

Form ADV Part 2A: FIRM BROCHURE



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This Brochure provides information about the qualifications and business practices of McCarthy Partners Management, LLC (“MPM” or “Firm”). If you have any questions about the contents of this Brochure, please contact us at (402) 932-8600 or tmercerc@mccarthycapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

MPM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about MPM is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been no material changes since MPM's last Brochure filing on March 23, 2018. MPM routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. In this year's filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2018; and
- Item 8: updated to reflect additional risk factors and conflicts of interest.

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Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

McCarthy Partners Management, LLC, together with its fund general partners or affiliates, unless the context otherwise requires (“MPM” or the “Firm”), a Delaware limited liability company, is a private equity firm based in Omaha, Nebraska (with a satellite office in Wellesley, Massachusetts). Founded in 1999 as McCarthy Capital Corporation with the initial mandate to invest in private and public companies in the lower middle market primarily based in the Central Plains and broader Midwest, MPM and its affiliates provide discretionary investment advisory services to their clients, which consist of numerous private investment funds. MPM is the investment adviser to private funds previously advised by the former McCarthy Capital Corporation.

Since formation, MPM has evolved its core strategy to make control and substantial minority investments in lower-middle market private companies in a mix of growth equity, recapitalizations and management buyouts. The Firm is typically the first institutional capital in its underlying portfolio companies, which presents its private fund clients with the ability to effect change and to implement value-add growth initiatives, creating opportunities to create scale. MPM’s private funds grow underlying businesses in partnership with management teams pursuing a variety of proprietary strategies for creating long-term growth and value.

MPM serves as the investment adviser for, and provides discretionary investment advisory services to, private funds as well as to a co-investment special purpose fund established to invest alongside a fund in a portfolio company (collectively, “the Funds” and each a “Fund”). Most Funds are affiliated with a general partner with the authority to make investment decisions on behalf of the Fund (the “General Partner”, and collectively the “General Partners”). These General Partners are deemed to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”) pursuant to MPM’s registration in accordance with SEC guidance. While the General Partners maintain ultimate authority over the respective Funds, MPM has been delegated the role of investment adviser. For the Funds where there is no general partner, MPM or an affiliate serves the role of general partner and has similarly been delegated the role of investment manager. For more information about the MPM Funds, General Partners and affiliates, please see the Firm’s Form ADV Part 1, Schedule D, Section 7.A.(1), Financial Industry Affiliations, and Section 7.B.(1), Private Fund Reporting.

Principal Owners/Ownership Structure

MPM is owned by MCP Management Corporation, which is fully owned by members of the investment team and in some cases, their family members. For more information about MPM’s owners and executive officers, see MPM’s Form ADV Part 1, Schedules A and B.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative

analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

MPM provides investment advisory and management services as a private equity fund manager to its Funds. MPM is responsible for the day-to-day management of each Fund, the identification and evaluation of investment opportunities for its Funds, negotiating the terms of purchase and sale of investments and the acquisition, management and disposition of the respective Fund's investment. Interests in the Funds generally are privately offered to qualified investors (primarily institutional investors and high net worth individuals) in the United States. The Funds invest through privately negotiated transactions in operating companies. Investments are made predominantly in non-public companies, although investments in public companies are permitted. Where such investments consist of portfolio companies, the senior principals or other personnel and or affiliates of MPM will generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

MPM does not customize its advisory services to the individual needs of investors in its Funds; the Firm's investment advice and authority for each Fund is tailored to the investment objectives of that Fund. These objectives are described in the offering memorandum, limited partnership agreement or operating agreement, side letter agreements and other governing documents of the relevant Fund, including without limitation, management or advisory agreements (collectively, "Governing Documents"). The Firm does not vary its advice from the terms of the Governing Documents, nor does it seek or require investor approval regarding each investment decision.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letters agreements. Investors in the Funds participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the applicable Governing Documents. MPM has entered into side letters or similar agreements with certain investors including those who make substantial commitments of capital or were early-stage investors in the Funds, or for other reasons in the sole discretion of MPM, in each case that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents. Such rights include notification provisions, reporting requirements and "most favored nations" provisions, among others. Side letters are negotiated at the time of the relevant investor's capital commitment, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you

manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

MPM does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

As of December 31, 2018, MPM managed approximately \$1.804 billion in client assets, all managed on a discretionary basis.

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

MPM receives a management fee and the General Partners (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) are allocated carried interest as compensation for providing investment advisory services to the Funds. Management fees are generally negotiated with investors in a Fund over the course of the Fund’s private offering of limited partnership or limited liability company interests. The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds may not charge certain fees, compensation or expenses that other Funds charge or may charge them in different amounts. Investors in the Funds also bear certain expenses, as described in Item 5.C below. Each Fund’s Governing Documents describe fees, compensation and expenses in greater detail.

Management Fees

MPM charges each Fund a management fee (the “Management Fee”), generally ranging from 1.5% to 2% per annum depending on the particular Fund. The Management Fee charged to each Fund is specified in the Governing Documents of each Fund. For certain Funds, Management Fees are initially calculated based upon each investor’s committed capital for the period of time during which each Fund is making investments; thereafter, the Management Fee will be equal to a percentage of each investor’s invested capital. For other Funds, Management Fees are initially based on the total capital commitments made to the Fund and later on the net asset value of the remaining assets in the Fund determined as of the previous quarter end. For calculations involving net asset value, such amount is determined by the respective portfolio company manager and then approved by the MPM investment committee.

The General Partners (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) are permitted, in their sole discretion, to waive all or a portion of the Management Fee. Management Fees differ from one Fund to another, as well as among investors in the same Fund.

Such differences can arise from the size of an investor's commitment to a Fund, different investor classes, provisions of side letter agreements or other negotiated terms. Fees are generally waived for MPM employees, affiliates and their families investing in a Fund. Similarly, investors in a co-investment vehicle pay no Management Fee.

With respect to each Fund, Management Fees are billed to each Fund or its General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and paid by each Fund or its General Partner (or such affiliate) from the Fund's assets. To obtain cash for the payment of Management Fees, the Fund and/or its General Partner (or such affiliate) is permitted to draw down on the investors' capital commitments. Management Fees are exclusive of other expenses incurred by a Fund (as discussed later in Item 5.C below), which are borne by and payable out of the assets of the particular Fund and not by MPM.

Carried Interest

As described more fully in Item 6 below, each Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) is entitled to be allocated carried interest ("Carried Interest") with respect to the Funds, which is generally a range between 10% and 20% of all realized profits in excess of (in most cases) an 8% annually compounded preferred return, although some Funds charge a lower Carried Interest allocation. (Note, however, Fulcrum I, Fulcrum III, McCarthy Group and McCarthy Mortgage do not have a preferred return hurdle.) Each Fund's Carried Interest arrangement differs, and each calculation is further described in the relevant Fund's Governing Documents. In addition, MPM also is allocated a Carried Interest amount in connection with advisory services it provides to a co-investment vehicle.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Management Fees are generally paid quarterly in advance, but for some Funds are paid partially in arrears. Each of the Funds maintains for each investor in such Fund a capital account that is adjusted to reflect the Carried Interest allocation, the Management Fee and other Fund expenses, capital contributions, and other similar changes during the term of the particular Fund.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Manager Expenses

MPM and its affiliates are responsible for all of the day-to-day overhead expenses, including office expenses and compensation of its employee and partners.

