general partner. The Firm currently provides investment management services to one Fund -- PNC Mezzanine Partners III, L.P. (“Mezzanine Fund III”).

Mezzanine Fund III is a private equity fund that seeks to generate current income and long-term capital gains by making mezzanine investments in companies across a broad spectrum of businesses in the niche manufacturing, distribution and service industries. Mezzanine Fund III invests in middle market companies engaged in leveraged buyouts, recapitalizations, restructurings and growth financings. Limited partners of Mezzanine Fund III include PNC, pension funds, insurance companies and fund-of-funds.

Mezzanine Fund III’s investments are managed in accordance with Mezzanine Fund III’s particular investment objectives, strategies and guidelines and are not tailored to the individualized needs of any particular investor therein. Information about Mezzanine Fund III, and the particular investment objectives, strategies, guidelines and risks associated with an investment, is included in the offering materials of Mezzanine Fund III, including the PPM and limited partnership agreement, which are made available to investors only through PNC Mezzanine Management or another authorized party.

Item 5. Fees and Compensation

Compensation

An affiliate of the Firm serves as the general partner of Mezzanine Fund III and, in that role, receives management fees and a performance allocation in connection with the investment management and/or other services provided to Mezzanine Fund III. In summary, the general partner of Mezzanine Fund III will receive the following: (1) during the initial investment period, a management fee equal to a percentage of the aggregate capital commitments in Mezzanine Fund III and, thereafter, a management fee equal to a percentage of invested capital outstanding (*i.e.*, remaining capital under management); and (2) a performance allocation that is calculated based upon a percentage of Mezzanine Fund III’s return on its invested capital (*i.e.*, carried interest). Details of these fees are set forth in Mezzanine Fund III’s offering materials and

governing documents. For an additional discussion regarding performance allocations, please refer to Item 6 – *Performance-Based Fees and Side-by-Side Management*.

Mezzanine Fund III is not responsible for, and does not pay for, the Firm's operational expenses incurred in the Firm's management of Mezzanine Fund III. Instead, the Firm or one of its affiliates bears such expenses, including salaries, bonuses and benefits, office facilities, back office support, accounting, management/finance functions, marketing, travel and other management related costs. Because the Firm and its affiliates bear such expenses, the sponsoring limited partner of Mezzanine Fund III, an affiliate of the Firm, does not pay a management fee.

Management fees, performance allocations and/or any other compensation directly or indirectly payable to the Firm or its affiliates by a Fund and its investors are generally negotiated with the Fund (or its investors) and may depend on, among other factors, the amount of capital committed to the Fund by an investor.

Other Fees and Expenses

Clients of PNC Mezzanine Management (including, indirectly, investors in Mezzanine Fund III) may bear certain other fees, expenses and costs (in addition to the fees discussed above) which are incidental or related to the maintenance of Mezzanine Fund III or the buying, selling and holding of investments, including, but not limited to: (1) the fees and expenses of professional advisers such as legal counsel (including unreimbursed legal fees in connection with acquiring investments or proposed investments on behalf of Mezzanine Fund III and disposing of those investments), administrators, custodians, consultants, bookkeepers and accountants (including audit and certification fees and the expenses associated with the preparation of Mezzanine Fund III's financial statements and tax returns); (2) any taxes, fees or other governmental charges levied against Mezzanine Fund III; (3) expenses associated with the preparation, printing and distribution of reports to the limited partners of Mezzanine Fund III and costs associated with any meeting of Mezzanine Fund III's advisory board or investment committee or any advisory board fees; (4) investment banking and similar consulting and professional fees associated with the acquisition, holding and disposition of investments, including broken deal expenses, brokerage and other transaction costs, and extraordinary expenses (such as litigation, if any); (5) any insurance, indemnity or litigation expenses relating to Mezzanine Fund III's activities; and (6) all other costs incurred in connection with the administration of Mezzanine Fund III or otherwise that may be authorized by Mezzanine Fund III's PPM or limited partnership agreement. For an additional discussion regarding brokerage fees, commissions and other related transactions costs and expenses, please refer to Item 12 – *Brokerage Practices*.

Billing

The general partner of Mezzanine Fund III makes capital calls on investors for their pro rata share of Mezzanine Fund III expenses (including management fees) on a semi-annual basis. However, management fees are payable by Mezzanine Fund III less than six months in advance. Following the dissolution of Mezzanine Fund III, the general partner of Mezzanine Fund III will,

in accordance with the limited partnership agreement, make a final allocation of all items of income, gain, loss and expense. After the payment or provision for payment of all liabilities and obligations of Mezzanine Fund III, the remaining assets, if any, will, in accordance with the limited partnership agreement, be distributed among the investors.