Fund Expenses

The Funds will pay all expenses of operating its respective Fund (except those reimbursed by a portfolio company), and which differs across Funds, including (but not limited to): all fees (including, without limitation, Management Fees), costs, expenses and liabilities of each Fund (including litigation and indemnification costs and expenses, judgements and settlements); travel expenses relating to investment opportunities (to the extent not borne or reimbursed by a portfolio company); reasonable costs and expenses associated with the hosting of annual or special meetings of investors; expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, legal, custodial, registration and other third party services provided to a Fund, including in each case fees, costs and expenses (including travel-related expenses) incurred in the actual or proposed purchase, structuring, management, financing and disposition of securities by a Fund that are not reimbursed by the issuer of such securities (whether or not any such purchase or sale is consummated); expenses related to databases and media subscriptions; premiums for liability insurance to protect a Fund, its General Partner or affiliate and any of their respective partners, members, managers, stockholders, officers, directors, employees or agents in connection with the activities of a Fund; sales taxes or other taxes of any kind, fees or government charges; and all out-of-pocket expenses for those transactions with have not been consummated (together, the “Fund Expenses”). More information about MPM’s brokerage practices is available in Item 12.

For the avoidance of doubt, Fund Expenses do not include ordinary overhead and administrative expenses which are payable by any General Partner, MPM or an affiliate thereof pursuant to any agreements between the Fund and such party, including, without limitation, the Governing Documents.

Offering and Organizational Expenses

Each investor will bear its pro rata share of the Fund’s, the General Partner’s and the affiliate’s organizational expenses attributable to the organization of the Fund and the sale of interests (“Organizational Expenses”). The amount of Organizational Expenses varies by Fund and is further detailed in the Governing Documents of each Fund. Any amount incurred for Organizational Expenses in excess of the amount specified in each Fund’s Governing Documents will be paid by MPM and not the relevant Fund or its investors.

Portfolio Company Remuneration

MPM does not typically charge its portfolio companies commitment fees, break-up fees, consulting fees or other fees.

Co-Investment Expenses

In certain cases, one or more co-investment vehicles or other similar vehicle established to facilitate investments alongside a Fund will be formed in connection with the consummation of a transaction.

In the event a co-investment vehicle is created, the investors in such co-investment vehicle will pay their own separate expenses or fees with respect to any due diligence, legal or accounting review, administration, management and dispositions of such co-investment securities, and shall reimburse the participating Fund if such Fund incurs additional incremental expenses, fees or other charges as a result of an investor's participation in such co-investment. Co-investors, however, generally do not pay for expenses related to investments that are not consummated, or "broken deal" expenses. To date, MPM has one co-investment vehicle established in accordance with the relevant Fund's Governing Documents. The co-investment vehicle does not pay Management Fees but is allocated a reduced Carried interest and is responsible for its own fees and expenses.

Fee Offset

As mentioned above, the Funds do not typically charge its portfolio companies other fees such as commitment fees, break-up fees, consulting fees, transaction fees, board fees or other fees. In the event MPM were to charge such fee, 100% of all net cash fees paid by a Fund's portfolio companies (including commitment fees, break-up fees, consulting fees, financing fees, investment banking fees, monitoring fees and success fees) that exceed unreimbursed expenses (including unreimbursed unconsummated transaction expenses) during any calendar year will be treated as an offset against the Management Fee payable in the following year. Any such reduction of a Fund's Management Fee would typically be limited to the extent of such Fund's proportionate interest in any such portfolio company and only to the extent a Management Fee is payable by a Fund. If offsets exceed the Management Fee for a given quarterly period, the Management Fee will not be reduced below zero and, therefore, such offsets will not be carried forwarded from year to year.

Other Expenses

In the unlikely event that the Firm receives any fees or other remuneration directly from any portfolio company of a Fund (such as board of director fees), those fees will be used to reduce the Management Fees otherwise payable by the relevant Fund in the following quarter, as described above. In the event MPM appoints a third party to serve as a director for a Fund portfolio company, any director's fees earned by such third party will not be offset against Management Fees.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

The Funds pay Management Fees quarterly, typically in advance although in certain instances may be paid in arrears. Management Fees are expected to be paid, except as otherwise described in the relevant Governing Documents, and investors generally are not permitted to withdraw or redeem interests in the Funds.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

Neither MPM nor any supervised person accepts compensation for the sale of securities or other products, other than as described in this Item 5 and in Item 6 below.

Item 6 – Performance-Based Fees and Side-By-Side Management

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Funds it manages. As described above in Item 5, the General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) receives a Carried Interest allocation on certain realized profits in the Funds equal to 10% to 20% of all realized profits (depending on the Fund) subject to, in most cases, an 8% annually compounded preferred return (or hurdle) and subject to reimbursement of all relevant Fund Expenses, including Management Fees. (Note, however, Fulcrum I, Fulcrum III, McCarthy Group and McCarthy Mortgage do not have a preferred return hurdle.) Each Fund maintains for each of its investors in such Fund a capital account that is adjusted to reflect the Carried Interest allocation, the Management Fee and other Fund Expenses, capital contributions and other similar changes during the term of the particular Fund. Each Fund's Carried Interest calculation, as well as the clawback provisions of each Fund, is further described in the relevant Fund's Governing Documents. The Carried Interest allocated to a General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) is subject to a potential giveback if the respective General Partner (or affiliate) has received excess cumulative distributions. With regard to the co-investment vehicle, MPM is allocated a Carried Interest amount equal to 15% of all realized profits.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner or an affiliate of each Fund is permitted, in its sole discretion, to waive or reduce the amount of Carried Interest for an investor in a Fund. Specifically, if principals and employees, and their respective family and friends, are Fund investors they will generally pay reduced Carried Interest or none at all. Moreover, the General Partners of the Funds are all affiliates of MPM,

and some of MPM's affiliates and employees are members of the affiliated entities that receive these performance distributions from the Funds.

The fact that the Carried Interest allocations are based on the performance of each Fund can create incentive for MPM to make investments that are more speculative than would be the case in the absence of such distributions. This incentive is mitigated, however, due to the fact that any losses the Funds sustain will reduce the General Partner's or a Fund's affiliates' Carried Interest distribution and the fact that Carried Interest is generally calculated only after investors have received as distributions 100% of their capital contributions plus a preferred return.

Further, the fact that certain of the Funds charge higher Carried Interest amounts than others also can create an incentive to favor higher fee-paying Funds over lower fee-paying Funds. This conflict, however, only arises where two or more Funds with capital available for investment have overlapping investment profiles and the potential investments are suitable for two or more of these Funds. Generally, the Funds that MPM manages that are actively seeking new investments do not have the same investment objectives.

Item 7 – Types of Clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

MPM provides investment advice to the Funds. The Funds limit its investors to (i) “accredited investors” as defined in the Securities Act, (ii) “qualified clients” as defined in the Advisers Act, and (iii) “qualified purchasers” or “knowledgeable persons,” each as defined in the Company Act. Investors in the Funds must also meet certain other suitability qualifications prior to making an investment in the Funds. The Funds are not registered or required to be registered under the Investment Company Act; their securities are not registered or required to be registered under the Securities Act and are privately placed to qualified investors in the United States and elsewhere. The Funds have typically required capital commitments from each investor in the range of \$2.5 million, although lesser commitments have been accepted in the discretion of the applicable Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner).