Item 6. Performance-Based Fees and Side-by-Side Management

In addition to the compensation discussed in Item 5 – *Fees and Compensation*, an affiliate of PNC Mezzanine Management, in its capacity as the general partner of Mezzanine Fund III, may be eligible to receive a performance allocation, or “carried interest.” Performance allocations are calculated based upon a percentage of Mezzanine Fund III’s return on its invested capital. Any performance allocation will be paid in accordance with Section 205(3) of the Advisers Act, or Rule 205-3 thereunder.

The existence of a carried interest in Mezzanine Fund III may create an incentive for PNC Mezzanine Management to make more speculative investments on behalf of Mezzanine Fund III than it would otherwise make in the absence of such performance allocation. However, the conflict of interest associated with a carried interest is mitigated by (1) the requirement that invested capital and related expenses for a particular investment be returned to investors before the general partner of Mezzanine Fund III benefits from its carried interest from such investment; (2) the general partner’s capital commitment to Mezzanine Fund III; and (3) a claw-back feature pursuant to which the general partner will contribute to Mezzanine Fund III an amount, if any, by which total distributions to the general partner on account of its carried interest exceed a percentage of Mezzanine Fund III’s net profits, calculated in a manner set forth in the limited partnership agreement.

Item 7. Types of Clients

As discussed in Item 4 – *Advisory Business*, PNC Mezzanine Management provides discretionary investment advisory services to Mezzanine Fund III, which is a pooled investment vehicle excepted from the definition of “investment company” under the Investment Company Act. PNC Mezzanine Management may also manage proprietary mezzanine investments of PNC and/or its subsidiaries.

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

Methods of Analysis and Investment Strategies

As discussed in Item 4 – *Advisory Business*, Mezzanine Fund III is a private equity fund that seeks to generate current income and long-term capital gains by making mezzanine investments in companies across a broad spectrum of businesses in the niche manufacturing, distribution and service industries. Mezzanine Fund III invests in middle market companies engaged in leveraged buyouts, recapitalizations, restructurings and growth financings. PNC Mezzanine Management will employ the investment strategy developed successfully by its principals over their tenure in

the mezzanine market. The key elements of PNC Mezzanine Management's current investment strategy include:

- Sourcing the majority of transactions in situations where competition is limited as a result of relationships and reputation;
- Applying a disciplined investment and diligence process driven by the credit quality of each opportunity while emphasizing equity upside;
- Working actively with portfolio companies before and after the transaction closes;
- Emphasizing those industry segments in which the principals of PNC Mezzanine Management have experience; and
- Focusing on transactions in the relatively inefficient lower middle market.

Material Investment Risks

The investment activities of Mezzanine Fund III involve a high degree of risk with no certainty of any return of capital. Although mezzanine securities are senior to common stock and other equity securities in the capital structure, they may be subordinated to senior debt and are usually unsecured. Highly leveraged portfolio companies are intrinsically more sensitive to declines in revenues and to increases in interest rates and other expenses. Portfolio companies may face intense competition, changing business and economic conditions or other developments which may adversely affect their performance. The ability of Mezzanine Fund III to influence a company's affairs and to protect its investments, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. The debt securities in which Mezzanine Fund III will invest may not always be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency. Mezzanine Fund III's investment returns are expected to be driven by the following factors: return of principal, receipt of interest and fees and returns on equity components of investments, including warrants. There can be no assurance that a portfolio company will generate sufficient cash necessary to service its debt obligations or that the entire principal amount of Mezzanine Fund III's investment will be repaid. Mezzanine Fund III's investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by Mezzanine Fund III earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless.

As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that Mezzanine Fund III will meet its investment objective or otherwise be able to successfully carry out its investment program. The following does not purport to be a comprehensive summary of all the risks associated with an investment in Mezzanine Fund III. Please refer to the offering materials of Mezzanine Fund III, including the PPM and limited partnership agreement, for a description of certain additional risks associated with an investment

in Mezzanine Fund III. Clients of PNC Mezzanine Management, as well as investors in Mezzanine Fund III, should be prepared to incur losses. Investments in Mezzanine Fund III are not insured by the Federal Deposit Insurance Corporation or any other government agency and are not guaranteed by PNC Mezzanine Management, PNC Bank, National Association (“PNC Bank”) or any other person. PNC Mezzanine Management assumes that investors in Mezzanine Fund III will not invest all of their assets in that Mezzanine Fund III. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Competitive Mezzanine Environment – The activity of identifying, completing and realizing attractive mezzanine investments involves a significant degree of uncertainty, and Mezzanine Fund III will compete with strategic buyers and other investors, including other mezzanine funds, private equity funds, direct investment firms and merchant banks, for investment opportunities. There can be no assurance that Mezzanine Fund III will be able to locate and complete investments that satisfy its rate of return objectives or realize upon their values or that it will be able to invest fully its commitments.