The investors participating in the Funds include individuals, other investment entities and private funds, university endowments, family offices, pension and profit-sharing plans, trusts, estates or other corporations or business entities and include, directly or indirectly, principals or other employees of MPM and its affiliates and members of their families, as well as service providers retained by MPM.

MPM also serves as the investment manager to one co-investment vehicle that invests in a Fund portfolio company and may in the future serve as an investment manager to additional co-investment opportunities. Opportunities to invest in a portfolio company are made available to select persons or

entities, including, without limitation, strategic investors, lenders, deal sources, other private equity or venture capital firms, Fund investors, other persons or entities affiliated, associated or otherwise known to MPM or its personnel and unrelated third parties. These arise when MPM has the opportunity for an investment in an existing or prospective portfolio company and MPM determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Fund.

MPM will select the investors that are permitted to co-invest in a particular portfolio company in its sole discretion based on various factors, including those detailed in its Governing Documents and as outlined in its internal policies and procedures. While one or more investors in the Funds may be invited to co-invest in a Fund's portfolio companies, in MPM's sole discretion any or all of any co-investment opportunity may be offered to investors that are not investors in one or more of the Funds. MPM is permitted, in its sole discretion, to offer co-investment opportunities to some investors in its Funds while not offering them to other investors in its Funds, and may cause some Fund investors and/or other co-investors to bear a Management Fee and/or Carried Interest while not imposing a Management Fee and/or Carried Interest (or imposing a different Management Fee or Carried Interest) on other Fund investors and/or other co-investors. In MPM's sole discretion, some co-investment vehicles and/or co-investors may bear all or a portion of certain expenses (*e.g.*, legal and other expenses associated with a portfolio company investment), while other co-investment vehicles and/or co-investors do not share in such expenses. In certain cases, co-investment opportunities may include opportunities to invest in Fund portfolio companies at a time when there is not a corresponding Fund investment or on different terms than a Fund investment. Some co-investors may also be provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of a MPM portfolio company. Positions on boards of directors or advisers of such portfolio companies may provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors. Any board fees received by such co-investors are paid by the relevant portfolio company and are not subject to the offset against Management Fees. As mentioned above in Items 5 and 6, the current co-investment vehicle pays no Management Fees, is allocated a reduced Carried Interest and is responsible for its own fees and expenses.

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

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

The Funds focus on achieving attractive risk-adjusted returns primarily by making privately negotiated equity and equity-related investments in private companies. The Funds make both control and non-control investments, and in both cases, requires there to be significant ownership from company management. The applicable Governing Documents of each Fund set forth more detailed descriptions of each Fund's investment strategies and methods of analysis. While MPM will make

investment recommendations in accordance with the investment strategies described in the applicable Governing Documents, there can be no assurance that MPM will achieve the investment objectives of any of its Funds and a loss of investment may be possible.

MPM has deep experience investing in the following industries: business services, including technology-enabled business services (SaaS, software and IT services), value-added resellers, and technology, media and communications; financial services; and consumer products. MPM does not pursue investments in the following: transactions where management does not desire to retain meaningful ownership; real estate; early or venture capital stage businesses; and broad auction processes.

Potential Fund investments are subjected to an analysis that begins with intensive “bottom up” due diligence, cash flow modeling and valuation and terminates with an investment recommendation by the Firm’s investment committee, comprised of MPM’s partners. Each investment opportunity is initially analyzed by a team of investment professionals and in all cases, at least one partner or principal leads the analysis of a new investment. The teams undertake a thorough analysis of the target company, which analysis forms the basis of a memorandum which then must be reviewed and approved by the investment committee before the investment can be approved and undertaken.

In implementing its strategy, MPM focuses on the key tenants of its investment philosophy:

Established Industry Network to Source Privately Negotiated Deals. MPM has a demonstrable record of success in deal sourcing that is rooted in the Firm’s privately developed network of attorneys, accountants, management consultants, regional boutique investment bankers and management teams. MPM sources potential investments through this network in underserved markets in the Midwest and select regional markets rather than relying on national investment banks and auctioned investment bids. The ability to directly and discretely source privately negotiated deals through this intermediary network is a vital part of the Firm’s strategy and has enabled MPM to develop off-market deal flow, pre-empt processes, find hidden value in acquisition candidates and obtain favorable financing from lenders and other investors.

Exceptional Management Teams Retaining Material Capital at Risk Alongside MPM’s Investments. MPM’s core philosophy is to align interests with exceptional management teams willing to place material capital at risk on a pari passu basis with the Fund’s investment. There is a strong preference to partner with incumbent teams who are seeking guidance on growing the company and affecting ownership change through a partial buyout or recapitalization. Through this approach, MPM believes that the management team is dedicated to continuing to grow and build the business and does not simply view the Firm’s investment in their company as a source of liquidity. This core principle enables MPM to partner with management teams that share its values, business practices and vision for increasing profitability, while maintaining a high alignment of interest between MPM, the relevant Fund and the management team of each portfolio company.

Proven Business Models with Sound Fundamentals. MPM invests in companies with proven business models that are profitable, have an established customer base and an attractive market position. These

enterprises often require the expertise, capital and guidance that MPM can provide in order to scale the business to a higher level of efficiency and profitability. MPM prefers to invest in companies which have an attractive market position and opportunity for significant scale.

Conservative Valuation, Low Leverage and Thorough Due Diligence. MPM believes that a properly valued entry price is necessary to achieve return objectives and allows for a broader range of reasonable exit and liquidity alternatives. These characteristics in portfolio investments have made it historically possible for the Funds to receive distribution or dividend payments and to gain substantial equity appreciation opportunities with its investments. In addition, the historical returns of the Firm's investments have primarily been attributable to cash-flow growth in its portfolio companies as opposed to relying on a highly levered capital structure to meet return targets. MPM believes that this conservative approach to leverage and preparation for downside contingencies also allows its portfolios to weather any unforeseen market turmoil. Lastly, prior to making an investment, MPM's investment team (*i.e.*, a combination of a partner or principal, vice president and/or associate and an analyst) conducts thorough due diligence. Before making an investment, the team will perform a detailed analysis of the company's management, assets, liabilities, earnings, cash flow and industry characteristics. Viable deals are ultimately presented to the Firm's investment committee for underwriting approval after multiple steps of internal review.

Identifiable Value Creation Initiatives. MPM employs a well-defined and repeatable process for creating value throughout the life of each investment. This process begins with setting the vision and goals of the portfolio company in partnership with existing management and identifying and prioritizing key initiatives from the outset. This plan is driven by capitalizing on existing strengths of a company, recognizing and addressing weaknesses and identifying risk-appropriate opportunities for growth. Once an investment is made, MPM helps to implement the strategic and operational changes conceived and developed in conjunction with management during the comprehensive diligence process. MPM's investment professionals take an active role in the company through the development of investment opportunities, execution of transactions and financings, implementation of growth and efficiency initiatives and maximization of investment returns. MPM advises and assists the management of each Fund's portfolio companies in order to increase the probability that the original risk/return profile established at the inception of each investment is achieved.