Lack of Diversification and Reliance on Portfolio Company Management – Mezzanine Fund III will invest in a limited number of investments. Therefore, the aggregate return of Mezzanine Fund III may be adversely affected by the negative performance of a relatively few investments. Mezzanine Fund III does not have fixed guidelines for diversification by industry, and investments may be concentrated in only a few industries. PNC Mezzanine Management monitors portfolio company performance; however, it is primarily the responsibility of portfolio company management to operate a portfolio company on a day-to-day basis and there is no assurance that such management will perform in accordance with PNC Mezzanine Management’s expectations.

Dependence Upon PNC Mezzanine Management and its Affiliates – Decisions with respect to the management of Mezzanine Fund III and originating, identifying, structuring, executing and monitoring investments consistent with Mezzanine Fund III’s investment objective and policies will be made exclusively by PNC Mezzanine Management and its affiliate serving as the general partner. Limited partners have no right or power to take part in the management of the Mezzanine Fund III and will not have an opportunity to evaluate the specific investments made by Mezzanine Fund III or the terms of any investment. The success of Mezzanine Fund III will depend significantly upon the skill and expertise of the PNC Mezzanine Management’s principals to select investment opportunities, negotiate appropriate terms of securities purchased, and arrange the profitable disposition of securities. The carried interest of these principals should discourage them from withdrawing from participation in Mezzanine Fund III’s investment activities. However, there can be no assurance that these principals will continue to be associated with the general partner or its affiliates throughout the life of Mezzanine Fund III, and the loss of key personnel could have a material adverse effect on Mezzanine Fund III.

Legal, Tax and Regulatory Risk – Legal, tax and regulatory changes could occur during the term of Mezzanine Fund III that may adversely affect Mezzanine Fund III and its portfolio companies or limited partners.

Risks Upon Disposition of Investments – In connection with the disposition of an investment in a portfolio company, or the public sale of securities of a portfolio company, Mezzanine Fund III may be required to make representations about the business and financial affairs of the portfolio company or to assume responsibility for the contents of disclosure documents under applicable securities laws and to indemnify the purchasers of such investments or underwriters of securities of a portfolio company, to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities of Mezzanine Fund III. The limited partnership agreement contains provisions to the effect that a limited partner may be required to return distributions received from Mezzanine Fund III for purposes of meeting its ratable share of Mezzanine Fund III's indemnity or other obligations in an amount not exceeding the aggregate amount of distributions actually received by such limited partner.

Illiquid and Long-Term Investments – The general partner of Mezzanine Fund III intends to achieve targeted returns for a given investment over a three- to five-year period; however, other factors, such as overall economic conditions, the competitive environment and the availability of potential purchasers of the securities, may shorten or lengthen Mezzanine Fund III's holding period. Although a majority of the investments of Mezzanine Fund III are expected to generate some current income, a significant portion of investments may have a contractual return that is not paid entirely in cash, but rather is paid partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received which may be distributed to the partners and increasing Mezzanine Fund III's risk exposure to the portfolio company. In addition, there can be no assurance that the distributions, if any, from Mezzanine Fund III to its limited partners will be sufficient to cover any limited partner's tax obligations arising from its allocable share of taxable income of Mezzanine Fund III. It is anticipated that there will not be a public market for all or a substantial portion of the securities held by Mezzanine Fund III at the time of their acquisition. Mezzanine Fund III will generally not be able to sell its securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Practical limitations may inhibit Mezzanine Fund III's ability to liquidate its investments in privately held portfolio companies since Mezzanine Fund III will own debt securities and/or a relatively small percentage of the issuer's equity securities, limiting Mezzanine Fund III's ability to cause a liquidity event. Sales also may be limited by market conditions which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. In some cases, Mezzanine Fund III may be prohibited by contract from selling certain securities for a period of time. The expenses of operating Mezzanine Fund III may exceed its income, with the difference having to be paid from capital. Losses on unsuccessful investments may be realized before gains on successful investments are realized.