Well-Defined Exit Strategies. MPM follows a disciplined approach in an effort to assure realization of its investments at an opportune time by assessing when the risk of a further hold exceeds the potential return. In most cases, this investment horizon will be five years or more. This long-term view and patient approach is an attractive feature to management teams and business owners and is a cornerstone of the MPM's partnership philosophy.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of

securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

An investment in the Funds involves a high degree of risk, including the risk of a partial or total loss of capital, and investors must be prepared to bear capital losses which might result from investments. An investment in the Funds is speculative, illiquid and long-term in nature, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Funds and for which the respective Fund does not represent a complete investment program. Investors should also refer to a Fund's Governing Documents for a description of the risk factors specific to their Fund. Risks and potential conflicts of interest include, but are not limited to, the following:

Business Risks. A Fund's investment portfolios consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk which can result in substantial losses. Among those risks are the general risks associated with investing in companies at an early stage of development and/or with operating losses and/or with significant variations in operating results. In many cases, these companies will require substantial capital to support expansion plans to achieve and maintain a competitive position. Such companies also will likely face intense competition from established companies with greater resources and capabilities.

Investments in more mature companies in the expansion or profitable stage also involve substantial risks. The companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire a business or develop new products and markets. These activities involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing and general management of these activities. Development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which are not always available through institutional private placements or the public markets. The percentage of companies which survive and prosper can be small.

Investors in the Funds May Not Receive Distributions. There can be no assurance that the operations of any of the Funds will be profitable, that any Fund will be able to avoid losses or that cash from any Fund's investments will be sufficient to enable it to make distributions to its investors. No Fund will have any source of funds from which to pay distributions to their investors other than income and gain received from investments and the return of capital. There is no assurance of any distribution to any Fund's investors prior to or upon liquidation of a Fund. Further, MPM may distribute the publicly traded securities of a portfolio company to the investors in that Fund; any such distribution could exert downward pressure on the market price of such issuer's securities.

Investment in Junior Securities; Minority Holdings. The securities in which a Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss.

Generally, there will be no collateral to protect an investment by one of the Funds once made. The Funds will generally take stakes in privately held companies and are also permitted to invest directly in publicly traded companies. Therefore, it is possible that a Fund at times will hold minority equity stakes in public companies, such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

Lack of Unilateral Control. The Funds generally hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Funds at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. When taking non-control positions, a Fund generally will seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that the Funds will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value. Even if a Fund has contractual rights to seek liquidity of its minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

Concentration of Investments. The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, it is possible that any particular Fund's investment portfolio will become highly concentrated, and its aggregate return can be affected substantially by the performance of a few holdings.

Lack of Sufficient Investment Opportunities. While it is expected that many attractive investments of the type in which the Funds intend to invest are currently available, there can be no assurance that such investments will be available when those Funds are ready to make investments, or that available investments will meet any particular Fund's investment criteria. The marketplace for private equity investing has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments and the competition for investment opportunities is at high levels. The Funds compete for investments with other funds and companies, some of which have greater resources than the Funds. There can be no assurances that any Fund will locate an adequate number of attractive investment opportunities. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, investors in the Funds will be required to pay annual Management Fees during the investment period based on the entire amount of their commitments.

Changes in Environment. The Funds' investment programs are intended to extend over a period of years, during which the business, economic, political, regulatory and technology environment within which each Fund operates may undergo substantial changes, some of which may be adverse to the Funds. The General Partner of each Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) has the exclusive right and authority (within limitations set forth in each Fund's Governing Documents) to determine the manner in which a Fund shall respond to such changes, and investors in that Fund will generally have no right to withdraw from the Fund or to demand specific modifications to the Fund's operations in consequence thereof.

The investment sourcing, selection, management and liquidation strategies and procedures exercised by MPM in the past may not be successful, or even practicable, during any particular Fund's term. Within the limitations set forth in each Fund's Governing Documents, the General Partner of that Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) will have the right and authority to cause a Fund's investment sourcing, selection, management and liquidation strategies and procedures to change over time. Investors have no right or power to take part in the management of a Fund, its assets or its portfolio investments. All aspects of a Fund's management are entrusted to the General Partner of that Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and, indirectly, to MPM. Investors in the Funds will invest greater amounts and receive a proportionately smaller interest in the profits of the Funds than any particular Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner).

General economic conditions beyond MPM's control have the potential to affect the performance of the Funds. Interest rates, general levels of economic activity, performance of the public securities markets and participation by other investors in the financial markets have the potential to affect the value of the portfolio companies or companies being considered for prospective investments. Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect that Fund and its investors.

Management Fees Will Be Paid to the General Partner or Affiliate Thereof Regardless of Fund Performance. Whether or not suitable investment opportunities are available to a Fund and regardless of whether any Fund experiences net losses in a particular year or over the term of such Fund, investors will be required to make payments to the Fund to cover the Management Fee and to reimburse the General Partner or an affiliate thereof for certain expenses.

Illiquidity; Lack of Current Distributions. An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. It is possible that losses on unsuccessful investments will be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment can be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, it is possible that there will be no current return on the investments. Furthermore, the expenses of operating a Fund

(including Management Fees) can exceed its income, thereby requiring that the difference be paid from such Fund's capital.

Leveraged Investments; Bridge Loans. Some of the Funds make use of leverage by incurring debt to finance a portion of its investment in a given portfolio company, or some Funds make equity investments in leveraged portfolio companies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The use of leverage will also result in interest expense and other costs to such Fund that may not be covered by distributions made to the Fund or appreciation of its investments. In addition, this portfolio company leverage could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. It is possible that a leveraged portfolio company in which a Fund invests will not have sufficient cash flow to pay its current debt service obligations as they become due or will not be able to refinance its outstanding indebtedness on favorable terms, or at all, upon maturity. It is anticipated that certain portfolio companies of one or more Funds will have outstanding variable rate debt. An increase in interest rates could impact such portfolio companies' ability to meet current debt service obligations. If a portfolio company is unable to timely meet its payment obligations or fails to satisfy applicable financial covenants, the portfolio company's lenders typically will have the ability to exercise a variety of remedies under the relevant credit documents, including foreclosing on the assets of the portfolio company that are used to secure the underlying debt. Any rights of a Fund as an equity holder will be junior to the rights of the portfolio company's lenders, whether the underlying debt is secured or not. If a portfolio company is liquidated or sold, there may be no assets remaining for equity holders after the portfolio company's creditors are paid. In addition, one or more of the Funds may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in a Fund's control, such long-term securities may not issue, and such bridge loans may remain outstanding. In such event, the interest rate on such loans would likely not adequately reflect the risk associated with the unsecured position taken by such Fund.

To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions or a portfolio company borrows funds directly through the Fund facility, the Fund's investors generally make later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. In addition, a Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and has the potential to make net IRR calculations higher than they otherwise would be without Fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions. While a Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's General Partner by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return. The General Partners therefore have a conflict of interest in deciding whether to borrow funds because a General Partner has the potential to receive disproportionate benefits from such borrowings.

Borrowing by a Fund will generally be secured by capital commitments made by investors to such Fund and/or by the Fund's assets, and documentation relating to such borrowing can provide that during the continuance of a default under such borrowing, the interests of the investors can be subordinated to such Fund-level borrowing, and the lenders have the ability to call capital directly from the investors. Moreover, tax-exempt investors should note that the use of borrowings by the Fund has the potential to cause the realization of UBTI.

Limited Transferability of Interests in a Fund. An investment in a Fund is a long-term commitment. The transferability of interests will be restricted by each Fund's Governing Documents and by U.S. federal and state, as well as foreign, securities laws. The interests are highly illiquid and have no public market. Voluntary withdrawals or redemption of interests are not permitted, except in limited instances when necessary to comply with laws or regulations applicable to an investor in a Fund, including, but not limited to, ERISA regulations. There will be no public market for the interests in a Fund, and none is expected to develop.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of a Fund's investments, and hence, most of a Fund's investments will be difficult to value. Consequently, it is possible that a Fund will not be able to dispose of an investment when its General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) desires to do so. Certain investments may be distributed in kind to the investors in such Fund.