Follow-On Investments – Mezzanine Fund III may be called upon to provide additional funding to, or have the opportunity to increase its investment in, its portfolio companies. There can be no assurance that Mezzanine Fund III will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision not to make a follow-on investment or the inability of Mezzanine Fund III to make such an investment may have a substantial negative impact on a portfolio company in need of such an investment and may diminish Mezzanine Fund III's ability to influence the portfolio company's future development.

Non-Controlling Investments – Mezzanine Fund III will generally hold a non-controlling interest in portfolio companies and, therefore, may have to rely solely on contractual covenants which may be limited to protect its position in such portfolio companies.

Financial Market Fluctuations – General fluctuations in the market prices of securities may affect the value of the investments held by Mezzanine Fund III. Instability in the securities markets may also increase the risk inherent in Mezzanine Fund III's investments. The ability of portfolio companies to refinance or redeem mezzanine and structured equity securities held by Mezzanine Fund III may depend on their ability to sell new securities in the market.

Interest Rate Fluctuations – General interest rate fluctuations may have a substantial negative impact on Mezzanine Fund III's investments and investment opportunities and, accordingly, may have a material adverse effect on Mezzanine Fund III's investment objectives and the rate of return on invested capital. In addition, an increase in interest rates would make it more expensive for portfolio companies to finance operations and indirectly affect the credit quality of Mezzanine Fund III's investments.

Failure to Make Contributions – If a limited partner fails to pay installments of its commitment to Mezzanine Fund III when due, and the contributions made by non-defaulting limited partners and borrowings by Mezzanine Fund III are inadequate to cover the defaulted contribution, Mezzanine Fund III may be unable to pay its obligations when due. As a result, Mezzanine Fund III may be subjected to significant penalties that could materially adversely affect the returns to limited partners (including non-defaulting limited partners). If a limited partner defaults with respect to its obligations to fund required capital contributions, then the limited partner will be subject to the potential loss of all or a portion of its capital account and other customary default provisions.

Operating and Financial Risks of Portfolio Companies – One of the fundamental risks associated with Mezzanine Fund III's investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments when due. While Mezzanine Fund III will generally target investing in high quality companies, these companies could still present a high degree of business and credit risk. Portfolio 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 personnel. Companies in which Mezzanine Fund III invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an

economic downturn. The companies in which Mezzanine Fund III invests may be highly leveraged. The incurrence of indebtedness may subject Mezzanine Fund III's investee companies to restrictive financial and operating covenants, impairing their ability to finance future operations and capital needs and limiting their flexibility to respond to changing business and economic conditions and business opportunities. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. The leveraged capital structure of such companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the financial condition of the company or its industry. A portfolio company's failure to satisfy covenants in its loan documents could lead to default and possible termination of its loans and foreclosure on its secured assets which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the securities held by Mezzanine Fund III. Mezzanine Fund III may incur expenses if it is required to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, it is possible that a bankruptcy court would re-characterize Mezzanine Fund III's position in such company's capital structure as equity and subordinate its claims to the claims of other creditors. When successful, or when there is a decline in interest rates, a portfolio company may pay the principal on an obligation held by Mezzanine Fund III earlier than expected. Early repayments of Mezzanine Fund III's investments may have a material adverse effect on its investment objectives and the rate of return on invested capital. To address this risk, Mezzanine Fund III may, from time to time, seek to negotiate prohibitions on prepayment for a period of years and/or a call premium or other pre-payment penalty to be paid by the issuer on prepayment.

Subordination – The investments of Mezzanine Fund III will typically be subordinated to the senior obligations of an issuer, either contractually (in the case of debt securities) or because of the nature of the security (in the case of preferred stock, common stock, or holding company debt). Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. In addition, Mezzanine Fund III may not have control over the amount of senior debt of the companies in which it has mezzanine investments. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such issuer.

No Assurance of Investment Return – The general partner of Mezzanine Fund III cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that Mezzanine Fund III will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. Past activities of investment entities associated with PNC Mezzanine Management and its affiliates and principals, including other Funds, provide no assurance of future success.

Investment in Restructurings and Reorganizations – Each Fund may make investments in restructurings which involve companies that previously have experienced or are experiencing financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. As such, these investments could subject Mezzanine Fund III to certain additional potential liabilities that may exceed the value of Mezzanine Fund III's original investment therein. For instance, under certain circumstances, payments to Mezzanine Fund III (and distributions to its limited partners) may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Investments in restructurings also may be adversely affected by statutes relating to, among other things, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Bridge Investments – Mezzanine Fund III may provide bridge financing in connection with one or more of its investments. While such securities are outstanding, Mezzanine Fund III will bear the risk of changes in the capital markets that may adversely affect the ability of a portfolio company to refinance bridge investments. If the portfolio company is unable to complete a refinancing of the bridge loan, for example, Mezzanine Fund III could have a long-term investment in a junior security or that junior security might be converted to equity.