Reliance on the General Partners, Affiliates and Portfolio Company Management. Control over the operation of each Fund will be vested entirely with the General Partner and/or an affiliate of that Fund in the case where such Fund does not have a General Partner, and the Fund's future profitability will depend largely upon MPM's business and investment acumen. The loss of service of one or more of MPM's investment professionals could have an adverse impact on a Fund's ability to realize its investment objectives. No assurances can be given that each member of the General Partners of a Fund (or members of an affiliate of the Fund in the case where such Fund does not have a General Partner), or each member of the investment professional staff will continue to be affiliated with the Funds throughout their various terms. Except as specifically provided in a Fund's Governing Documents, the members of the General Partner of that Fund (or affiliates thereof) will not be required to devote their time and attention exclusively to that Fund. Additional members may be admitted to the General Partner of a Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) following that Fund's initial closing and the investors in that Fund will have no power to prevent any specific person from being admitted to the General Partner of the Fund or an affiliate thereof. Within the General Partner of each Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner), the economic, voting and other rights of the individual members of the General Partner or affiliate, will be determined by agreement among such members and will be subject to change, without notice to the investors in that Fund. Notwithstanding any prior experience that members of the General Partner of any particular Fund or employees MPM or its affiliates have in making investments of the type made by the Funds, any such prior experience

necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that members of the General Partner of any particular Fund or employees of MPM or its affiliates will be able to duplicate prior levels of success.

Each Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) generally appoints or admits certain persons to advisory or other committees or boards intended to assist the General Partner or such affiliate by providing advice, industry contacts, deal flow, technical expertise or other benefits to such Fund. Under most circumstances, such persons will have no contractual or other obligation to continue as members of such committees or boards or to provide any particular benefits.

Reliance on Portfolio Company Management. The task of identifying investment opportunities, managing such investments and realizing a significant return for a Fund is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize such investments successfully. Although MPM will monitor the performance of each investment by its Funds, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although MPM intends to have its Funds invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully. Ultimately the profitability of any Fund will depend on its ability to select and retain good management for such portfolio company, and the ability of that management to carry out the company's plan.

Investments by a Fund May Not Be in the Best Interests of Some Limited Partners. The investors in a particular Fund may have conflicting interests that stem from differences in investment preferences, domicile, tax status and regulatory status. MPM will attempt to consider the objectives of each Fund and its respective investors as a whole when making decisions with respect to the selection, structuring and sale of portfolio investments, but it is inevitable that such decisions will be more beneficial for some investors in a Fund over others.

Capital Commitments May Not Be Fully Drawn Down. Investors in a Fund will be called upon to make capital contributions at any time during the Fund's investment period and, subject to limited exceptions, after the investment period. While it is in the interest of a Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) to draw upon all available commitments to the Fund, to increase the General Partner's (or affiliate's) potential return from that Fund, there can be no assurance that commitments in any particular Fund will be fully drawn down.

Material Non-Public Information. By reason of their responsibilities in connection with their other activities and/or investments, it is possible that certain of MPM's employees will acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Therefore, the Funds will not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Projections. There generally will be little or no publicly available information regarding the status and prospects of portfolio companies. Many of MPM's investment decisions will be dependent upon the ability of its employees and agents to obtain relevant information from non-public sources, and it may be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impractical to verify. Projected operating results of a company in which one of the Funds invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results can be significantly different from the projections. Also, general economic factors which are not predictable can have a material impact on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Fund will frequently decide to provide additional funds to such portfolio company or have the opportunity to increase its investment in a successful portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments can have a substantial negative impact on a portfolio company in need of such an investment or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

Reserves. In managing the Funds, MPM establishes reserves for follow-on investments in portfolio companies, operating expenses (including reimbursements of expenses), Fund liabilities and other matters. Estimating the amount necessary for such reserves is difficult, particularly because follow-on investment opportunities are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could have a material adverse effect on the investment returns to the investors in that Fund. For example, if reserves are inadequate, a Fund will likely be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with a "pay-to-play" or similar investment round. If reserves are excessive, it is possible that a Fund will decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

Funds May Face Competition from Other Similar Funds. The business of investing in the industries that the Funds invest in is competitive. Any number of new funds with similar investment objectives may be formed by other parties at any time and well-established funds with more generalized investment capabilities may enter into the industries that the Funds invest in at any time. Therefore, competition for suitable investment opportunities can become more intense in the future. This can adversely affect the terms upon which a Fund makes investments and can decrease the number of suitable investment opportunities.

A Fund's Investments May be Subject to Litigation and Claims. Each Fund, the members of its General Partner (for applicable Funds), and MPM employees will be subject to the risk of litigation in

connection with the ongoing business activities, particularly claims and suits brought against directors and controlling persons of a Fund's portfolio companies. Generally, it is anticipated that investments made by the Funds will be structured to require that the portfolio company provide indemnification for any claims or suits brought against the Fund, its affiliates and MPM employees. However, there can be no assurance that such indemnification will be sufficient to fully cover all such liabilities and costs. Each Fund's Governing Documents provides that the General Partner of the Fund and MPM employees will not be liable to a Fund or to any investor for any loss or damage sustained in connection with the Fund's business, including errors in judgment or other acts or omissions reasonably believed to be within the authority granted under the Governing Documents, unless such loss or damage is the result of gross negligence or willful misconduct. As a result, investors in a Fund effectively may have a more limited right of action against the General Partner of the Fund and MPM than they would otherwise have absent such provisions. Each Fund's Governing Documents also provides for indemnification of the General Partner of such Fund and/or affiliate and MPM against liability arising out of any act or omission in connection with the business of the Fund if such act or omission does not constitute gross negligence or willful misconduct.

Investments Longer than Term. The Funds may invest in investments which may not be advantageously disposed of prior to the date that a particular Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although it is expected that investments will be either disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Significant Default Penalties. Each Fund's Governing Document contain significant penalties in the event an investor in a Fund defaults on its capital commitment or other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting investor may be subject to a variety of adverse consequences including the forced transfer of its interest for an amount that is less than the fair market value of such interest and that may be paid over a period of years, without interest.

Director Liability. The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Fund's representatives (typically MPM employees), and ultimately the Fund, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may be insufficient if obtained.

Potential Liabilities on Exit. In connection with the disposition of an investment in a portfolio company, a Fund is often required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Funds may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which a General Partner of the Funds (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) establishes reserves and escrows. In that regard, distributions to the investors

in that Fund may be delayed or withheld until such reserve is no longer needed or the escrow period expires.

Cybersecurity Risk. The Funds, their portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their portfolio companies, despite the efforts of service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their portfolio companies. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the Funds, their portfolio companies, their service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information to gain access to the confidential data. A successful penetration or circumvention of the security of such systems could result in the loss or theft of data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds or their portfolio companies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Conflicts of Interest

There are potential conflicts of interest in each Fund's structure and operation, particularly with respect to activities of the members of the Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) outside of their activities on behalf of the Funds (including with respect to their activities on behalf of other MPM's Funds). Furthermore, MPM is permitted in the future to organize, offer interests in and provide services to, as well as invest in, other funds that may or may not be in the same investment field as the Funds, which activities may conflict with the duties to, or interest with respect to, existing Funds. The existing Funds will have no interest in these activities. As a result of the foregoing, MPM may be engaged in substantial activities other than on behalf of a particular Fund, may have differing economic interests in respect of such activities, and MPM's (or its affiliates') employees may have conflicts of interest in allocating their time and activity between and among the current Funds and future funds.

Provisions contained within each Fund's Governing Documents authorize such Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) or its members to engage in investment, management or other activities outside, or alongside, the Funds or to cause one or more of the Funds to make investments in respect of which the employees or members of a Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) have conflicting interests, will override common law and statutory fiduciary duties that would apply in the absence of such provisions. Each Fund's Governing

Documents contain certain provisions for investors in such Fund to address conflicts of interest faced by the General Partner of a Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and its members, but will not purport to address all types of conflicts that may arise. Moreover, as a practical matter, it may be difficult for investors in a Fund to subject the behavior of a General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and its members to close scrutiny.

Under each Fund's Governing Documents, certain transactions that involve conflicts of interest between a General Partner of the Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and the Fund may be submitted to an advisory committee comprised of investors (or representatives of such investors) in that Fund for resolution. However, this advisory committee will not necessarily represent the interests of all the investors in such Fund, and the members of the advisory committee may themselves be subject to various conflicts of interest (including as investors in other Funds). In general, the investors in a Fund will not be entitled to control the selection of members on this advisory committee, or to review the actions or deliberations of the advisory committee. A conflict of interest can exist in that not all investors are asked to join a Fund's advisory committee. During a Fund's term, many different types of conflicts of interest can arise and investors in a Fund will ultimately be heavily dependent upon MPM's good faith and the good faith of the General Partner of each Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and its members.

While the intent is that investment opportunities will be apportioned among the Funds on a fair and reasonable basis and in compliance with the Governing Documents of each Fund, there is no assurance that any particular Fund will be offered any specific investment opportunities that come to MPM's attention or that any particular Fund will be permitted to invest the full amount it desires to invest in any such opportunity that is made available.

Certain Risks for Investors in the Funds. If any Fund should become insolvent, the investors in that Fund may be required to return with interest any distributions representing a return of capital, repay any distributions wrongfully made to them and forfeit any undistributed profits.

The capital contributions of MPM's affiliates to any Fund will represent only a small portion of each Fund's capital. Investors in each Fund will invest greater amounts and receive a proportionately smaller interest in the profits of each than its General Partner or any affiliate thereof.

Side Letter Agreements. In accordance with common industry practice, the General Partner of each Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) has entered into one or more side letters or similar agreements with certain investors in that Fund pursuant to which the General Partner or the affiliate grants to those investors specific rights, benefits or privileges that are not made available to investors in that Fund generally. Such agreements will be disclosed only to those actual or potential investors in a Fund that have separately negotiated with the General Partner or the affiliate of the Fund the right to review such agreements.

Industry Relationships. As with many other private equity fund sponsors, as part of MPM's business, the principals, MPM and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees and members of MPM. Certain of these third parties will, on occasion: (i) introduce investment opportunities to MPM; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide investment banking, consulting, legal or advisory services to MPM, the Funds, or portfolio companies. Such third parties also on occasion provide goods or services to or have business, personal, political, financial or other relationships with the principals. In addition, such third parties are sometimes investors in one or more Funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to MPM, the Funds and/or their portfolio companies. These relationships have the potential to influence MPM in deciding whether to select or recommend any such third-party to perform services for the Funds or a portfolio company. The cost of any services provided by such third parties will generally be borne directly or indirectly by the Funds or its portfolio companies, as applicable.

Portfolio Company Board Service. As a result of the Funds' significant and often controlling interests in portfolio companies, MPM and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. MPM principals and employees often serve on the boards of Fund portfolio companies. Serving in such capacity can give rise to conflicts to the extent that an employee's fiduciary duty to a portfolio company as a director may conflict with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned. MPM does not earn fees for its employees who sit on portfolio company boards. However, any such fees earned by third parties appointed by MPM, if any, will not be offset against Management Fees. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to MPM in connection with services provided by the Firm and its affiliates to such portfolio company. MPM's authority to appoint or influence the appointment of portfolio company board members who will potentially be involved in approving compensation payable to the Firm or its portfolio companies subjects MPM and any such portfolio company board appointees to potential conflicts of interest. Serving in such capacity can give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director conflicts with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned.

Expense Allocations. Subject to any relevant restrictions or other limitations contained in the Governing Documents of each Fund, MPM will allocate fees and expenses in a manner that it believes in good faith is fair and equitable under the circumstances and considering such factors as it in its sole discretion deems relevant. In exercising such discretion, MPM may be faced with a variety of potential

conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Funds. Investors in a Fund are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which are generally calculated based on capital commitments, invested capital, available capital, or other metrics as determined by MPM in its sole discretion and in accordance with its policies and procedures regarding expense allocation. The allocations of such expenses may not be proportional.

MPM and its affiliates will from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio company. To the extent such fees, costs and expenses are not charged to a portfolio company, they will be paid by each Fund that participated or was expected to participate in such investment. The Funds will typically bear a portion of any such fees, costs, and expenses in proportion to the size of its actual or proposed investment, or in such other manner as MPM considers, in good faith, to be fair and equitable. There are occasions when one Fund (the “Payor Fund”) pays an expense common to multiple Funds (the “Allocated Funds”). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. There will also be occasions where the Firm or a Payor Fund pays an expense on behalf of a portfolio company. On such occasions, the portfolio company will reimburse the Firm or Payor Fund for the expense, without interest, and such reimbursement will not be subject to the fee offset provision.

A conflict of interest could arise in MPM’s determination of whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, whether such expenses should be borne by MPM or the manner in which MPM allocates expenses among the Funds. The Funds will be reliant on the determinations of MPM in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by MPM to be the most appropriate corrective measure.

Business with Portfolio Companies. MPM generally may, in its discretion, recommend to a Fund or a portfolio company (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) MPM or a related person of MPM (including but not limited to a portfolio company of a Fund); or (ii) an entity with which MPM or its affiliates or a member of their personnel has a relationship or from which MPM or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, it is possible that MPM will, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Transactions with Fund Investors. MPM may enter into transactions with certain Fund investors such as, for example, investors who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel or others who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Funds and portfolio companies. The terms of these transactions are negotiated on an arm's-length basis; however, MPM is subject to a conflict of interest when determining such terms because MPM may benefit from retaining such investors' investment in the Funds.

Parallel Funds. Under the various Governing Documents, the General Partner and/or its affiliates will be authorized to create one or more funds that invest in parallel with current active Funds. Investors in such Funds are cautioned that Governing Documents of such parallel funds may contain terms and conditions that deviate significantly from those described in a current Fund's Governing Documents.

Valuation. There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the General Partners (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and/or MPM will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values can significantly differ from values that would have been determined had an active market existed for such securities and can significantly differ from the prices at which such securities ultimately may be sold. The Firm has established a valuation policy, which it will follow when performing portfolio company valuations. There is a risk in that the valuations of MPM are performed internally by its own team and such valuations are not reviewed by an independent third party; however, all valuations are subject to an annual review as part of each Fund's annual financial statement audit. The exercise of discretion in valuation by the Firm can give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of Management Fees.