Indemnification – Mezzanine Fund III will be required to indemnify PNC Mezzanine Management and its affiliate acting as the general partner, their affiliates and each of their respective members, officers, directors, employees, stockholders, shareholders, partners and other persons who serve at the request of the general partner on behalf of Mezzanine Fund III for liabilities incurred in connection with the affairs of Mezzanine Fund III. Members of any advisory board also will be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the limited partnership agreement. Liabilities resulting from such indemnification obligations may be material. The indemnification obligation of Mezzanine Fund III would be payable from the assets of Mezzanine Fund III, including the unpaid commitments of the limited partners. If the assets of Mezzanine Fund III are insufficient, the general partner may recall distributions previously made to the limited partners, subject to certain limitations set forth in the limited partnership agreement.

General Tax Considerations – Mezzanine Fund III is expected to be treated as a partnership for U.S. federal income tax purposes. An investment in Mezzanine Fund III may give rise to a variety of complex U.S. federal income tax and other tax issues for limited partners. Prospective investors are urged to consult their own tax advisors with specific reference to their own situations concerning an investment in Mezzanine Fund III.

Risk Arising from Provision of Management Assistance – Mezzanine Fund III will use its reasonable best efforts to structure its investments so that it will qualify as a “venture capital operating company” within the meaning of regulations promulgated under the Employee Retirement Income Security Act of 1974, as amended. While the general partner of Mezzanine

Fund III intends to manage Mezzanine Fund III in a way that will minimize the exposure to any related risks, the possibility of successful claims cannot be precluded.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of the Firm's management in this Item. PNC Mezzanine Management has no legal or disciplinary events to report.¹

Item 10. Other Financial Industry Activities and Affiliations

PNC Mezzanine Management is part of a broad financial services organization and is therefore affiliated with other entities engaged in a variety of financial services businesses. In some cases, the Firm has business arrangements with its related persons that are material to its advisory business or to its clients. These are described in more detail below and, in some cases, may cause PNC Mezzanine Management's or a related person's interests to diverge from the best interests of Mezzanine Fund III.

The PNC Financial Services Group, Inc.

PNC is a diversified financial services company. PNC is engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. Through its indirect wholly owned subsidiaries, PNC is (1) the sponsoring limited partner of Mezzanine Fund III; (2) a member of the general partner of Mezzanine Fund III; and (3) the parent company of PNC Mezzanine Management. In its capacity as a member of the general partner of Mezzanine Fund III, PNC is entitled to a percentage of the performance allocation described in Item 6 – *Performance-Based Fees and Side-by-Side Management*.

PNC Bank, National Association

PNC Bank, a member of the Federal Deposit Insurance Corporation, is a full service bank engaged in traditional lending, cash and/or treasury management and other services. From time to time, PNC Bank may provide such services to a portfolio company in which Mezzanine Fund III has invested.

PNC Capital Finance, LLC

PNC Capital Finance, LLC, an indirect, wholly owned subsidiary of PNC, makes subordinated debt and/or equity investments in private companies. PNC Capital Finance does business under the names "PNC Mezzanine Capital," "PNC Erievue Capital," "PNC Investment Capital" and "PNC Riverarch Capital." Principals of PNC Mezzanine Management also manage investments made by the PNC Mezzanine Capital division of PNC Capital Finance, LLC.

¹ We note that registered advisers are required to report all disciplinary events regardless of whether they are material in Part 1A of Form ADV. PNC Mezzanine Management has no disciplinary events of any kind to report.

PNC Capital Advisors LLC

PNC Capital Advisors LLC, a wholly owned subsidiary of PNC Bank, provides discretionary investment advisory services to registered investment companies, institutional accounts, and personal investment management accounts.

National City Equity Partners, Inc.

National City Equity Partners, Inc., an indirect, wholly owned subsidiary of PNC, holds legacy equity and mezzanines investments directly or through a wholly owned subsidiary.

PNC Capital Markets LLC

PNC Capital Markets LLC, an indirect, wholly owned subsidiary of PNC, offers loan syndication, public finance underwriting and advisory services, securities underwriting and trading, private placements and asset securitizations.