Investing in Different Levels of the Capital Structure. Subject to the terms of each Fund's Governing Documents, one Fund may hold interests in an entity that are of a different class or type than the class or type of interests held by other Funds. For example, one Fund may hold mezzanine or senior debt securities and another Fund may hold junior securities. These and other investments may be deemed to create conflicts of interest, particularly because MPM is permitted to take certain actions for some Funds with respect to one class of debt or equity that have the potential to be adverse to other Funds who hold other classes of debt or equity of the same borrower or issuer. In such cases, MPM will seek to act in a manner it believes in good faith to be fair to clients under the circumstances and consistent with each Fund's Governing Documents.

Intangible Benefits. MPM and its employees receive certain intangible and/or other benefits or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund Expenses

often result in “miles” or “points” or credit in loyalty/status programs to MPM and/or its employees, and such rewards or amounts will exclusively benefit MPM and/or such employees and will not be subject to the offset arrangements or otherwise shared with such Fund, its investors, or the portfolio companies.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

For information regarding the types of securities and portfolio companies in which Funds invest, please see Item 4.B and Item 8.A, above.

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a client’s or prospective client’s evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Like other registered investment advisers, MPM is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor’s evaluation of MPM or the integrity of MPM’s management. MPM and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Neither MPM nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.

Neither MPM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a

material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. **Broker-dealer, municipal securities dealer, or government securities dealer or broker**
2. **Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
3. **Other investment adviser or financial planner**
4. **Futures commission merchant, commodity pool operator, or commodity trading adviser**
5. **Banking or thrift institution**
6. **Accountant or accounting firm**
7. **Lawyer or law firm**
8. **Insurance company or agency**
9. **Pension consultant**
10. **Real estate broker or dealer**
11. **Sponsor or syndicator of limited partnerships.**

MPM does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, financial planning firm, futures commission merchant, commodity pool operator, commodity trading adviser, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory services, the Funds or its investors. MPM has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other personal services.

MPM has a relationship with two registered investment advisers and one trust company, which are portfolio holdings of one of the MPM Funds. Specifically, the following investment advisers are related persons of MPM as described in MPM’s Form ADV Part 1: Lateef Investment Management, L.P. and Bridges Investment Management, Inc. Bridges Trust Company, a thrift institution, is affiliated with Bridges Investment Management, Inc. and also a portfolio investment of MPM. Because each of these affiliated entities performs distinct services to MPM, the Firm does not believe such relationships create a conflict of interest. In the event there were a conflict of interest, MPM would bring such conflict to the relevant Fund advisory committee, as applicable.

As described above in Item 4, MPM is affiliated with the Funds’ General Partners and affiliated advisers and related entities, all of which are deemed registered with the SEC under the Advisers Act pursuant to MPM’s registration. These General Partner entities operate as a single advisory business together with MPM and serve as the general partner, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees,

consultants or persons occupying similar positions. These General Partners do not have employees of their own.

From time to time, MPM receives training, information, promotional material, meals, gifts or prize drawings or other perquisites from vendors and others with whom it does business or to whom it makes referrals. However, at no time will MPM accept any benefits, gifts or other arrangements that are conditioned on directing individual Fund transactions to a specific investment, product or provider. Similarly, MPM employees have in the past spoken, and expect in the future to speak, at conferences and programs for potential investors interested in investing in private funds that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction events, prospective investors have the opportunity to meet with MPM. Neither MPM nor any Fund compensates these investment bankers, broker-dealers or others for organizing such events or for investments ultimately made by prospective investors attending such events.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

MPM does not recommend or select other investment advisers for the Funds.

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

A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.

Pursuant to Rule 204A-1 of the Advisers Act, MPM has adopted a written code of ethics (the “Code”) that sets forth standards of conduct expected of supervised persons and addresses personal trading and reporting of personal securities transactions, gifts and entertainment and outside business activities, among other topics. The Code requires all supervised persons to place Fund interests ahead of the Firm’s interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Supervised Persons are required to certify to their compliance with the Code upon hire and on an annual basis. Supervised Persons who violate the Code will be subject to remedial actions, including, but not limited to, censure, suspension or dismissal. Supervised Persons are also required to promptly report any violations of the Code of which they become aware.

MPM will provide a copy of its Code to any existing investor upon request to its Chief Compliance Officer, Teri Mercer at (402) 991-8430 or tmercerc@mccarthycapital.com.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Participation or Interest in Client Transactions

Certain MPM employees and family members of MPM employees have invested in the Funds through their General Partner, affiliates and/or as investors. McCarthy Partners, LLC is an employee-owned vehicle which invests side-by-side with certain MPM Funds in portfolio investments. In their capacities as investors or members of the General Partners of certain of these Funds, MPM and/or its affiliates share in the profits and losses generated by the investments of those Funds. MPM generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account buys from or sells any security to any advisory client. This also applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser). The SEC also views cross trades between Funds to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either Fund. Agency cross transactions occur where an adviser or an affiliate arranges a transaction (*i.e.*, as a broker-dealer) between two or more different funds or accounts that are managed by that same adviser or an affiliate or has an affiliated broker-dealer. Agency cross transactions can also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not “acting as a broker” if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3).

In the event MPM were to recommend a principal transaction or agency cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the investors or advisory committee, as appropriate; (iv) if necessary, consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

Conflicts of Interest

MPM’s Code requires Firm principals and employees to place the interests of clients first, and on an annual basis each principal and employee must certify that he or she has read and understands the Code and has complied with its provisions. If any matter arises that MPM determines in its good faith constitutes an actual conflict of interest, MPM will take such actions as are necessary or appropriate, within the context of any applicable Fund’s Governing Documents, to address the conflict. In situations where actual or potential conflicts of interest between MPM and/or its affiliates and the

Funds are identified, procedures contained in the Governing Documents of the affected Funds generally provide for submission of the proposed transaction to an investor advisory committee for review and resolution. The specific procedures for each Fund MPM advises are set forth in such Fund's Governing Documents.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

Personal Trading

The personal trading policy for MPM supervised persons is set forth in MPM's Code and is acknowledged as received and understood by each supervised person. MPM's personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by any supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Fund.

MPM's supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding publicly traded securities or communicating material non-public information about such securities to others. The Code establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. The Firm maintains a restricted list regarding issuers about whom it has or may have material non-public information. Pre-clearance is required by supervised persons for certain personal securities transactions, including trading in restricted list securities, initial public offerings and certain limited offerings. In addition, supervised persons are required to file certain reports and submit their brokerage account statements to the Chief Compliance Officer for review.

The principals and employees of MPM carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and in connection therewith, can potentially give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds or that are outside of the investment mandate of the Funds

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Because of the private nature of its portfolio investments, MPM does not typically face a situation where a supervised person buys or sells a security for his or her own account at or about the same time that the Firm is also buying or selling the same securities for the Funds. In the event this were

to occur, the supervised person would be required to seek pre-approval from the Chief Compliance Officer for such transaction.

Item 12 – Brokerage Practices

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

MPM focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions. In pursuing privately negotiated transactions, MPM will, on occasion, engage the services of a broker-dealer or investment banker in connection with the purchase or sale of an investment. In such privately negotiated transactions, best execution is met by the consummation of the deal with the best possible terms for the Fund. Whether for private or public securities transactions, MPM selects a broker-dealer or investment banker based on MPM's judgment regarding a variety of factors which will not be limited solely to ultimate deal price, including but not limited to: (i) MPM's prior experience in working with the broker-dealer or investment banker; (ii) the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; (iii) the broker-dealer or investment banker's responsiveness to the Firm; (iv) the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; and (v) the commission rates, among other factors.

Although MPM generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker can thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

1. *Research and Other Soft Dollar Benefits.*

MPM does not receive research or other soft dollar benefits in connection with securities transactions for the Funds.

2. *Brokerage for Client Referrals.*

MPM does not receive client referrals in connection with selecting or recommending broker-dealers for the Funds.

3. *Directed Brokerage.*

MPM does not engage in directed brokerage.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

In the event MPM were to aggregate the purchase or sale of securities for Fund accounts, it would do so on a pro rata basis.

Item 13 – Review of Accounts

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

The investment portfolios of each Fund are generally private, illiquid and long-term in nature and accordingly MPM's review of them is not directed toward a short-term decision to dispose of securities. MPM closely monitors the portfolio companies of its Funds and maintains an ongoing oversight position in such portfolio companies. A team of investment professionals reviews each Fund's portfolios on an on-going basis. These reviews include, without limitation, sales trends, margins, profitability, debt to equity ratios, material business developments, competitive landscape and management. The team includes principals and other investment professionals of MPM.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

The Firm's investment committee or its Chief Compliance Officer would perform additional reviews in the event that a portfolio company needed subsequent financing, in the event of a potential acquisition or liquidity event or if there were a serious performance issue.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

Annually, MPM provides investors on behalf of each of its Funds: (i) audited financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP"), as promulgated by the Financial Accounting Standards Board ("FASB"), accompanied by the report of the independent certified public accountant within 120 days of fiscal year end; (ii) tax information necessary for the completion of tax returns (K-1s); and (iii) a statement of the determination of the value of each investment as of the end of the preceding calendar year. In addition, on a quarterly basis, MPM provides investors on behalf of each of its Funds: (i) unaudited financial statements for the first three quarters of each fiscal year; (ii) capital account summaries; and (iii) portfolio company reviews. All reports are sent to investors in writing and are delivered electronically through the Firm's investor portal. The Firm also has contact with investors (personal visits, telephone, email) throughout the year as conditions warrant.

In the course of conducting due diligence or otherwise, Fund investors periodically request information pertaining to their investments. MPM responds to these requests, and in answering these requests provides information that is not generally made available to other Fund investors who have not requested such information. While MPM does not have an obligation to update any such information provided, the Firm endeavors to provide the information requested in the most current form available. Upon request, certain investors receive additional information and reporting that other investors do not receive.

Item 14 – Client Referrals and Other Compensation

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

As described in Item 5 above, MPM does not normally receive transaction fees, monitoring fees and reimbursements from the portfolio companies held by the Funds. In the unlikely event that MPM receives any fees or other remuneration directly from any portfolio company of a Fund (such as board of director fees), those fees will be used to offset the Management Fees otherwise payable by the relevant Fund in the following quarter.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

From time to time, MPM enters into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in an MPM Fund. In connection with the fundraise of Funds V and VI, MPM engaged Lazard Ltd. (“Lazard”), a registered broker-dealer, as its placement agent. All fees and expenses (including, without limitation, placement agent travel, meals and entertainment expenses) payable to Lazard were borne by MPM directly and not by any investor.

Item 15 – Custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

MPM is deemed to have custody of the Funds’ assets because of its affiliation with each Fund’s General Partner (and/or the Firm or an affiliate of the Fund in the case where such Fund does not

have a General Partner) and the General Partners' (and/or the Firm or an affiliate of the Fund in the case where such Fund does not have a General Partner) ability to deduct fees from investor accounts. In order to comply with the Custody Rules, MPM has elected to undergo an annual GAAP financial statement audit by a Public Company Accounting Oversight Board registered and inspected auditing firm for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end. Investors in the Funds should carefully review such financial statements.

MPM does not, however, accept physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired to the relevant Fund's qualified custodial account. MPM receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about MPM qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

Item 16 – Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

MPM generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds as per the Governing Documents of each Fund. Investment advice is provided directly to the Funds, subject to the discretion and control of the relevant General Partner (and/or the Firm or an affiliate of the Fund in the case where such Fund does not have a General Partner), and not to investors in the Funds individually. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Such Governing Documents generally contain a power of attorney that grants MPM or the applicable Fund's General Partner (and/or the Firm or an affiliate of the Fund in the case where such Fund does not have a General Partner) certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, with limited exceptions, such as certain conflicts of interest as discussed elsewhere in this Brochure, MPM is not required to contact an investor prior to transacting business in such Fund.

Generally, MPM's only restrictions with respect to managing a Fund, such as (but not limited to) the type of securities in which a Fund may invest, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on MPM's authority through a side letter agreement and the Firm can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to MPM in writing and agreed to by MPM and such investor. Other investors meeting certain commitment thresholds are often provided with notification provisions regarding such side letter agreements but are not provided with consent rights over such agreements.

Item 17 – Voting Client Securities

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

By virtue of the applicable Governing Documents, MPM has the authority to vote proxy statements on behalf of all of its Funds, except for McCarthy Mortgage and McCarthy Group (the procedures for which are described in the following paragraph). The majority of “proxies” received by MPM, however, will be written shareholder consents or similar instruments for private companies owned by such Funds. As such, MPM has adopted proxy voting policies and procedures pursuant to SEC Rule 206(4)-6. MPM’s proxy voting policy seeks to ensure that it votes proxies in the best interest of the Funds, including where there are material conflicts of interest in voting proxies. MPM generally believe its interests are aligned with those of the Funds’ investors through the principals’ beneficial ownership interests in the Funds. In the event that there is a conflict of interest in voting proxies, MPM’s proxy voting policy provides that the Firm can address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory committee on the proposed proxy vote, or through other alternatives as set forth in MPM’s proxy voting policy. Investors in the Funds cannot direct how MPM votes proxies or shareholder consents, nor is MPM required to seek investor approval or direction from investors when voting proxies or giving consent on any matter requiring the consent of shareholder.

With respect to McCarthy Mortgage and McCarthy Group, proxies are forwarded to each of these Funds’ respective authorized representative who votes the proxies on behalf of the relevant Fund. MPM has confirmed that the authorized representative’s proxy voting policies and procedures have also been adopted in accordance with SEC Rule 206(4)-6 and that the representative votes proxies in the best interest of the relevant Funds.

Firm principals and affiliated or unaffiliated third parties appointed by MPM often sit on the boards of portfolio companies to which MPM provides operational, management and consulting services and, as such, exercise authority with respect to various issues faced by the portfolio companies. MPM does not consider service on portfolio company boards by MPM personnel and affiliated and unaffiliated third parties appointed by MPM or their receipt of nominal board fees, if any, to create a material conflict of interest in voting proxies with respect to such companies.

MPM will provide a copy of its proxy voting policy to any existing investor upon request to Teri Mercer, MPM’s Chief Compliance Officer, at (402) 932-8600 or tmercerc@mccarthycapital.com. Investors can also obtain information from the Firm, free of charge, about how MPM voted previous proxies, if any.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

This Item is not applicable to MPM.

Item 18 – Financial Information

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

MPM does not require or solicit prepayment of more than \$1,200 in fees per Fund six months or more in advance.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

MPM has no financial condition that impairs its ability to meet contractual and fiduciary commitments to the Funds or their underlying investors.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

MPM has not been the subject of a bankruptcy petition.