Harris Williams LLC

Harris Williams LLC (“Harris Williams”), a wholly-owned subsidiary of PNC Bank, is one of the largest mergers and acquisitions advisory firms in the country focused exclusively on the middle market. From time to time, Harris Williams may provide such services to a portfolio company in which Mezzanine Fund III has invested.

Solebury Capital, LLC

Solebury Capital, LLC, a wholly-owned subsidiary of PNC Bank, is an equity capital markets advisory firm. From time to time, Solebury may provide initial public offering, follow-on or other equity capital markets advice to a portfolio company in which Mezzanine Fund III has invested.

BlackRock, Inc.

As of December, 31, 2014, The PNC Financial Services Group, Inc., together with its subsidiaries, owned approximately 22% of the total capital stock of BlackRock, Inc. (“BlackRock”) and approximately 21% of BlackRock’s voting common stock. BlackRock offers investment management, risk management and advisory services for institutional and retail clients worldwide, managing assets through a variety of equity, fixed income, balanced, cash management, and alternative investment products. PNC Mezzanine may be deemed to be indirectly affiliated with a certain BlackRock investment adviser and broker-dealer subsidiaries. BlackRock’s subsidiaries which are registered investment advisers or registered broker-dealers include: BlackRock Advisors LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock International Limited, BlackRock Investment Management LLC, BlackRock (Singapore) Limited, BlackRock Asset Management North Asia Limited, BlackRock Kelso Capital Advisors LLC, BlackRock Asset Management Schweiz, AG, BlackRock Realty Advisors, Inc., BlackRock Investments, LLC and, BlackRock Execution Services.

PNC or its affiliates may provide broker-dealer or other services to Mezzanine Fund III and may receive broker-dealer fees and investment banking fees with respect to portfolio company transactions. Mezzanine Fund III will not receive any of the fees paid by the portfolio companies for such services. Furthermore, PNC or its affiliates, such as Harris Williams, acting as underwriters or broker-dealers, may be chosen by a portfolio company of Mezzanine Fund III to effectuate, among other things, sales or offerings, with or without the input of PNC Mezzanine Management.

The relationship between PNC Mezzanine Management and its affiliates, including an affiliated broker-dealer, may give rise to a material conflict of interest between PNC Mezzanine Management and Mezzanine Fund III if Mezzanine Fund III has an interest in any portfolio companies with respect to which an affiliate provides services. PNC Mezzanine Management may have an incentive to seek to influence the management of a portfolio company to retain an affiliate to provide broker-dealer or other services, or to borrow from, or otherwise transact with, an affiliate of PNC Mezzanine Management, rather than an unaffiliated entity. However, PNC Mezzanine Management will approve such transactions only on terms that are believed to be commercially reasonable to Mezzanine Fund III. Moreover, if PNC Mezzanine Management holds one or more seats on the board of directors of a Mezzanine Fund III portfolio company, and the board is being asked to vote on a matter involving a PNC affiliate (other than Mezzanine Fund III, its general partner or manager), then the PNC Mezzanine representative(s) will: (1) vote on such matter in good faith in a manner they believe to be in the best interests of Mezzanine Fund III and (2) request that the portfolio company obtain approval both from a majority of all board members and from a majority of the non-PNC board members.

Relationships with Affiliates

In addition to the above, in the ordinary course of its business, PNC or its affiliates may engage in activities in which their interests may potentially conflict or compete with those of Mezzanine Fund III and its limited partners, including (1) making direct or indirect investments in companies which would otherwise be suitable portfolio company investments for Mezzanine Fund III; (2) investing as a passive limited partner in funds that compete with the Mezzanine Fund III; or (3) lending to a portfolio company in which Mezzanine Fund III has made an investment at a level that is senior in the capital structure to Mezzanine Fund III's investment. PNC or its affiliates may also represent potential purchasers, sellers and other involved parties with respect to businesses which may be suitable for investment by Mezzanine Fund III. In addition, if PNC or one of its affiliates is engaged to provide investment banking, underwriting or other services to portfolio companies in which Mezzanine Fund III has invested, Mezzanine Fund III will not receive any of the fees paid by portfolio companies to PNC or such affiliate in connection with such services.

As discussed above, certain portfolio companies in which Mezzanine Fund III has invested have borrowed from PNC Bank. These loans are senior in the capital structure to Mezzanine Fund III's investment. While the principals of PNC Mezzanine Management believe that such loans

promote attractive deal flow for Mezzanine Fund III and thereby benefit Mezzanine Fund III, loans by PNC Bank at a level senior to that of Mezzanine Fund III's investments present inherent conflicts of interest between PNC Bank and Mezzanine Fund III. For example, in the event of restructuring or insolvency, the holders of senior debt may exercise remedies and take other actions that are not in the interest of, or are materially adverse to Mezzanine Fund III.

Furthermore, by reason of the lending, investment banking and other activities of PNC and its affiliates, PNC or its affiliates may acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. In addition, under certain circumstances, Mezzanine Fund III may not be given access to material non-public information in the possession of PNC or its affiliates which may be relevant to an investment decision to be made by Mezzanine Fund III.

While the risk of these conflicts cannot be eliminated, policies and procedures have been designed and implemented, such as information barriers and conflict disclosure procedures, to address certain of these conflict situations.

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

Code of Ethics and Personal Trading

PNC Mezzanine Management has adopted a Code of Ethics which consists of certain general principles including: (1) the interest of any Fund (and investors therein) must be placed first at all times; (2) all personal securities transactions must be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; (3) Firm personnel owe a fiduciary duty to the Firm's clients and should not, among other things, take inappropriate advantage of their positions; (4) Firm personnel must comply with applicable federal securities laws; and (5) Firm personnel must comply with all applicable compliance policies and procedures of the Firm. In addition, the Code of Ethics includes provisions relating to the reporting of personal securities holdings and trading activity. A copy of the Code of Ethics will be provided to any client or prospective client upon request. Please contact the Firm's Chief Compliance Officer at Three PNC Plaza, 225 Fifth Avenue, Pittsburgh, PA 15222, Attn: Chief Compliance Officer, Telephone: 412-467-1507.

Personnel associated with PNC Mezzanine Management are also subject to the PNC Employee Conduct Policies, among other policies and procedures, which cover matters including compliance with law, conflicts of interest, insider trading, outside activities, and safeguarding confidential information.

Participation or Interest in Client Transactions

As discussed in Item 10 – *Other Financial Industry Activities and Affiliations*, PNC Bank may provide traditional lending, cash and/or treasury management and other services to a portfolio

company in which Mezzanine Fund III has invested. However, such services offered by PNC Bank are separate from the management services provided by PNC Mezzanine Management. Policies and procedures have been designed and implemented to address these and related conflict situations.

Investments in Securities Recommended to PNC Mezzanine Funds

PNC Mezzanine Management has permitted PNC and/or its subsidiaries and other investors to invest in portfolio companies alongside a Fund at the same time and on substantially the same terms and conditions as the Fund's investment in such portfolio companies. For a discussion of the allocation of investment opportunities, please refer to Item 12 – *Brokerage Practices*.

Item 12. Brokerage Practices

Broker Selection and Best Execution

PNC Mezzanine Management typically acquires or disposes of a security through a privately negotiated transaction with the issuer of the securities and/or the prospective purchasers, and generally will not involve the services of a broker or dealer. In those cases, PNC Mezzanine Management seeks to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to Mezzanine Fund III and its roles and responsibilities. In limited circumstances, PNC Mezzanine Management may approve Mezzanine Fund III's sale of a security through a broker or dealer. When it is appropriate to execute portfolio transactions through brokers or dealers, PNC Mezzanine Management seeks the best overall terms available on behalf of Mezzanine Fund III. In assessing the best overall terms available for any transaction, PNC Mezzanine Management considers the full range and quality of a broker or dealer's services and other considerations, including cost, expertise and reputation.

Allocation and Aggregation of Trades

As discussed in Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, PNC Mezzanine Management has permitted PNC and/or its subsidiaries and other investors to invest in portfolio companies alongside the Fund. The Firm's investment professionals will take steps to ensure that, to the extent practicable, such co-investments are made or sold at the same time and on substantially the same terms and conditions as the Fund's investment in such portfolio companies. PNC Mezzanine Management has a trade allocation and aggregation policy pursuant to which it may allocate and aggregate trades on a fair and equitable basis over time and consistent with its fiduciary duties to the Fund. However, the investment period of Mezzanine Fund III has expired and, with the exception of certain follow-on investments and the liquidation of existing portfolio company positions, Mezzanine Fund III will not engage in additional transactions.

Item 13. Review of Accounts

Investment professionals of the Firm actively monitor and review Mezzanine Fund III's investment portfolio on a periodic basis. The team generally includes senior management and

other investment professionals of PNC Mezzanine Management. During this process, the investment professionals analyze existing portfolio company positions in an attempt to identify issues early on and to take any necessary actions. The Investment Committee of Mezzanine Fund III includes representatives of the Firm, meets at such times as necessary or appropriate to discuss the investment portfolio of Mezzanine Fund III and, as necessary, implements any action recommended by the Firm's investment professionals.

In addition, the advisory board of Mezzanine Fund III may, among other things, (1) annually review valuations of Mezzanine Fund III's investments and approve or disapprove any valuations required under the Fund's limited partnership agreement; (2) review any actual or potential conflicts of interest; and (3) consider any other matters required under the Fund's limited partnership agreement or otherwise determined by the applicable general partner.

PNC Mezzanine Management (or an affiliate) will provide written reports at such frequency as required by the applicable agreements with Mezzanine Fund III, including the limited partnership agreement. However, PNC Mezzanine Management (or an affiliate) will provide, among other things, (1) audited financial statements and other information on an annual basis in accordance with generally accepted accounting principles (within 120 days after the Mezzanine Fund III's fiscal year end) and (2) unaudited summary financial and other information on a quarterly basis, to the investors in Mezzanine Fund III. In addition, investors in Mezzanine Fund III may also be invited to an annual meeting at which general information is provided.

Item 14. Client Referrals and Other Compensation

PNC Mezzanine Management receives, in the ordinary course of its business, compensation from certain portfolio companies in which Mezzanine Fund III has invested in connection with managerial and other services provided to the portfolio companies. The Firm may also receive fees and other compensation, such as breakup fees, from transactions not consummated by Mezzanine Fund III in connection with Mezzanine Fund III's proposed investment in such transactions. As described more fully in Mezzanine Fund III's PPM or other offering materials, such fees and other compensation may be shared, in part, with Mezzanine Fund III through reductions or off-sets against management fees that would otherwise be applicable.

Item 15. Custody

The Firm may be deemed to have "custody" of Mezzanine Fund III's assets within the meaning of Rule 206(4)-2 under the Adviser Act. In compliance with that rule, each investor in Mezzanine Fund III will receive audited financial statements, in accordance with generally accepted accounting principles, within 120 days following Mezzanine Fund III's fiscal year end. Investors should review these audited financial statements carefully. If you have invested in a Mezzanine Fund III and have not received audited financial statements timely, please contact PNC Mezzanine Management Corp. immediately at: Three PNC Plaza, 225 Fifth Avenue, Pittsburgh, PA 15222, Attn: Chief Compliance Officer, Telephone: 412-467-1507.

Item 16. Investment Discretion

As discussed in Item 4 – *Advisory Business*, PNC Mezzanine Management provides, pursuant to a Management Agreement, investment management services to Mezzanine Fund III on a discretionary basis, subject to the oversight of the general partner of Mezzanine Fund III. The limits upon the Firm’s investment discretion are established through negotiations with the investors in Mezzanine Fund III and/or its general partner. These limitations are incorporated in Mezzanine Fund III’s PPM or other governing documents, including the Management Agreement. Currently, PNC Mezzanine Management’s investment discretion is further limited to certain follow-on investments and the liquidation of existing portfolio company positions.

Item 17. Voting Client Securities

PNC Mezzanine Management, through the general partner, will exercise, on behalf of Mezzanine Fund III, any voting, consent and/or waiver rights with respect to portfolio securities held by Mezzanine Fund III if designated by written agreement with the general partner. Although the securities which Mezzanine Fund III typically holds do not include proxy rights, Mezzanine Fund III may, from time to time and under certain circumstances, be asked to consent to certain corporate actions (*e.g.*, consent to changes in features of debt securities). The general principle of the Firm’s Voting, Consent and Waiver Policy and Procedures is to exercise any such rights prudently and solely in the best long-term economic interest of Mezzanine Fund III considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of such vote, consent or waiver.

The Firm’s Voting, Consent and Waiver Policy and Procedures are designed to ensure that if a material conflict of interest is identified in connection with a particular vote, consent or waiver, the vote, consent or waiver is not improperly influenced by the conflict. For example, in the event that an investment professional determines that he or she may have a material conflict of interest, the investment professional may vote such matter in accordance with the recommendation of any service provider (if applicable) or as instructed by the investors in the Fund (or any advisory group thereof) (if applicable).

Written requests for copies of the Firm’s Complete Voting, Consent and Waiver Policy and Procedures and information about how PNC Mezzanine Management exercised any voting, consent and/or waiver rights should be directed to PNC Mezzanine Management at Three PNC Plaza, 225 Fifth Avenue, Pittsburgh, PA 15222, Attn: Chief Compliance Officer, Telephone: 412-467-1507.

Item 18. Financial Information

Not applicable.